

Internal Financial Controls Policy

Document Control

Policy Title	Internal Financial Controls Policy
Document Reference	ORG/FIN/004
Version	1.0
Effective Date	
Next Review Date	

1.0 Purpose and Legal Basis

Robust internal financial controls constitute a fundamental pillar of good governance for any charity. They are the essential mechanisms that protect the organisation's assets, ensure all funds are deployed exclusively for the furtherance of its mission, and maintain the vital trust of beneficiaries, donors, and regulators.

The core purpose of this policy is to establish a framework of financial discipline and accountability across the charity. It serves to mitigate the risk of fraud or error and ensure that all financial transactions are properly authorised, processed, and recorded in a complete, accurate, and timely manner.

Legal Basis

This policy is established upon the following legal and regulatory requirements:

- **The Charities Act 2011:** This legislation establishes the general duties of trustees to act in the charity's best interests, which includes protecting all charitable assets and ensuring they are applied solely for the charity's stated purposes.
- **The Constitution of the charity:** The charity's governing document mandates these controls through specific clauses, including Clause 9, which outlines the

"Functions and duties of charity trustees" to manage the CIO's affairs, and Clause 5, which governs the "Application of income and property."

- **Charity Commission Guidance:** This policy is designed to implement the best-practice framework set out by the Charity Commission for England and Wales, particularly in its official guidance, 'Internal Financial Controls for Charities (CC8)'.

The successful application of these legal and regulatory principles is contingent upon a clearly defined scope, which delineates the individuals and activities governed by this policy.

2.0 Scope

A comprehensive scope is critical for this policy's effectiveness and for maintaining financial integrity across the entire organisation. This policy covers all financial activities and all individuals who handle or have responsibility for the charity's funds, ensuring a consistent application of controls.

Applicability

This policy applies to:

- The Board of Trustees
- Any future staff members
- Volunteers involved in financial matters
- External contractors or agents, including any management contractor, managing financial resources on behalf of the charity

Activities Covered

This policy governs the following financial activities:

- Management of all income and expenditure.
- Banking, payments, and cash handling procedures.
- Budgeting, financial planning, and reporting.
- The management and investment of charity assets, in line with the powers granted under Clause 4 of the Constitution.
- The authorisation of any payments to trustees or connected persons which are strictly governed by the rules set out in Clause 6 of the Constitution.

This comprehensive scope provides the foundation for the charity's formal commitment to financial integrity, articulated in the definitive policy statement that follows.

3.0 Policy Statement

This policy statement represents the definitive commitment of the Board of Trustees to financial integrity and responsible stewardship. It encapsulates the core principles that guide all financial decision-making and operations within the charity.

The Board of Trustees of the charity is committed to:

- Managing its financial affairs responsibly, prudently, and transparently to achieve the CIO's objects as set out in Clause 3 of its Constitution.
- Protecting all charitable assets from loss, fraud, or misuse through the implementation of effective control systems.
- Maintaining accurate, complete, and up-to-date accounting records in full compliance with the Charities Act 2011, as required by Clause 25 of the Constitution.
- Implementing and maintaining a system of effective internal financial controls to provide reasonable assurance of financial probity, sound management, and good governance.

The successful implementation of these commitments is predicated on a shared and unambiguous understanding of the key terminology that governs this policy.

4.0 Definitions

A shared understanding of key terms is essential for the consistent and effective implementation of this financial controls policy. The following definitions clarify the terms used throughout this document.

Term	Definition
Charity Trustee	A charity trustee of the CIO, as defined in the Constitution. The charity trustees are responsible for the overall management and control of the CIO.
Connected Person	An individual or entity with a close relationship to a trustee, as defined in detail in Clause 30 of the Constitution.
Financial Controls	The systems, procedures, and processes designed to safeguard the charity's assets, ensure the reliability of financial reporting, and promote compliance with laws and regulations.

CIO	The Charitable Incorporated Organisation, specifically the charity.
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With these terms formally defined, the policy now establishes the specific, auditable procedures that translate these principles into mandatory practice.

5.0 Procedures

This section stipulates the mandatory, step-by-step procedures necessary to put the policy's principles into practice. Adherence to these procedures ensures a consistent and secure approach to financial management for all individuals covered by the policy's scope.

5.1 Income Management

All income received by the charity, including grants, donations, and merchandise sales, must be promptly and accurately recorded in the accounting system. Where cash is received, it must be counted by two unrelated individuals wherever possible, a record of the count signed by both, and the funds banked without delay.

5.2 Expenditure and Authorisation

A clear authorisation framework is in place to ensure all expenditure is appropriate and has been approved. The following authorisation limits apply:

Expenditure Amount	Authorisation Required
Up to £500	Designated Finance Lead Trustee / Management Contractor
£501 - £5,000	Two Trustees (one of whom is the Finance Lead)
Over £5,000	Full Board of Trustees resolution (minuted)

All expenditure must be supported by appropriate documentation (e.g., invoices, receipts) and must clearly relate to the achievement of the charity's objects as defined in Clause 3 of the Constitution. In line with Clause 5 of the Constitution, trustees are entitled to be reimbursed for reasonable expenses properly incurred on behalf of the CIO, provided claims are supported by receipts and approved according to the limits above.

Separate levels of expenditure and authorisation methods relating to grant making have been delegated by the Board of Trustees and are detailed in the policies governing delegated grant making funds.

5.3 Banking and Payments

The opening of any new bank accounts or the closing of existing accounts must be approved by the Board of Trustees. The bank mandate must require at least two unrelated trustees to authorise any electronic payments or to sign any cheques, thereby operationalising the principle of joint authority set out in Clause 21 of the Constitution ("Execution of documents"). All bank accounts must be reconciled against the charity's accounting records regularly, and these reconciliations must be reviewed by the Finance Lead Trustee or the full Board at least quarterly.

5.4 Asset Management

The Board of Trustees is responsible for the safekeeping of all charity assets, both financial (e.g., investments, bank balances) and physical. Any transaction to buy, sell, or lease property, as permitted under the powers in Clause 4 of the Constitution, must comply with the requirements of the Charities Act 2011 and be formally approved and minuted by the Board.

5.5 Payments to Trustees and Connected Persons

No trustee or connected person may receive any financial benefit from the charity unless it is explicitly permitted by Clause 6 of the Constitution and has been authorised by the Charity Commission where required. In any instance of a permitted payment, the trustee concerned must first declare the nature and extent of their interest as required by Clause 7 of the Constitution. They must then withdraw from any part of the meeting where the matter is discussed or voted upon, and the Board's decision, along with its reasoning, must be formally recorded in the minutes.

5.6 Budgeting and Financial Reporting

An annual budget for the forthcoming financial year must be prepared and presented to the Board of Trustees for review and formal approval. Regular management accounts, comparing actual income and expenditure against the approved budget, must be produced and presented to the Board for review (e.g., quarterly). This process supports the constitutional requirement under Clause 25 to prepare annual accounts and reports that are fully compliant with the Charities Act 2011 and all Charity Commission requirements.

The execution of these stringent procedures is contingent upon a clear and unambiguous allocation of roles, which establishes direct lines of accountability.

6.0 Roles and Responsibilities

Effective financial control is contingent upon every individual understanding their specific responsibilities to ensure accountability and prevent gaps in oversight.

- **The Board of Trustees:** Retains ultimate responsibility for the charity's financial viability, for approving this policy, and for ensuring it is implemented and monitored effectively. The Board is collectively accountable for all financial decisions.
- **Finance Lead Trustee (or Treasurer):** Is delegated by the Board to take responsibility for the day-to-day oversight of the charity's financial procedures, reviewing bank reconciliations, and leading the preparation of budgets and management accounts for presentation to the Board.
- **Management Contractor:** Is responsible for executing financial transactions as delegated by the Board, maintaining accurate day-to-day records, and providing financial reports, all in strict accordance with this policy.
- **All Trustees, Volunteers, and Contractors** are responsible for:
 - Understanding and adhering to this policy in their respective roles.
 - Ensuring all expenditure is properly authorised before it is incurred.
 - Promptly reporting any suspected financial irregularities to the Finance Lead Trustee or the Chair, in accordance with the charity's Whistleblowing Policy.

This formal assignment of duties provides the structural foundation for the policy's implementation, ensuring it is embedded effectively across the organisation.

7.0 Implementation

This implementation plan outlines the practical steps required to embed these financial controls into the charity's day-to-day activities and governance framework.

- **Adoption:** This policy will be formally adopted by a resolution of the Board of Trustees and recorded in the minutes.
- **Timeline:** The policy will become effective immediately upon adoption. All banking mandates and internal authorisation procedures must be reviewed and updated to reflect their requirements within 30 days of adoption.
- **Training and Communication:** A copy of this policy will be provided to all trustees and the management contractor. A briefing will be held at the next full trustee meeting to ensure all roles, responsibilities, and procedures are clearly understood.
- **Resource Needs:** No significant additional resources are required for implementation, as the policy primarily formalises and clarifies the existing duties and responsibilities of the trustees and their agents.

The successful embedding of these controls necessitates a robust framework for continuous monitoring, which provides the Board with the assurance of their ongoing effectiveness.

8.0 Monitoring

Monitoring is a critical and ongoing process that provides assurance to the Board that the financial controls are working as intended and remain fit for purpose.

- **Key Performance Indicators (KPIs):** The Finance Lead Trustee will report to the Board quarterly on key financial indicators, including variance of actual performance against budget, the timeliness and accuracy of bank reconciliations, and any instances of unauthorised or irregular expenditure.
- **Reporting Mechanisms:** Detailed management accounts will be presented and discussed as a standing item at every full Board meeting. The annual accounts will be subject to external scrutiny as required by the Charity Commission.
- **Review Schedule:** This policy will be formally reviewed by the Board of Trustees annually to ensure it remains compliant with legislation, Charity Commission guidance, and the charity's operational needs.

To ensure a cohesive governance framework, this policy must be understood and applied in conjunction with the related documents that collectively safeguard the charity's operations.

9.0 Related Policies and Documents

An integrated governance framework is essential for ensuring the charity is well-managed and compliant. This policy must be read and understood alongside other key documents that collectively guide the charity's operations and decision-making.

- The charity Constitution
- Specific grant making policies
- Risk Management Policy
- Reserves Policy
- Conflict of Interest Policy
- Trustee Payment Policy
- Charity Investment Policy
- Whistleblowing Policy