

## Financial Controls Policy – February 2024

This policy ensures that:

- There are consistent and transparent procedures in place to ensure that Cheshire Community Foundation's assets are safeguarded and to prevent misappropriation and misallocation of funds.
- The Foundation's assets are used to the best advantage of both the Foundation and donors.
- The controls are appropriate for the level and type of activity of the Foundation to ensure its efficient and professional management.

### Responsibilities

#### *Trustees*

Cheshire Community Foundation's Trustees are ultimately responsible for the safe keeping of all funds and the efficient and effective management of the organisation.

Trustees are responsible for:

- Ensuring that they fully understand their financial responsibilities. This is set out in the Charity Commission's guidance which they should read for further detail.
- Developing and approving a financial controls policy that meets both legal requirements and best practice. The policy will be reviewed annually.
- Approving and returning the annual accounts and report, in compliance with the requirements of the Charity Commission and Companies House, within ten months of the end of the financial year.
- Appointing an independent auditor and ensuring that accounts are audited annually.
- Ensuring accounting records are prepared and retained for at least six years.
- Ensuring that accounts are available to the public on request.
- Approving annual budgets and monitoring income and expenditure against the budget to ensure that the assets of the Foundation are protected and resources are used for the purpose intended.
- Authorising investment and reserves policies and monitoring performance of investments.
- Taking professional advice where appropriate on accountancy, legal and investment matters.

#### *Chief Executive Officer/ Chief Operations Officer (CEO/COO)*

The CEO and COO are responsible for the following:

*Reviewed at FROG Committee Feb 2024,*

*Approved at Board 29 February 2024, Review February 2025*

- Recommending to Trustees annual budgets of income and expenditure.
- Approving expenditure in accordance with the approved budget. The CEO and COO are accountable for managing the operational budget in line with the policies and guidelines approved by the Trustees.

### **Treasurer**

The Treasurer is responsible for the following:

- Reviewing the quarterly management accounts produced by the Finance Officer (FO).
- Presenting quarterly financial reports to the Board of Trustees.
- Maintaining oversight of cash management and investments and ensuring that these are in line with agreed policy and guidelines.
- Reviewing proposals for prospective donors that are not in line with CCF's agreed standard terms.

### **Finance Officer**

The Finance Officer is responsible for the following:

- Ensuring that appropriate records are kept of all income/funds generated and of expenditure and entries made on Xero accounting software.
- Managing all financial control systems.
- Maintaining accounting and associated software.
- Producing quarterly management accounts and quarterly reports for Treasurers review.
- Liaising with and meeting the needs of the Foundation's auditors, through to completion of fully audited annual accounts.
- Liaising with the CEO/COO to ensure the donor balances are regularly reconciled to the DIGITS system.
- Liaising with the Grants Manager to ensure approved grants are reflected in the accounting records.
- Preparing annual budgets and forecasts and monitoring the performance against budget and taking appropriate action for any variances in conjunction with trustees.
- Monitoring cash flow on a regular basis and producing cash flow forecasts on an ad hoc basis and ensuring appropriate transfer of funds from deposit accounts to cover cash flow within the agreed budget.
- Liaising with the outsourced Payroll Bureau providing any updates to payroll information and reviewing and approving the monthly payroll calculations.

- Managing cash reserves and investments in line with the policies and guidelines agreed by Trustees.

### **Finance Coordinator**

The Finance Coordinator is responsible for the following:

- Opening mail, recording and acknowledging receipt of cheques and other income and appointing a deputy to open and record mail in his/her absence.
- Checking the bank account regularly, recording and advising team members or personally acknowledging receipt of income. The COO or CEO will check this in their absence.
- Presenting invoices for payment to the FO or COO or CEO for payment and ensuring approval is recorded on the invoice or payment summary voucher
- Liaising with the FO at each month end to ensure all bank transactions have been checked against the bank statements and dealing with any queries in producing the monthly management accounts.
- Supporting the Finance Officer by keeping appropriate records of all income/funds generated, of expenditure and by updating information, where appropriate, on Xero accounting software.
- Safe keeping of cheque books/ credit card in a locked drawer or cabinet.

### **Budgets**

The Foundation will undertake full financial planning as part of its overall strategic planning and agreed aims and objectives. An annual budget will be prepared, income and expenditure regularly monitored and appropriate action taken where variances occur.

The following procedures will be undertaken:

- The CEO and COO will prepare estimates of income and expenditure (Budget) for each financial year (1<sup>st</sup> January – 31<sup>st</sup> December).
- The FO and COO/CEO will prepare an annual budget for approval no less than four weeks prior to commencement of the financial year. The budget will be discussed with the Finance, Risk, Operations and Grants Committee prior to its submission to the Board of Trustees for approval.
- Quarterly management accounts will be produced 3 to 4 weeks after the end of the relevant month and will be compared to budget.
- The Board will review the budget periodically and approve any proposed variances.

### **Accounting System**

The Foundation currently operates Xero accounting software and Salesforce DIGITS2 data management system for donors.

Financial information relating to receipts of donations, allocating these funds and tracking receipts, authorisation of payments and monitoring of grants is recorded onto DIGITS2 and Xero and reconciled at least bi-annually and working towards quarterly.

## Bank Accounts and Treasury

The following procedures relating to Cheshire Community Foundation's bank accounts will be followed:

- Bank transactions will be matched with the Xero accounting records regularly and in any event at least monthly. The bank balance produced on Xero will be checked by the Finance Officer as part of the management accounting process.
- Bank accounts are opened or closed only with the full approval of the Board.
- Two signatories to the bank account are required to approve direct debits and standing orders.
- Transfers between bank accounts must be authorised by the FO.
- Grants are paid only on receipt of a signed copy of the terms and conditions from the grant recipient and proof that the grant award has been authorised.
- Restricted reserves surplus to short term requirements are held on deposits at various banks. The methodology adopted since 2019 has been via placement onto the Flagstone Investment Management Ltd platform. The FO is responsible for managing the deposits on the Flagstone and adhering to the following guidelines:
  - Funds should be placed to achieve an appropriate balance between risk (i.e. protection of the FSCS for deposits up to £85K), interest rates and accessibility (timing of deposits to ensure sufficient availability of funds to pay grants awarded).
  - No more than 15% of the total funds on the platform can be outside FSCS protection.
  - Any placement of funds placed without FSCS protection must be with an institution credit rated BBB or above.
  - A FITCH credit rating will be used unless agreed otherwise by the Treasurer and FO
  - No more than 15% of the total funds on the platform or £175,000, whichever is the lower, can be one with bank.

## Payment approvals and signatories

### a) Signatories (Cheques & BACS)

Four of the Foundation's Board of Trustees are authorised cheque/BACS signatories. The FO, CEO and COO are authorised cheque/BACS signatories.

### b) Approvals for Payment

- Payments of grants should be made following the Foundation's grant making policy and processes with grants being paid using the Foundation's discretionary grant

making funds requiring the specific approval of at least two Trustees, ideally the Chair of Grants Committee and Chair of CCF or Treasurer.

- All other payments should be for approved expenditure as detailed below.

### **c) Authorisation of Payments**

- Payments may only be made upon presentation of the relevant invoice/paperwork. Bank transfer (BACS) is preferred option for making payments although cheque payments may also be made if required. Credit card payment is also possible for the payment of approved expenditure if required e.g. train travel or sundry items.
- One of FO, COO or CEO can authorise the payment of approved expenditure and grants up to £1000.
- Two signatories are required on cheques or BACS payments up to the value of £10,000 and may be the FO, CEO, COO or a Trustee if required.
- On cheques or BACS payments over £10,000. One signatory must be an authorised trustee.
- On cheques or BACS payments over £20,000, two Trustee signatories are required.
- No blank cheques may be signed.

### ***Income – Summary of regular handling processes***

- All income received through the post is recorded on DIGITS2 and now Xero. A copy of the associated documents is kept. Copies of key documents relating to income are scanned and saved against donor records on the DIGITS2.
- The paperwork retained from the Donor (formal agreement on larger donations and copies of emails/letters etc) should record their wishes for the donation (e.g. donor advised/core costs or other) and should confirm any fees to be transferred to core costs.
- All donations are acknowledged within two days of receipt.
- Cheques are banked in the appropriate account as soon as possible, normally on the day of receipt.
- A record is kept of Gift Aid to be reclaimed on donations. Gift Aid declarations must be maintained in current form acceptable to HMRC. These declarations must be also be refreshed/updated with donors at not longer than 5 year intervals. These stipulations do not apply to Gift Aid derived from online donations portals, where the declarations are always stored electronically by the portal in acceptable form.
- Bank accounts are checked monthly to ensure that donations made by standing order are received and to reconcile all income.
- Cash received is banked as soon as practicable and preferably immediately following receipt.

### ***Expenditure***

- Orders for goods and services are authorised by the FO, CEO or COO and records are kept. All direct debits and any mandates for more than £5,000 must be approved by two signatories.
- Records of wages and salaries are kept separately from Personnel Files.
- Staff are employed under contracts of employment and PAYE/NIC Regulations are followed.
- Pension auto enrolment regulations, for employees using the provider agreed by CCF, will be complied with and the FO will be responsible for checking payments are made. Employees with their own personal pension arrangements will be requested to facilitate any changes required to payments to ensure compliance.
- Salaries are paid monthly by BACS (via the Payroll Bureau) and can be authorised by the FO, CEO or COO.
- Salary levels are set on appointment of staff and increases approved by the Board annually, or on promotion in accordance with the budget.

#### ***Assets and Investments***

- A list of fixed assets is held and reviewed annually.
- Assets purchased with a value over £500 are capitalised and depreciated over 3 years.
- Assets are checked to ensure they are still useful and are only disposed of with the consent of the Board.
- Performance of investments is monitored and checks are made to ensure dividends are received.
- The investment policy is reviewed by the Board to ensure that appropriate returns are received and if necessary professional advice is sought.

#### ***Internal Controls review***

- Each financial year as part of the annual audit the external auditors of the Foundations complete some review of the internal financial controls. The results of this are recorded and will be discussed at the Finance and Risk Committee.
- Any improvements identified will be documented and actioned for follow up at a future Finance Committee meeting.