

# Kingsclere Charities Finance Management Policy

## Statement of intent

The Kingsclere Charities is an umbrella organization supporting the management for the following:

- Kingsclere welfare charities
- Kingsclere almshouse charities
- The Robert Higham apprenticing charity
- The educational foundation of Robert Higham

It is Kingsclere Charity's intention to apply internal financial controls, essential checks and procedures that:

- Meet their legal duties
- Safeguard the charity's assets
- Administer the charity's finances and assets in a way that identifies and manages risk
- Ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information

## Policy

Trustees have a duty to ensure that the charity's resources are protected in order that the charity can fulfil its aims.

The aims of this policy are:

- To protect the charity's assets;
- To identify and manage the risk of conflicts of interest, loss, waste, bribery, theft or fraud;
- To ensure that financial reporting is robust and of sufficient quality; and
- To ensure that the trustees comply with charity law and regulation relating to finance.

Trustees have legal responsibilities to keep accounting records, and to prepare an annual report and accounts with the appropriate level of external scrutiny. Trustees must also safeguard their charity's assets and take steps to ensure the charity is protected against financial abuse. Accounting records must be kept for at least six years (or a minimum of three years if a company charity).

Trustees have a number of legal duties that must be met in relation to accounting and financial reporting. These include:

- Keeping 'sufficient' accounting records to explain all transactions and show the charity's financial position
- Prepare an annual report and statutory accounts meeting legal requirements
- Consider the need for a reserves policy, managing the level of reserves held and the disclosure of any reserves policy in the Trustees' Annual Report
- Formally approving the Trustees' Annual Report and accounts
- Ensuring that accounts are subjected to any external scrutiny required by law or by the charity's governing document
- Ensuring that the Trustees' Annual Report, accounts and annual return are filed on time with the Charity Commission where filing is required by law and, if the charity is a company, also filed with Companies House
- Meeting requests from the public for copies of the charity's most recent Trustees' Annual Report and accounts
- Safeguarding the assets of the charity and ensuring proper application of resources
- Taking steps for the prevention and detection of bribery, fraud, financial abuse and other irregularities

## **Policy in Action**

### **Collective responsibility**

All decisions by the Trustees concerning the charity's finances will normally be taken and agreed collectively. Significant decisions and action points will be noted in writing.

The Charity Commission recommends that new trustees are given a copy of the latest accounts on appointment.

### **Budget**

A proper and realistic estimate of income and expenditure will be prepared for each area of the charity's activities for each financial year.

The budget will be prepared by the Treasurer and agreed by the Trustees before the start of the financial year to which it relates.

### **Periodic financial reporting**

A report will be made by the Treasurer to the Board of Trustees at every scheduled periodic meeting covering:

- Sources of income and income received
- Reserve levels and investment performance
- Expenditure
- Significant over or underperformance of both income and expenditure plans.
- A comparison of budget to actual figures
- Cash flow and closing bank balances

Financial information provided will be understandable, accurate and timely. Information needs to be sufficient to ensure trustees can fulfil their monitoring role.

The financial information should be sent to each Trustee before each meeting.

Finance matters will be a standing agenda item at every scheduled periodic meeting and at the annual general meeting.

An annual report together with the external auditor's report will be made to the Trustees at the annual general meeting.

Should the need arise, Trustees can request access to any financial information, records and documentation at any time.

### **Internal audit**

The Board of Trustees will be responsible for the internal audit of the charity's financial information and records. Internal audit will cover:

- The effectiveness of a charity's financial controls.
- The accuracy of the charity's financial records
- How the charity manage and monitor risk

### **External audit**

The Charities financial management information and records will be subject to annual external audit.

The Trustees will appoint the independent external auditor.

The Trustees will receive a report from the external auditor at its annual general meeting.

External audit will cover:

- The operation of the internal control systems
- The identification and assessment of the risk
- The identification and assessment of material error or misstatement in the published accounts

### **Management of the risks from financial misconduct and criminal activity.**

Kingsclere Charities will mitigate the risks from financial misconduct and / or criminal activity by:

- Reviewing financial controls at appropriate intervals and keep them up to date, ensuring that the type of bank accounts in use are fit for purpose  
Ensuring that any new bank accounts meet the Charity's needs. Review the

ongoing use of any account in the event of any changes to the banks terms and conditions.

- Segregate duties by not allowing one or two people to be in charge of and unchecked for all aspects of the Charity's financial controls
- Making sure that all the separate parts of the financial records agree with each other
- Keeping receipts
- Reconciling bank statements with invoices, receipts, purchase, and payment authorisations
- Never weakening financial security for the sake of short cutting or time saving
- Not pre-signing blank cheques, even if a second signature is required
- Keeping a list or register of valuable fixed assets and key charity property
- Periodically inspecting valuable fixed assets and key charity property
- Ensuring that electronic or online banking arrangements are secure and are protected
- Carrying out appropriate due diligence checks on applicants for grants
- Ensuring that trustees receive and consider regular reporting information about the Charity's finances.
- Having procedures for safe and secure use of computers, hard drives, USB and data storage devices

## **Banking and custody arrangements**

The following controls need to be applied to ensure that the cheques and cash received are kept securely, banked promptly and recorded in the accounting records:

- Cheque and cash receipts should be promptly recorded in the accounting records
- Cheques and cash should be banked regularly and promptly
- Cheques and cash not banked on the day of receipt should be placed in a safe or locked cash box
- Funds should normally be banked gross without deduction for costs or expenses
- Cash in hand and in transit should covered by insurance

## **Controls for purchases & payments**

### **Authorisation of expenditure on goods and services**

The following expenditure controls will be applied:

- Only necessary and authorised purchases are made
- Ensuring funds exist within approved budgets to meet the expenditure.
- Payments are made only for the goods and services received and at the agreed prices.
- Establishing authority levels for placing orders and approving payments which are clear and preferably documented

- Orders placed are within an agreed spending plan or budget - additional spending outside agreed budgets should be authorised
- Invoices received are checked against orders confirming the price paid and the receipt of the goods or services ordered
- Other than in exceptional circumstances, and then with the full agreement of the board of Trustees, loans of any of the Charity's funds will not be allowed. Loans of any of the Charity's funds will never be allowed to Trustees.

### **Authorisation of expenditure on grants**

The following controls will be applied:

- Grants are only made in line with the objectives and policies of the Charity
- Grants are only made with the collective agreement of the Board of Trustees
- Practical and proportionate arrangements are allowed for smaller additional expenditures that can be made with the authorisation of only the one named and agreed individual
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### **Controls for payments by cheque**

The following controls will be applied when paying by cheque:

- Where practicable bank mandates should require two signatures, one of which being that of a trustee. However, arrangements have to be practical and proportionate. Smaller value cheques may be signed by only the one named and agreed individual
- Ensure cheque books are kept in a secure place
- Regularly review bank mandates and authority limits
- Prohibition on the signing of blank cheques
- Prompt recording of payments in cash books including details of the cheque number, nature of the payment and the payee
- Obtaining documentation to support the validity of the payment including relevant invoices and confirmation that the goods or services have been received

### **Controls for payments by debit card, credit card and charge cards**

The following controls will be applied when making payments by debit card, credit card and charge cards:

- Setting a clear policy for the use of payments cards, the criteria for their issue, spending limits and their security
- Placing restrictions on the types of retailers where the cards may be used, eg blocking their use in restaurants, food retailers or on certain websites
- Communicating the policy for the use of payment cards clearly, in writing, to all trustees and staff using them

- Ensuring payments cards are cancelled and destroyed, if the individual ceases to work for the charity or if the authorisation of the card's use is withdrawn
- Ensuring that debit card expenditure is supported by a voucher and/or invoice and recorded and analysed in accounting records
- Periodic review of card use to ensure consistency of use with set policies

### **Controls for payments by direct debit, standing order and Bankers' Automated Clearing Services (BACS) direct credit**

The following controls will be applied when making payments by direct debit, standing order and BACS):

- Payments are only made when authorised and that payments are accurately recorded in the accounting records
- Only specifically authorised individuals are able to set up arrangements to make payments by direct debit, standing order or BACS
- Monitoring of payments so that the Charity can ensure that the arrangement is cancelled when the charity stops using the goods or services being supplied

### **Controls for payments in cash**

The following controls will be applied when making payments by cash. Payments are made in cash the commission recommends that:

- Cash payments are for small amounts only
- Cash should be paid out of a petty cash float specifically kept for such payments, and not from incoming cash or by way of direct withdrawal from the bank account
- Details of payments should be entered in a petty cash book or other suitable record
- The balance of petty cash in hand, and the records, to be kept securely
- Cash withdrawals should be reviewed for authorisation and correctness by someone other than the person who withdrew the cash.

### **Controls for the payment of wages and salaries**

The following controls will be applied when making payment of wages and salaries:

- Records required by HMRC of PAYE deducted from the wages and salaries of employees are maintained
- Statutory deductions are paid to HMRC as required and pension contributions paid across to the pensions provider promptly
- Deadlines for year-end returns to HMRC are met including P35, P11D and P60 or the data required for 'real time information' submissions to HMRC are complete and submitted on a timely basis
- Minimum wage legislation is adhered to
- Only authorised or required deductions are made from pay
- Each employee has a proper contract of employment and that individuals are not incorrectly classified as self-employed

- Legal obligations in relation to pension scheme arrangements are met
- Procedures for setting rates of remuneration for all staff ensuring that no individual has authority to set his or her own remuneration or terms of employment
- Paying wages and salaries by BACS

### **Controls for the payment and reimbursements of expenses**

The following controls will be applied when making payment of wages and salaries:

- Controls over expense payments are applied without exception to all those involved with the charity's trustees and employees
- The charity only reimburses legitimate expenses properly incurred on its behalf
- Requirement to complete expenses claims and to provide receipts
- Expense claims to be authorised by someone other than the claimant and checked for accuracy before payment
- Expense claims to contain a self-declaration that the claim is accurate and incurred in connection with the business of the charity
- Reimbursement should be made by cheque or BACS transfer
- Mileage rate paid for motor travel should be at HMRC rates that do not result in a tax or national insurance liability for the charity or the claimant
- Unless a dispensation has been granted by HMRC, a Form P11d will need to be completed and filed with HMRC detailing expense payments and benefits received by each staff member earning £8,500 or more

### **Controls for the taking out of loans including trustee loans:**

- All loans are documented and that the amount of the loan and any charges and interest due are clearly set out
- A record of all outstanding loans is kept noting the history of repayments of principal and interest for each loan and the outstanding balance
- Where a loan is advanced by a trustee, any conflict of interest is noted and properly managed, that the terms of the loan are in the charity's interests, and should a rate of interest be charged that exceeds the prevailing Bank of England Bank Rate (also known as the base rate) that rate is justifiable
- If a loan is secured or subject to bank covenants, the terms of the security or bank covenants are in the interests of the charity and appropriate details are logged on the register of assets
- Any loan repayments need to be shown in all budgets and financial forecasts
- The charity has in place a plan to meet the repayment of principal and interest on the loan as they fall due
- Unless in exceptional circumstances, and then only with the agreement of the full Board of Trustees, the Charity will not overdraw any of its accounts

### **Controls on expenditure records**

The following controls will be applied on expenditure records:

- Records of payments (including direct debit, BACS, or standing orders) are checked periodically to cheque stubs, credit card statements or bank statements - these checks may often be carried out as part of the bank reconciliation processes
- Periodic checks are made to ensure payments are supported by invoices which have been properly authorised
- Regular review of standing orders and direct debit payments are made to ensure payments remain in accordance with valid instructions given to the bank or building society
- These checks should be made by someone other than the person concerned with the original recording of the transactions

## **Internal financial controls for assets and investments**

### **Controls over fixed assets used by the charity**

The following controls will be applied over fixed assets used by the charity:

- Trustees have a duty to safeguard the assets of the charity from loss or damage and to ensure their proper use within the charity
- A set financial threshold for the capitalisation of expenditure on fixed assets within the accounting records
- Maintenance of a list or of all assets whether purchased by, or donated to, the charity for its continuing use. This record should show the cost (or value) of the asset and provide sufficient detail to enable an asset and its location to be identified
- Inspection of fixed assets at regular intervals to ensure that they exist, remain in good repair and are being put to appropriate use
- The disposal or scrapping of fixed assets is appropriately authorised and recorded in accounting records and in any fixed asset register
- The adequacy of insurance cover is reviewed at regular intervals
- The boundaries of any land and building are secure and recorded appropriately with the Land Registry
- The title deeds to land should be held securely and record adequately the Charity's interest in the land

(Functional fixed assets include land, buildings, vehicles, fixtures and fittings, and equipment which are used in the charity's activities).

### **Controls over investments**

The following controls will be applied over investments:

- Trustees have a duty to apply the charity's income for the benefit of its beneficiaries.
- Trustees have a duty to make sure these investments are safeguarded.
- Trustees' powers and duties relating to financial investments are included in the Trustee Act 2000 or company law and explained in Charities and



investment matters: a guide for trustees (CC14) which also covers programme related and mixed motive investments.

- Investments are made solely to further the charity's charitable aims; the terms are documented and for any loan advanced a repayment schedule is in place
- When making 'mixed motive' investments the trustees are clear at the outset on the balance between obtaining a financial return and furthering the charity's charitable Record the basis upon which the investment is made, and the anticipated financial return
- Consider the suitability and diversification of investments, including investments in deposit accounts, to ensure that the failure of one investment or institution does not have a major impact on the charity
- Take professional advice, where the trustees do not have the necessary expertise, before selecting, acquiring or disposing of investments
- Regular review of investment performance
- Regular inspection of any investment properties to ensure adherence to tenant covenants
- Maintain records of all investments held (including details of all those sold or purchased) by the charity
- Accounting controls to ensure that all dividends, rent or interest payments due are received and that all purchases and sales of investments are properly authorised and recorded
- The valuation of fixed assets with a revaluation every 5 years

### **Controls over cash held on deposit**

The following controls will be applied over cash held on deposit:

- Bank reconciliations are prepared at least monthly for all accounts, reviewed by a second person and any discrepancies resolved
- Direct debits, standing orders and other transfers are checked monthly for correctness
- The bank account(s) are operated in accordance with the agreement with the issuing Bank and are not used for any money transfers for the private benefit of individuals or third parties under any circumstances
- A list of all its bank accounts is kept and reviewed for dormant accounts which should be closed
- The opening or closing of accounts should either be authorised by the whole trustee body, or if delegated, the trustees should be informed of changes
- Third parties should not be allowed to open bank accounts in the charity's name, or use the charity's bank account to receive or transfer money
- The costs and benefits of the current and deposit accounts held are regularly reviewed to ensure bank charges and/or rate of interest are competitive and that the credit rating of the deposit taking institution is acceptable

### **Review of controls**

The trustees should, at least annually, ensure a review is conducted of the effectiveness of the charity's internal financial controls. This should include an

assessment of whether the controls are relevant to, and appropriate for, the charity and not too onerous or disproportionate.

## **Pensions**

Currently all employers must provide access to a stakeholder pension unless it offers either an occupational or an alternative suitable personal pension scheme. The terms of any such alternative personal pension scheme must meet minimum standards set by the government. Charities should also be aware of the changes to pensions including automatic enrolment which are being phased in from October 2012. The Pension Service of the Department of Work and Pensions has further information on employers' responsibilities and on future reforms.

## **Code of Conduct.**

Breaches of this policy will be taken seriously. Options for resolution include:

- Appearance before the board of Trustees to explain their actions.
- An acceptable apology and an undertaking that the contravention will not be repeated.
- Disciplinary action including verbal warning, written warning, final written warning, and dismissal.

Any directly involved person has the right to appeal against a decision made. The board of Trustees will appoint an independent person or organisation to hear any appeals. The decision of the person hearing the appeal will be final.

Any directly involved person has the right to be represented in any hearing.

All parties retain the right to refer the case to a higher authority such as a relevant regulatory body

## **How to make a complaint**

Complaints against anyone in relation to this policy should be made confidentially, either in person, or in writing to the Clerk to the Kingsclere Charities. In the event of the Clerk being directly implicated in the complaint, the complaint should be taken to the one the Chairs of the constituent charities.

## **Review**

This policy will be reviewed annually.

**Signed: P Crisford**

**Print Name: Philip Crisford**

**Date: 18.10.2022**

**Target review date: 18.10.2023**

