

## Financial Controls Policy & Procedures

Adopted by the Trustees November 2016

Last reviewed: September 2019

Next review: September 2020

The trustees of Crossfields Institute recognize that devising and implementing Financial Controls protects the interests of the beneficiaries of the charity, its employees, and the trustees.

The fundamental responsibility for control of the charity's activities and funds lies with the trustees. In discharging their responsibility the trustees are mindful of the following key areas:

### 1. Organisational structure

All internal control systems are to be based on a recognised plan of the charity's structure which clearly shows areas of responsibility; lines of authority; and lines of reporting.

### 2. Delegation of financial duties

The trustees have a duty to ensure that all property of the charity is brought under their joint control, and that it remains under their joint control, until it is applied for the purposes of the charity. If the trustees make a conscious decision to delegate financial duties to employees or other officers of the charity they will ensure that the delegation is authorised by the charity's governing document.

### 3. Segregation of duties

Where appropriate and reasonable the trustees will ensure separation of those responsibilities or duties which, if combined, would enable one person to record and process a complete transaction.

### 4. Competence of staff and advisers

The trustees will ensure that the administrative staff are competent and that the charity accesses qualified independent professional advice where appropriate or required.

### 5. Budgetary controls

In order to achieve full control over the charity's finances, the trustees and staff will work within an agreed budget and will undertake full financial planning.

### 6. Controls over incoming funds

The trustees have a duty to take control of and safeguard all funds to which the charity becomes entitled.

### 7. Control over expenditure

The trustees are responsible for all expenditure of charitable funds and have to account for how the charity's funds have been applied. The basic rules of proper record-keeping, segregation of duties, and safekeeping of valuables are vital. The trustees have a responsibility to ensure that adequate checks are made to both confirm that purchases have been properly authorised, and that goods or services ordered have actually been received.

#### **8. Payment methods**

Dealing in cash represents a heightened degree of risk; every effort is made to reduce the need for cash payments to an absolute minimum. Payments by cheque or bank transfer are generally considered safe methods of payment; however trustees will abide by any relevant clause in the governing document which specifies who is authorised to sign cheques and electronically access bank accounts.

#### **9. Electronic banking**

The trustees will ensure that electronic banking security measures are in place to safeguard the assets of the charity from external attack and/or from unauthorised attempts to access accounts.

#### **10. Wages and salaries**

These are a major item of the charity's overheads. The trustees will ensure that the charity is not exposed to additional liabilities by a breach of statutory regulations, i.e. through failing to comply with PAYE obligations.

#### **11. Checks on expenditure records**

As with controls over incoming funds the trustees recognise the need to check regularly that records of funds applied are being accurately maintained. They will also ensure that funds are allocated and recorded correctly between unrestricted, designated and restricted funds.

#### **12. Controls over assets**

As well as ensuring that they have control over the charity's incoming and outgoing funds, the trustees recognise their duty of ensuring the safe keeping of the charity's assets so that they can be effectively used to promote the charity's objects. This concerns fixed assets and investments.

#### **13. Investments**

Investments, if any, are held in order to secure cash flow & generate income for the charity and to protect its capital. The trustees recognise their duty to ensure that they are safeguarded.

#### **14. Accounting requirements**

The trustees are under a duty to ensure that the charity keeps proper books and records, and that the accounts are subjected to external scrutiny. Annual accounts will be prepared which will conform to any relevant requirements and recommendations, particularly the Charities Act 2011, the Charities (Accounts and Reports) Regulations 1995 and 2000 and Accounting and Reporting by Charities – Statement of Recommended Practice (SORP

2005), and as a charitable company, to Part VII of the Companies Act 1985. The Charities (Accounts and Reports) Regulations 2008 require the methods and principles of SORP to be followed when accounts are prepared under the Charities Act.

## **15. Accountability**

The Institute's Strategic Leadership Team will be responsible for ensuring the principles of this scheme are understood and enforced within the Crossfields Institute by relevant staff employed within the Institute.

## **16. Financial Interest**

Trustees are required to declare and record any financial interests and any private or personal non-pecuniary interests, which may affect any financial or contract process to the other Trustees and the Institute's Strategic Leadership Team.

## **17. Risk Reserve**

Trustees will approve a level of reserves that are set aside to reflect the overall risk cover it wishes to see for the Institute. The Institute has a reserves policy, which is reviewed each year and adopted by the Board of Trustees.

## **18. Procedures**

### **18.1 Organisational structure**

The trustees appoint the Institute's Strategic Leadership Team who are in charge of day-to-day operation and implementation of the objects and policy of Crossfields Institute.

The Institute's Strategic Leadership Team line-manage other administrative support staff, and links with consultants.

### **18.2 Delegation of financial duties**

The Institute's Strategic Leadership Team are accountable to the trustees; they will exercise delegated authority from the trustees, report regularly to them, and work within clear terms of reference which the trustees will review and revise from time to time. The Strategic Leadership Team regularly report back to the trustees on the Institute's activities including on all financial matters; they consult and seek clarification on all matters of financial policy with the trustees.

### **18.3 Segregation of duties**

The principle of segregation of duties will be applied wherever appropriate and reasonable, particularly through checking, by a trustee, of income and expenditure records prepared by or under the supervision of the Strategic Leadership Team, and by the requirement for dual signatures on all cheque and credit card transactions above an agreed limit.

### **18.4 Competence of staff and advisors**

The appointment of the Institute's Strategic Leadership Team and other administrative support staff follows thorough selection procedures and competence checks. The trustees

have used the city law firm Bates Wells & Braithwaite to set up the company and achieve registered charity status; they may use this firm or other reputable law firms for legal advice when appropriate. The trustees have appointed the accountancy firm Wenn Townsend to give accounting advice and to prepare an independent financial statement for the Institute. The trustees will seek other professional advice from reputed professional individuals or organisations as required.

#### 19. Budget Management & Controls

The Institute's Director of Operations will normally produce four monthly financial reports to the trustees, which will enable the trustees to monitor in sufficient detail the Crossfields Institute's financial activities against agreed budgets. The trustees will consider, modify and approve annual budgets prepared by the Institute's Strategic Leadership Team. The Finance Administrator also prepares monthly management accounts to enable the Strategic Leadership Team to have a clear view of the financial situation.

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Strategic Leadership Team members also participate and provide information to enable a 5 year financial plan to be constructed and to enable the Trustees to undertake full financial planning for the Crossfields Institute.

The Institute's Strategic Leadership Team has overall responsibility for the delivery of the strategic objectives and thus has a responsibility for effective performance monitoring of all staff on matters of budget management.

#### 20. Banking procedures

Incoming receipts by cheque or cash are banked regularly and as soon as possible.

Cash or cheques are kept securely if they cannot be banked on the day of receipt. Insurance cover is in place to cover cash held in the safe or cash box up to a specified limit.

All incoming money is banked gross.

Any money of the charity is kept separate from any individual's personal money.

Surplus funds up to the level of the agreed risk contingency will be invested in easy access deposit accounts for security and to maximise return on investment. These will only be invested up to the level of cover provided by Government protection schemes

#### 21. Control over expenditures

Adequate checks are made to both confirm that purchases have been properly authorised, and that goods or services ordered have actually been received. In particular:

- Invoices received need to be checked against orders made.
- Records are kept of orders placed but not yet carried out.
- The quality and quantity of supplies are to be inspected in order to ensure they correspond with what was ordered and those invoiced for. Other work done for Crossfields Institute needs to be similarly checked.
- Payments only be made against original invoices.

### 21.1 Payment by cheque, cash, credit/debit cards

The following basic controls are exercised in order to prevent any misuse of charity funds:

- Any cheque above an agreed threshold if such applies must be signed by at least two authorized signatories. This is specified in the bank mandates. The mandate must specify at least two trustees.
- The charity operates a sufficient 'pool' of signatories authorized to sign cheques. This 'pool' must be greater in number than the minimum number of signatures required on the mandate. This is to prevent a situation where insufficient signatories are available, e.g. during popular holiday periods.
- Cheques made payable to a nominated signatory must never be signed by that person only.
- Close control will be exercised over access to the cheque books.
- It is preferable to avoid a situation where related trustees are able to sign cheques together.
- It is a dangerous breach of financial control over expenditure from charity funds if blank cheques are signed in advance. The practice of signing blank cheques would be regarded as neglecting the duty of care owed by trustees.
- All cheque expenditures are recorded in the accounts and cross referenced to the cheque number, with the nature of the payment and the payee clearly identified.
- All cheque book stubs (or equivalent) are completed at the time of payment, and retained (they form part of the charity's accounting records).

Regular spot checks are made of the expenditure records against primary documents such as invoices. No cheques are signed without a corresponding invoice, or other documentary evidence as to the nature of the payment. Expenditure must be regularly summarised for inspection by the trustees with exceptionally large items highlighted.

Every effort is made to reduce the need for cash payments to nil. As a general rule, and only if absolutely necessary, any cash payments will be made from personal funds and reclaimed and authorised as expenses. (Note – no cash payments have been made in the last year)

All claims for replenishment of the cash float should be backed up by supporting and signed by the authorized cashier.

A company credit card is issued to the Institute's Responsible Officer with a monthly credit limit agreed by the trustees. A threshold will be set by the trustees above which pre-authorization by a nominated trustee is required. This may be used for the purchase of travel tickets, for internet purchases and other authorized types of transactions. The credit card statement should be checked and signed each month by an officer other than the credit card holder.

A company debit card may be issued for the use of authorized officers. A threshold will be set by the trustees above which pre-authorization by the Strategic Leadership Team or nominated trustee is required. This may be used for the purchase of travel tickets, for internet purchases and other authorized types of transactions. The debit card transactions on the bank statement should be checked each month by the Institute's Head of Operations.

Charity debit and credit cards, cheques and any other instruments that enable access to charity accounts are to be kept in a secure location overnight.

### **21.2 Payment by electronic bank transfer**

Clear records of all electronic bank transfers are maintained, as for cheque and cash transactions, using bank statements for regular reconciliation to ensure all account movements, particularly debit transactions are in order.

Authority for conducting electronic bank transfers will only be delegated to the Institute's Responsible Officer or other appointed officer following successful completion of any initial review period. Trustees and the Responsible Officer will explicitly delegate such authority.

Electronic bank transfers may consist of inter-account transfers in order to maintain a credit balance on the current account whilst maximizing monies held in a deposit account.

Appointed officers may also make payments by electronic bank transfer following authorization by the appropriate signatories recorded on an invoice, pay slip, expenses form or other appropriate type of documentation. The authorizing signature will only be made after the above controls and checks have been carried out.

The Institute's Responsible Officer can authorise payments up to £30,000 providing expenditure is within agreed budgetary limits.

### **22. Salaries and reimbursements**

Salaries are always paid by electronic bank transfer into the employee's personal bank account. Salary payments are subject to monthly authorisation by the Institute's Responsible Officer or the Head of Operations. For any variations authorisation from the relevant member of the Strategic Leadership Team must be sought. The trustees will ensure that all employees have a contract of employment and that individuals are not incorrectly classified as self-employed. The charity will comply with its obligations to pay PAYE and national insurance contributions. The trustees may decide to contract out its payroll processing.

Reimbursement of expenses incurred by trustees or employees will be a straight payment of actual cost incurred. Evidence is to be produced of the costs incurred, e.g. bills or receipts. Mileage reimbursement will be claimed by completing specified form stating a recommended rate per mile, not in excess of the Inland Revenue rate.

### **23. Contracts & Purchasing**

Prior to beginning any purchase, the following considerations should be taken

- Appraise the need for the expenditure and its priority.
- Define the objectives of the purchase and how it meets our needs
- Assess the risks associated with the purchase and how to manage them.
- Consider what procurement method is most likely to achieve the purchasing objectives, including use of existing resources (staff), external sourcing or use of an existing Contract.

- Use user satisfaction feedback, ethical standards and previous performance monitoring as evidence to support your decision.

The basic principles which shall be applied for all Purchasing are to:

- Achieve good or best value
- Be consistent with the highest standards of integrity
- Ensure fairness in allocating contracts
- Comply with all legal requirements
- Support the Institute’s objectives.
- Officers and Trustees of the Institute responsible for purchasing should comply with these procedures: This includes:
  - Taking all necessary legal, financial and professional advice needed.
  - Declaring any personal non-pecuniary or financial interest in a contract.
  - Identify the purchasing need, procurement methodology and criteria for selection.
  - Allowing sufficient time for submission of quotation/tender bids
  - Keeping quotations / tender bids confidential
  - Always having a written specification including outcomes for any purchase over £5K.
  - Always having a contract with external consultants. The consultants are to be advised that they should make clear that their employment is on a self-employed basis and the Institute will keep a formal record of these arrangements.
  - Keeping accurate and up to date written records of all dealings with suppliers.
  - Assessing each contract afterwards to see how well it met the purchasing need and value for money requirements.
  - Ensuring that all relevant Contracts are subject to competition, unless there is an exemption agreed with the Trustees. Such exemptions should be recorded along with reasons for exception in the minutes of Trustee meetings. This will ensure transparency and accountability in use of Charity Funds.

The procedure to be following is dependent upon the estimated value of the procurement in question, which is detailed in the table below. (The total procurement value is the Budget plus any external funds):

Value of Procurement	Award Procedure
Up to £5,000	Demonstrate Value for Money, e.g. by benchmarking
£5,001 - £25,000	At least 2 written quotations
Above £25,001	Agreement and review of Trustees

**24. Checks on expenditure records**

Periodic checks are made by the trustees to verify that:

- records of payments made agree with cheque stubs, paid invoices or other authorisations and are in accordance with budgets;
- cheques have been presented for payment by the bank as shown by the statement;
- standing orders and direct debit payments are in accordance with valid instructions given to the bank.

These checks are to be made by someone other than the person concerned with the original recording of the transactions.

## **25. Fixed assets**

This term includes such items as land, buildings, vehicles, fixtures and fittings, and equipment (e.g. computers, computer networks and the data contained in them, printers, fax machines etc) which are used in the charity's activities.

A list of fixed assets is held and updated regularly.

All fixed assets are checked at regular intervals to ensure they remain in good repair and of use to the charity.

Trustees give due consideration to the need for insuring assets, and to the extent of cover which is appropriate.

## **26. Accounting requirements**

The trustees ensure that the accounts are subjected to external scrutiny by its appointed accountants / auditors. Furthermore:

- The trustees are provided with copies of the charity's report and accounts each year.
- The trustees formally approve the charity's Annual Report and accounts.
- New trustees are given a copy of the latest accounts on appointment, together with other essential documents such as the governing document, and information about the charity's history.

## **27. Signatories, limits and authorisation**

### **27.1 Payments by cheque**

There must be at least 3 signatories in accordance with the bank mandate:

- 1 must be the Institute's Responsible Officer
- 2 at least must be Trustees.

Cheques above £500 need to be signed by two signatories, one of whom must be the Institute's Responsible Officer or a signatory trustee. In this case, the paperwork must also be signed and authorized by the Institute's Responsible Officer or trustee.

The Institute's Responsible Officer or a signatory trustee may sign cheques up to £1,000 without written authorization. Pre-authorization should be noted on invoices etc. but may

also be done via email; such documentation must be retained with the invoice or other transaction paperwork.

### 27.2 Payments by online bank transfer

A signatory trustee will require pre-authorization from the Board of Trustees or a signatory trustee before making online transfers above £1000; the paperwork must identify the trustee who made the transfer.

The Institute's Responsible Officer may make non-payroll online transfers up to £20,000 without authorization by a trustee or other authorized officer. Transfers above this threshold need pre-authorization by either an authorized officer or a signatory trustee. In all transactions the paperwork must identify the Responsible Officer as the person who made the transfer.

An authorized officer may make online transfers above £500 only following documented pre-authorization by either the Responsible Officer or a signatory trustee. In all transactions the paperwork must identify the officer who made the transfer.

Pre-authorization should be noted on invoices etc. but may also be done via email; such documentation must be retained with the invoice or other transaction paperwork.

### 27.3 Payment by company credit card

As a general rule, it is recommended that the company credit card be used to make purchases. If the purchases are made online, then the credit card must be used.

A company credit card may be issued to the Institute's Responsible Officer. A monthly limit of £1,000 will be set on any such credit card issued, and expenditure must be in line with the above. The Responsible Officer must keep the receipt and a record of why the expenditure was incurred. The monthly credit card statement will be checked and signed by an authorized officer who is not the card holder.

A company credit card may also be issued to an authorised officer for their sole use. A monthly limit of £2000 will be set on any such credit card issued to allow for expenditure related to travel booking for staff and other office related expenditure. The Officer must keep the receipt and a record of why the expenditure was incurred. The monthly credit card statement will be checked and signed by an authorized officer who is not the card holder.

### 27.4 Authorisation Limits

What	Authorised Officer	Institute's CEO	Trustee
Cheques	Sign up to £500	Sign up to £500 and over with other signatory	Sign up to £500 and over with other signatory
Online transfers (non payroll)	Up to £5k, Above £10k if within budget	Requires pre- authorisation if above £20,000	Requires pre- authorisation if above £1,000
Staff Expenses & Mileage	<£500	£500-£2,000	Above £2,000
Debit cards	<£500	£500-£2000	Not applicable
Credit cards	<£1000	£1-£2000	Not applicable

Payroll	No authorisation unless delegated by Institute's CEO to Head of Executive Administration	Authorisation of pay list by Institute's Chief Executive. Sign off payments on monthly basis	No authorisation
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