



Welcombe Radio

Stratford upon Avon, Our Community on the Radio

Financial Governance Policy

Why it is important that you read this document so that you can understand Welcombe Radio's commitment to this policy.

- If you are involved or planning to be involved with any fundraising on behalf of Welcombe Radio.
- If you hold a position within Welcombe Radio that has responsibility for running any financial aspect of Welcombe Radio.
- *Because it might be raining outside.*
- *The internet is down.*
- *It's drier then doing the washing up.*
- *You're waiting for friends to turn up!*

Table of Contents

Introduction	2
1.00: Key Issues Monitoring Arrangements and Risks	3
1.01: Aims of Financial controls are:	3
1.02: Monitoring	3
1.03: Financial Subcommittee	4
1.04: Provision of Information to the Trustees	4
1.05: Trustees Responsibilities regarding Accounting Requirements	4
2.00: Internal Financial Controls - Income	5
2.01: Income received in the post	5
2.02: Income from public collections and fundraising events	5
2.03: Banking and custody procedures	5
2.04: Checks to be undertake on income records	5
3.00: Internal Financial Controls – Purchases, payments and loans.....	6
3.01: Authorisation of expenditure on goods and services	6
3.02: Electronic banking.....	6
3.03: Payments by cheque	6
3.04: Payments by debit card:	7
3.05: Payments by direct debit, standing order payment by BACS or Debit Card.....	7
3.06: Payments in cash.	7
3.07: Reimbursements of expenses	7
3.08: The taking out of loans including trustee loans.....	8
4.00: Internal financial controls - assets and investments	8
4.01: Fixed assets used by the charity (functional assets)	9
4.02: Cash held on deposit.....	9
4.03: Controls over restricted funds	9

Introduction

This document establishes the governance under which financial accounting of Welcombe Radio functions.

- It is intended primarily as a document for the Trustees however is freely available to all members, funders and volunteers of the organisation.
- It is intended to be an addendum to the Constitution and will not conflict with it.
- It uses as a basis the Charity Commission Guidance, Internal Financial Controls for Charities, CC8.

This document establishes internal financial controls that are essential checks and procedures that help charity trustees:

- meet their legal duties to 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.

If a charity is to achieve its aims then the Trustees need to ensure that assets are properly used, that its funds are spent effectively and its financial affairs are well managed. This governance document considers the various areas of financial activity and provides internal financial controls to reduce the risk of loss.

1.00: Key Issues Monitoring Arrangements and Risks

It is a duty of the charity trustees to ensure that the charity's resources are protected in order that it can fulfil its aims. It is important that all those working in the charity whether trustees, staff or volunteers take the issue of internal financial controls seriously. Making controls work should not be just the responsibility of one or two trustees or apply to some but not others.

1.01: Aims of Financial controls are:

- to protect the charity's assets - including funds (restricted, unrestricted and 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,
- to ensure that the trustees comply with charity law and regulation relating to finance.

The controls put in place must be reviewed on an annual basis to ensure they are relevant and not too onerous.

The controls need to ensure that each new financial transaction is authorised by at least two officers, trustees either before or at a later meeting.

1.02: Monitoring

Budgetary control is required. A proper and realistic estimate of income and expenditure is to be made from which an overall budget will be set which will need to be agreed by the Trustees prior to the commencement of each financial year. Procedures should be in place that shares monthly, or periodically (as agreed by the Trustees), financial information with the Trustees and other budget holders, and, if applicable, over or underperformance of the income and expenditure of the organisation.

- The requirement for funds should be monitored.
- Basic controls especially bank and other reconciliations should be carried out regularly.

1.03: Financial Subcommittee

Should the size of the charity grow such that the Trustees consider that a sub-committee is required then Terms of Reference will be established for its formation to assist with procedures and policies as well as the audit function, if and when required.

1.04: Provision of Information to the Trustees

Understandable, accurate and timely information is to be provided regularly to ensure Trustees can fulfil their monitoring role. It is to be sent to each trustee before each meeting and will typically include,

- the latest management accounts. The accounts of the charity will be by the receipts and expenditure method
- a comparison of budget to actual figures
- an explanation for variances between forecasts and actual figures
- details of cash flow and closing bank balances
- balances of any restricted funds
- as required, a risk analysis of the finances of the charity.

Meetings of the Trustees will set aside a specific time within the agenda for discussion of financial matters and allow the Trustees to raise any issues of concern.

1.05: Trustees Responsibilities regarding Accounting Requirements

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 safeguard the 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.

Legal duties include,

- keeping 'sufficient' accounting records to explain all transactions and show the charity's financial position
- preparing an annual report and statutory accounts which meet legal requirements
- ensure any relevant tax regulations are complied with
- considering 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
- ensure that the Trustees' Annual Report, Accounts and Annual Return are filed on time with the commission where filing is required by law.
- 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
- ensuring cheque books and debit cards are kept secure and the accounts if kept electronically are kept secure with backups.

A Trustee Pack for all new Trustees should include:

- the latest annual accounts
- relevant policies
- the responsibilities of trustees – the Essential Trustee CC3
- the constitution/governing document
- the latest management accounts.

2.00: Internal Financial Controls - Income

The controls provide assurance that the income received is kept secure, is accurately recorded in the accounting records and is banked as quickly as possible. The scope of this document excludes detail on income from the Gift Aid Scheme, legacies and trading income, should this change the governance will be updated.

2.01: Income received in the post

The post should be held securely from the time it is received until it is opened. There should be no undue delay in the opening of the post, the recording of receipts and banking.

2.02: Income from public collections and fundraising events

Public collections and work with external fundraisers must comply with legal requirements.

Controls:

- at least two people are involved in handling and recording the cash received
- collection boxes are individually numbered and sealed before use and their issue and return is recorded
- public collections are counted whenever possible in the presence of the collectors and a numbered receipt given to them
- cash collected is banked by the charity as soon as possible **without** deduction of expenses

2.03: Banking and custody procedures

- cheque and cash receipts are to be promptly recorded in the accounting records
- cheques and cash should be banked regularly and promptly
- cheques and cheques not banked on the day of receipt should be kept securely
- funds should be banked gross without deduction for costs or expenses

2.04: Checks to be undertaken on income records

Basic controls, regularly performed, may serve as an early warning of anything going wrong and should include:

- records of cash and cheques received to agree with bank paying-in slips or counterfoils
- counterfoils or paying-in slips agree with the bank statements, both in terms of amount banked and date of credit
- transfers or other direct payments into the bank are identified and verified against supporting paperwork
- Any donations or grants received will be recorded and a letter of acceptance and thanks sent to the donor

- Any donation or grant must be checked to ensure whether it should be considered restricted funds and identified and processed as such. (See 0)

Where possible these checks should be made by someone other than the person concerned with the original recording of the transactions.

3.00: Internal Financial Controls – Purchases, payments and loans

3.01: Authorisation of expenditure on goods and services

Expenditure controls are to ensure that only necessary and authorised purchases are made and that funds exist within approved budgets to meet the expenditure. Controls also ensure that payments are made only for the goods and services received and at the agreed prices.

The controls over purchases should include,

- authority levels for placing orders and approving payments are clearly documented
- orders placed are within agreed spending authorisations.
- invoices received are checked against orders confirming the price paid and the receipt of the goods or services ordered

The spending authorisations are as a flow chart which will be agreed and minuted by the Trustees on an annual basis or more often if necessary. A copy of the flow chart is attached to this Governance as an example.

3.02: Electronic banking

If possible, a dual authorisation system is to be used.

- there should continue to be clear segregation of duties to prevent any single person from being able to control substantial resources or obtaining unauthorised access to account information
- there should be proper approval for movements between, and payments from, bank accounts
- the system should require authorisation of transactions by more than one individual. This type of system can work well provided the individuals do not divulge their security details to each other. It provides a similar control as dual signatures on a cheque. Basic precautions to include:
 - after each electronic banking transaction, a printout is taken showing details of the transaction and stored as part of the accounting record
 - retain print outs of statements as part of the accounting records
 - keep all PCs with access to the online banking facilities secure
 - ensuring all PCs are up to date with anti-virus, spyware and firewall software
 - keep all the password(s) and PIN(s) secret
 - adequate training for those using the charity's online banking
- treating emails received relating to bank accounts with caution, in particular, trustees should not respond to emails or telephone calls asking for personal security details.

3.03: Payments by cheque

The use of cheques to make payments is diminishing with the use of electronic payment. However, cheques continue to be used and it remains important that payments are only made for expenditure properly authorised and incurred by the charity.

The bank mandate require at least two signatures, both of which trustees.

- cheque books to be kept in a secure place
- annual review of 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
- documentation required and notated with cheque number to support the validity of the payment including relevant invoices and confirmation that the goods or services have been received.

3.04: Payments by debit card

Debit cards charge bank accounts directly and payments therefore have an immediate impact on bank balances; their misuse or loss can be extremely serious for the charity. Controls are:

- there will be a maximum of two debit cards
- the use of the card can only be undertaken in line with the flow chart see 3.01. Copies of authorisations to be attached to the voucher for the expenditure.
- ensuring payments cards are cancelled and destroyed, if the individual ceases to be a Trustee or volunteer for the charity, or if the authorisation of the card's use is withdrawn
- ensure that debit card expenditure is supported by a voucher, receipt and/or invoice and recorded and analysed in accounting records

3.05: Payments by direct debit, standing order payment by BACS or Debit Card

These type of payments are only made when fully authorised and payments must be accurately recorded in the accounting records.

- Any payment made must be authorised by two Trustees communicating directly by email as a record of authority (such emails to be printed off as part of the record) or when available by a dual-authority option.
- ensuring that expenditure is supported by a voucher and/or invoice and recorded and analysed in accounting records
- All direct debit arrangements to be regularly reviewed in order to cancel when the Charity stops using the goods or services.

3.06: Payments in cash

With the ease of payments by the debit card and online banking, cash will not be used unless for an urgent and unavoidable situation. Should such a situation arise the Treasurer and the other signatory will ensure documentation is duly signed and the recipient sign a printed receipt.

3.07: Reimbursements of expenses

Whilst there is minimal likelihood that the Trustees or Volunteers will incur expenses, legitimate expenses will be reimbursed when properly incurred on its behalf.

Any such incurring of expenses will be on a case by case basis and the Chairman or Secretary and Treasurer, will clarify and record the expenses for travel, hotel, conference, business, training and out-of-pocket expenses, and on what terms, prior to their being incurred.

Payment will be claimed by a detailed claim itemising all expenditure together with all relevant receipts.

- The procedure for the reimbursement of expenses will be clearly communicated within the charity and included within induction training
- expenses must be authorised by someone other than the claimant and checked for accuracy before payment. This can be by a Sub-Committee minute.
- expense claims should contain a self-declaration that the claim is accurate and incurred in connection with the business of the charity
- to minimise the charity's cash payments, reimbursement will be made by cheque or BACS transfer
- any mileage rate paid for motor travel should be at rates agreed by the Trustees that do not result in a tax or national insurance liability for the charity or the claimant
- Should an expense or out of pocket claim be made by a signatory to the bank account then two other officers should independently check the claim and authorise.

3.08: The taking out of loans including trustee loans

If the Trustees agree that a loan is required to purchase new assets or to enable the charity to continue to operate until new income becomes available, then they must ensure they are fully aware of all its terms and that the loan is strictly in the interests of the charity. Trustees must also ensure that the charity is able to meet the repayments of principal and interest as they fall due before taking out the loan.

The following checks should be undertaken by someone other than the person concerned with the original recording of the transactions.

- 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 the 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
- the charity will have in place a plan to meet the repayment of principal and interest on the loan as they fall due.

4.00: Internal financial controls - assets and investments

4.01: Fixed assets used by the charity (functional assets)

Functional assets include fixtures and fittings, and equipment which are used in the charity's activities. Assets to be identified, recorded in accounting records and are only to be used for the charity's purposes.

The trustees must take reasonable steps to safeguard the assets of the charity from loss or damage and to ensure their proper use within the charity.

- a list or register to be maintained of all assets whether purchased by, or donated to, the charity for its continuing use. This record will show the cost (or value) of the asset and provide sufficient detail to enable an asset and its location to be identified
- assets will be inspected at regular intervals to ensure that they exist, remain in good repair and are being put to appropriate use
- the disposal or scrapping of assets be appropriately authorised and recorded in accounting records and in any fixed asset register
- the adequacy of insurance cover is to be reviewed at regular intervals.

4.02: Cash held on deposit

- bank reconciliations are prepared as part of the monthly management accounts, any discrepancies resolved prior to distribution
- 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
- if acting as an intermediary to transfer funds on behalf of another charity, the trustees are satisfied that the transaction is to further a charitable activity and does not constitute money laundering
- 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.

4.03: Controls over restricted funds

To provide assurances to donors and funders any restricted funds will be spent only on the purposes for which they were given.

This will be by recording any expenditure from restricted funds to ensure it is limited to the purposes of the gift. This will be by means of the regular financial report to the trustees identifying such payments and the balance.

Any restricted funds with balances at year end will be recorded in the Annual Report and Accounts.

Document History:

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0.3	Chris Last	Further editing and formatting	02/01/2019
0.4	Peter Keynton-Hook	Editing Front Cover	16/02/2019