

10.13 Financial Procedures

Internal financial controls reduce, but do not eliminate the risk of losses through theft and fraud, bad decisions, human error, breaches of controls, management override of controls and unforeseeable circumstances. If any of these things do happen then internal financial controls should also help the trustees/committee members to find out sooner and take necessary action.

The aims of internal financial controls 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.

No system of controls, however elaborate, can guarantee that a charity will be totally protected against loss, waste, bribery, theft or fraud, or mistakes or mismanaged conflicts of interest. Having sufficiently rigorous controls does provide protection for the charity's assets and is the best defence for the trustees/committee members against the charge of failing to protect the charity's assets and funds.

The effectiveness of the following financial controls will be reviewed every September.

1. **Bank accounts**

There are usually four account signatories; the Treasurer, Chair, Secretary and Business Manager (employee). Charity current and deposit accounts are held at The Co-operative.

2. **Accounting controls and procedures**

Annual accounts

The financial year runs from 1st August – 31st July. All receipt and payment information for the year is finalised in August by the Business Manager, reviewed by the Treasurer and sent to an independent examiner, who will create the final accounts. The Independent Examiner's final accounts and report are presented at the AGM, as well as being submitted to Northamptonshire County Council, Companies House and the Charity Commission.

Budget

An annual cash flow budget (split by month and income and expenditure categories) for the next financial year is set in July and actual/forecast figures are compared against this throughout the year.

Monthly accounts

End of month accounts are prepared (for the previous month) at the beginning of every month and reports include a bank reconciliation, monthly payments and receipts, a monthly summary by category and a year to date summary. The Treasurer reviews these along with the bank statement and deposits information to make sure all payments and receipts agree with the bank statement. A copy of the bank statement is also sent to the Chair. Each monthly bank statement is signed by the Chair, Treasurer and Business Manager to confirm that all transactions are in order.

Cash flow forecast

The annual cash flow forecast is amended every month to include actual expenditure and income as well as including realistic estimates of future income and expenditure. A report comparing the budget with the forecast is also produced, with explanations for any differences.

Treasurer's report

The monthly treasurer's report, compiled by the Business Manager and Treasurer and distributed at the monthly committee meeting, presents bank account balances, the actual income and expenditure in the previous month (to and from the current account), as well as a comparison between the budget and forecast and explanation for any increase/decrease in actual/forecast income or expenditure.

3. Income Procedures

The Business Manager is responsible for the invoicing and collection of fees and receipts.

- Cheque and cash receipts are promptly recorded in the accounts (on the deposits sheet) and banked regularly.
- Parents are requested to pay childcare fees, where possible, via a bank transfer. The bank account is checked regularly for receipts and each deposit is recorded in the accounts (on the deposits sheet).
- Records of cheques, cash and direct receipts into the bank account are checked against the bank statement on a monthly basis by the Treasurer

4. Expenditure procedures

The Business Manager is responsible for settling all bills promptly as well as for paying the staff wages and paying the HMRC for tax and National Insurance.

Payments by cheque

Cheques are signed by two bank signatories, one of whom will be the Chair, Treasurer or Secretary.

Payments by Direct Debit

Direct Debits are only set up after written authorisation from the Treasurer, with the original direct debit mandate signed by two signatories. A list of direct debits is signed annually in September by the Treasurer, Chair, Secretary and Business Manager to authorise their continuation.

Electronic Payments

Please see section 7.

Staff expenditure budgets

The Pre-School Manager is responsible for the Pre-School equipment budget. The annual equipment budget is split into three termly amounts and the Pre-School Manager keeps a record of purchases on a Purchase record form, self-authorising any amount up to £100 which is within budget. The Pre-School Manager must request authorisation from the Treasurer if they would like to buy a single item costing more than £100 or a purchase is not within agreed budget limits. The Business Manager manages the stationery and printing budgets in the same way.

The Business Manager and Treasurer monitor the running costs (e.g. snacks, materials etc) on a monthly basis.

5. Credit card usage

Pre-School employees should not use their own money to purchase items or services on behalf of Crick Pre-School. To avoid this situation, company credit cards are available to Crick Pre-School's permanent employees (and some trustees) who have a need to incur business expenditure on a regular basis, which includes purchase of goods for running costs (e.g. snacks, materials etc), stationery and equipment as required by the business.

The following roles have a credit card with the following credit limit:

<u>Roles</u>	<u>Credit limit</u>
Pre-School Manager	£500
Pre-School Business Manager	£1500
Pre-School Assistant (responsible for snack purchase)	£250
Pre-School Committee Chair	£250

Employees agree to:

- Use the company credit card for business use only
- Not use the company credit card for any personal expenditure, to obtain cash advances or to guarantee or support the encashment of cheques.
- to keep their PIN safe
- to keep the original invoices or receipts of purchases for submission to the Business Manager and Treasurer
- to use the credit card for authorised expenditure i.e. within the agreed budget constraints or only when authorisation has been given by the Treasurer for any expenditure over budget or for single items costing over £100.

The Treasurer, Business Manager and Chair review credit card statements on a monthly basis to make sure card use is consistent with above guidelines. The Business Manager, Chair and Treasurer have access to the transactions and statements online, where they can monitor transactions throughout the month before statements are produced.

6. Staff wages

A monthly wages sheet, showing all staff hours and wages amount, is checked by the Business Manager and authorised by the Treasurer before staff wages can be paid. Staff wages are paid by a Faster Payment transfer on the last Friday of the month for all hours worked in the month.

PAYE and National Insurance are paid to HMRC on a quarterly basis by BACS transfer after being authorised by the Treasurer.

Any extra staff hours required (over and above agreed hours) by any member of staff for courses, meetings or additional work, must be requested in advance and authorised by the Treasurer via the "Extra Hours Form". Any extra staff hours needed due illness/days off and therefore ratio requirement can be authorised by the Pre-School Manager, but must still be recorded on the "Extra Hours Form".

7. Internet banking controls and procedures

Electronic payments are used for staff wages and other business purchases as it is a convenient and efficient way of managing transactions.

- The Treasurer, Chair, Secretary and Business Manager have access to online banking (using a security token) in order to monitor the bank account and to set-up and authorise payments.
- All electronic payments have to be authorised by two signatories, generally the Business Manager sets up the payment and the Treasurer authorises it.
- All computers with access to online banking facilities are secure and up to date with anti-virus, spyware and firewall software.
- Passwords and PIN's are kept secret.
- A print-off of each electronic banking transaction is made showing details of the transaction and stored as part of the accounting record.
- End of month accounts are prepared (for the previous month) at the beginning of every month and reports include a bank reconciliation, monthly payments and receipts, a monthly summary by category and a year to date summary. The Treasurer reviews these along with the bank statement and deposits information to make sure all payments and receipts agree with the bank statement.

- All transactions shown on the monthly bank statement are reviewed and checked by the Chair, Treasurer and Business Manager. The bank statement is then signed by the Chair, Treasurer and Business Manager to confirm that all transactions are in order.

8. Capital Grant funding

All purchases made with grant funds are categorised and listed separately from other purchases and original receipts and invoices for these purchases are kept separately. All purchases made are in line with the grant funding body's terms and conditions and will be authorised by the Treasurer before the purchase is made. Actual expenditure will follow the planned expenditure submitted with the grant application. Prior agreement will be sought if any changes are required to the original submitted list.

Adopted by and signed on behalf of the Pre-School Committee and Staff:

We agree to and will adhere to the above conditions and procedures:

	Business Manager		Pre-School Manager
Signed		Signed	
Name	Mary Rodley	Name	Emma Green
Date	24 th September 2014	Date	24 th September 2014
	Chair		Treasurer
Signed		Signed	
Name	Helen Ross	Name	Emma Jones
Date	24 th September 2014	Date	24 th September 2014
	Secretary		Vice-Chair
Signed		Signed	
Name	Jeanette Wilson	Name	Amelia Nicholson
Date	24 th September 2014	Date	24 th September 2014