



POLICY FOR INTERNAL FINANCIAL CONTROLS

If a charity is to achieve its aims, its trustees need to ensure its:

- assets are properly used
- funds are spent effectively
- financial affairs are well managed

Internal financial controls 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.

Legal requirements and good practice recommendations in internal financial controls for charities (CC8)

General Principles for all Charities

1. The charity's financial controls cover all aspects of how our charity handles money.

We seek professional advice where we are not sure what controls are appropriate for our charity.

- We understand our charity's financial information
- All trustees are given regular information about the financial performance of the charity and we discuss the financial performance at each trustee meeting

2. Preparing accounts and reports

- We keep appropriate accounting records of all transactions
- The charity's accounts comply with the relevant legal requirements
- We prepare an annual report and accounts which are formally approved by trustees at the Annual General Meeting
- We have appointed an independent examiner
- New trustees are given a copy of the latest accounts, relevant guidance and the charity's governing document
- We file the annual report and accounts with the Charity Commission and Companies House on time

3. Embedding internal financial controls

- Controls are understood and followed by everyone within our charity
- Training is provided on our charity's financial controls and policies

4. Monitoring financial performance

- Budgets setting out income and expenditure are prepared and approved by the trustees
- Performance is measured against budgets at regular intervals and explanations are provided for any differences

5. Reviewing and monitoring internal financial controls

- We carry out an annual review of our charity's internal financial controls

6. Splitting financial duties between people

- Financial duties are split between people to provide 'double checking' on all transactions
- The business manager (who is also a Trustee) is responsible for handling day to day invoices, payments and income
- Invoices and payments are checked by a second trustee (appointed Treasurer)

7. Recording and reporting incidents

We will record incidents and suspicions to the Charity Commission and to other relevant bodies, e.g Ofsted

OPERATIONAL RISKS

- Trustees and staff know of typical examples of potentially fraudulent activities

- We have policies and controls for access to and storage of data which comply with the General Data Protection Regulation (GDPR)
- Our charity's electronic equipment and online systems are appropriately protected

INTERNAL FINANCIAL CONTROLS FOR BANKING

- We have a bank or building society account in the name of Little Owls Preschool (Boxted)
- We have a list of our bank accounts, which is regularly reviewed
- We carry out monthly reconciliations between our accounting records and bank statements
- Instructions to open or close accounts are properly authorised and reported to trustees
- We monitor accounts to ensure there is no third-party use
- We regularly review the costs, benefits and risks of our current and deposit accounts
- The bank mandate requires at least two signatories

Online banking

- All electronic devices, such as laptops, phones and tablets, are kept secure
- Trustees, staff and volunteers understand the need to ensure that the charity's security details (including the password and PIN) are not compromised
- PINs and passwords are regularly changed
- We maintain a list of people who are approved to have access to the online banking PIN and password

Cash held in our charity's bank or building society account

- We carry out monthly reconciliations
- We regularly check direct debits, standing orders and other transfers

Banking cash and cheques

- Cash is banked promptly and (before then) stored safely.
- Users of the preschool are encouraged to pay by bank transfer rather than cash
- The charity has insurance to cover the contents of the safe or cash box and cash in transit

INCOME

Income from donations and fundraising events

- Cash is banked as soon as possible
- Records are maintained for each fundraising event collected
- We reconcile the transaction history with income in our charity's bank account

Claiming Gift Aid on donations

- The charity maximises its use of Gift Aid and its use of Gift Aid is lawful
- The charity keeps the records required by HMRC for Gift Aid claims

Income from trading that the charity undertakes

- We have a pricing policy for the goods and services supplied
- We have invoicing procedures for goods and services supplied
- We review outstanding debts and collection procedures
- We have procedures to reconcile amounts invoiced and monies received to outstanding invoices

INTERNAL FINANCIAL CONTROLS FOR EXPENDITURE

Expenditure on goods and services

- Invoices received are checked against orders, and the receipt of the goods or services ordered is checked
- Cardholders are limited in number and the criteria for the use of payment cards, is understood by the cardholders, including criteria for their issue, spending limits and security
- Cards are cancelled and destroyed where necessary, such as when cards are lost
- All card expenditure is supported by receipts and invoices and recorded in the accounting records
- Card and bank statements are checked by the Treasurer against supporting records and invoices, and by the independent examiner
- We review our card use and check periodically that users follow the criteria

Payments by bank transfer, Bankers' Automated Clearing Services (BACS), Direct Debits and standing orders

- Only named individuals are authorised to set up these types of payments

- We monitor the arrangements to ensure that automatic payment arrangements are cancelled where required

Payments by cheque

- The charity follows any requirements in your governing document about who can sign cheques
- There is a prohibition on signing blank cheques
- Cheque books are kept in a secure place with access only by nominated persons
- We regularly review that authority limits are appropriate
- All cheque expenditure is recorded in the day to day accounts and noted with the relevant cheque number, nature of payment and payee
- Cheques are only signed with documentary evidence of the nature of the payment, for example, an invoice

Payments in cash or by pre-loaded cash card

- We ensure that cash payments (and any use of pre-loaded cash card) are minimal
- All payments by cash (these are only where absolutely necessary) are made from a cash float and not from incoming cash
- Supporting documentation is authorised by someone other than the person maintaining the petty cash or the person making the payments
- Details of all payments are entered in a petty cash book
- Regular independent checks are made of the petty cash float and records

Paying wages and salaries

- Any required statutory deductions (such as tax and National Insurance) are paid to HMRC and pension contributions to the provider
- PAYE records are maintained and kept as required by HMRC
- We comply with minimum wage legislation
- Any other deductions from salaries are only made where they are required or authorised
- End-of-year returns (P60 and P11Ds) are completed and filed with HMRC by the deadline
- We provide workplace pensions and the requirements relating to it
- All employees have contracts of employment
- Personnel records are kept and held separately from wages records
- Salary levels are properly authorised and recorded

- We have a system for notifying and authorising changes such as starters and leavers, changes of hours and other payroll changes
- Payments are made by bank transfer or BACS

Payment or reimbursement of expenses

- Expense claims are checked for accuracy and that they were incurred in connection with the business of the charity
- Expenses are paid in a secure way
- Mileage rates for travel are in accordance with HMRC approved rates

Internal financial controls for payments to related parties

- Any payments to trustees or people/organisations connected to trustees are authorised.
- The rules laid out in our governing document about payments to trustees are followed
- We follow Charity Commission guidance on payments to trustees

Internal financial controls for assets and investments

Tangible fixed assets

- We maintain a comprehensive fixed asset register
- Assets are regularly inspected to make sure they are in good repair and are of use to the charity
- We review our insurance cover annually
- We review the use of fixed assets to make sure they are put to best use and serve our charity's interests

Intangible fixed assets

We hold electronic data securely and in line with GDPR requirements and any other relevant legislation

Signed on behalf of the Management Committee:	Denise Rehal
Name of Signatory Denise Rehal	Role of Signatory and Date Trustee 03/06/2025