

# FINANCIAL CONTROLS POLICY

## 1. General Policy Statement

- 1.1 Financial controls will be put in place, and appropriate records kept, so that Healthwatch Central Bedfordshire can:
  - a. meet its legal obligations under the current Companies and Charities Acts, HMRC regulations and other appropriate legislation.
  - b. enable the Directors to safeguard the organisation's property and act prudently in the interests of the charity.
  - c. enable the Directors to be in proper financial control of the organisation's affairs.
  - d. meet its contractual obligations and the requirements of funders; and
  - e. demonstrate good financial management and meet relevant quality assurance systems.
- 1.2 The Directors recognise that such income must be spent in accordance with the organisation's charitable objects.
- 1.3 This policy recognises that the charity is a small enterprise and all requirements of this policy are proportional to the size and scope of the charity and the risks of financial irregularities.

## 2. Purpose and Scope

- 2.1 The purpose of the policy is to enable the Directors to meet the obligations set out in the General Policy Statement and to ensure that sound financial controls are in place to safeguard the organisation's assets and financial liability.
- 2.2 This policy applies to all staff, volunteers, and Directors within Healthwatch Central Bedfordshire, and in particular those that have responsibilities for processing, recording and/or authorising any financial transactions.

## 3. Financial Control

- 3.1 Financial control is the responsibility of the Chief Executive Officer, (CEO).

- 3.2 The Chief Executive Officer (CEO) is responsible for authorising all payments and may delegate this responsibility in line with the budget where appropriate (e.g., budget for Young Healthwatch).
- 3.3 The Finance and General Purposes Committee (F&GP) will make regular checks to ensure that records are being accurately maintained, that payments and receipts can be traced and verified through the accounting system, and that there are no discrepancies in the accounting records. The bank account will be reconciled at least monthly.
- 3.4 The Finance and General Purposes Committee (F&GP) should meet monthly to oversee the financial position. The composition of the committee will comprise:
  - CEO
  - Board member responsible for finance
  - Finance administrator
- 3.5 All Directors are responsible for the financial control of the charity under the Trustee Code. This includes:
  - Safe management of all income
  - Setting a budget and monitoring spending
  - Ensuring accurate record of income and expenditure and bank reconciliation
- 3.6 Management Accounts showing the profit and loss account and total amounts held in the bank accounts are to be provided quarterly and reported to the Board.
- 3.7 The Finance Administrator will prepare and present a draft annual budget to the F&GP for review and approval. The F&GP will recommend the draft budget to the Board of Directors for approval prior to, or at the start of, the financial year. The budget will give proper and realistic estimates of expected income and expenditure.
- 3.8 The accounts are to be Independently Examined by a firm of accountants ready to be presented at the AGM (and reported to Companies House and Charities Commission).

## **4. Financial Records**

- 4.1 All documents are to be held in the office or electronically on the shared drive (with password protection as appropriate) This includes:
  - All purchase invoices, sales invoices, expense claims, record of use of charge card, cheque book and paying in book.

- A list of the organisation's banks. Bank statements are to be held electronically.
- Insurance policies (and displayed in the office as required)
- Grant funding agreements
- Inventory of fixed assets
- Annual report and accounts

- 4.2 A finance software package (e.g., SAGE) must be used to produce profit and loss, balance sheet, record of creditors and debtors and bank reconciliation. This package should include automatic cloud back up.
- 4.3 Details of payroll, salaries, employment contracts and all HR matters are to be kept either electronically with appropriate security passwords or in the case of paper copies in a locked storage cabinet accessible only by the CEO and Finance Administrator.
- 4.4 The financial year will run from 1 April to 31 March. Draft accounts for each financial year will be drawn up within three months of the end of the financial year and agreed by the Board of Directors as part of the organisation's annual report and accounts, which shall be externally examined and made available to members. The Annual General Meeting will be held within 9 months.
- 4.5 The Board of Directors will appoint an appropriately qualified independent examiner to examine the accounts and report upon them. Full access to the finance software accounting system and payroll will be available to the independent examiner.
- 4.6 All financial records will be kept for a minimum of seven years from the end of the financial year in which they are recorded.

## **5. Reserves Policy**

- 5.1 All reserves should be held in an interest-bearing account, accessible within a reasonable period, subject to working capital requirements.
- 5.2 A minimum of 3 months fixed costs running expenses (salaries and rent/rates) should be held in reserves.

## **6. Banking**

- 6.1 A current and interest earning account will be held with a bank which is a member of the Financial Services Compensation Scheme. Any decision to move banks will

be recommended by the Finance and General Purposes Committee and approved by the Board.

- 6.2 Cash machine/ debit and credit cards will not be used and if issued by the bank will be destroyed immediately. Charge cards may be issued to the CEO and the Chair. Any expenditure will be recorded on the charge card activity sheet held in the office and all receipts etc will be attached.
- 6.3 Only the Chief Executive Officer, the Board member responsible for finance and the Finance Administrator will have access to on-line and telephone banking services.
- 6.4 Three authorised bank signatories will be appointed to allow for dual authorisation of all payments.
- 6.5 Changes to the bank mandates of authorised signatories will be approved by the Board of Directors.
- 6.6 All direct receipts paid into the bank should be supported by relevant documentation as appropriate.
- 6.7 Records of payments made by cheque, BACS, standing order or direct debit should agree with invoices, or other supporting documentation, duly authorised.
- 6.8 Monthly bank statements will be required for all bank accounts. Cash accounts will be reconciled with the cashbook every month and investment accounts at least every three months. The F&GP will inspect the bank reconciliations quarterly.
- 6.9 Any cash and cheques received will be locked in the safe held in the office until banked.

## **7. Procurement of Goods and Services**

- 7.1 Orders and liabilities for goods or services should be made within set budgets.
- 7.2 Purchase order numbers must be quoted for all items over £500 excluding VAT.
- 7.3 All amounts using a charge card must be recorded on the charge card activity sheet.
- 7.4 Any purchases over £1,000 excluding VAT must be approved by the F&GP prior to ordering.

## **8. Asset Capitalisation**

- 8.1 Tangible fixed assets are capitalised at original cost less accumulated depreciation.
- 8.2 Depreciation on IT equipment, calculated to write off the cost of fixed assets over their expected useful lives, which is assumed to be two years (straight line). Only expenditure on fixed assets exceeding £500 excluding VAT per item is capitalised.
- 8.3 The disposal of assets must be authorised by the Chief Executive Officer.

## **9. Income and Expenditure documentation**

- 9.1 All payments and income should be supported by appropriate documentation (usually an original invoice or receipt). Proof of any financial transaction can be required by the Independent Examiner at year end and must be available.
- 9.2 Payments will only be made against original invoices (not statements or final demands)
- 9.3 All supporting documentation should be properly coded, authorised, entered on the financial software package, and filed.
- 9.4 Creditors and debtors ledgers will be regularly reviewed, and necessary action taken to recover funds due and resolve discrepancies on supplier accounts.

## **10. Payments from the bank account**

- 10.1 All payments will be made by BACS. Requests for payment by cheque should only be actioned in exceptional circumstances where payment by BACS is not possible.
- 10.2 All BACS payments will be dual authorised having inspected supporting documentation,
- 10.3 All authorised signatories shall maintain their own confidential records of BACS log-in details and passwords.

## **11. Payments by charge card**

- 11.1 Where it is required to make purchases electronically, a charge card can be used. Charge cards can only be issued to the CEO and Chair.
- 11.2 On-line purchases may be made by other staff with the authority of the card holder who should be present. A record of the transaction must be printed off from the on-line account at the time of making the transaction. All transactions will be recorded immediately (with appropriate receipts) on the charge card activity sheet held in the office. The Finance Administrator will ensure the document is regularly reviewed.

## **12. Petty Cash**

- 12.1 No petty cash funds are held.

## **13. Salaries and Expenses**

- 13.1 The running of the payroll should be contracted out to a payroll services provider.
- 13.2 Employees will receive a proper contract of employment and must complete the necessary paperwork as required by HM Revenue & Customs (HMRC) and payroll services provider.
- 13.3 All appointments, changes to hours and salary levels will be authorised by the Chief Executive Officer (or, in the case of the post of the Chief Executive Officer, by the Chair) provided such appointments are within the agreed staff budget. Increases to hours and salary levels will require the approval of the F&GP committee.
- 13.4 A payroll services provider is responsible for paying employees and making payments to the employees' pension schemes and to HMRC.
- 13.5 Travel and other expenses may only be claimed if they have been necessarily incurred while carrying out the charity's business. Claims must be supported by details of journeys undertaken, dates, evidence of actual costs incurred (e.g., receipts for parking) and duly authorised.
- 13.6 Mileage rates will be set and reviewed annually by the Finance and General Purposes Committee, which shall have regard to the relevant HMRC regulations and guidance.

## **14. Insurance**

- 14.1 Adequate insurance cover should be in place for contents (including all risks), employers' liability and public liability.
- 14.2 All insurance policy sums should be reviewed annually at least two months before the renewal date and at other times as appropriate (e.g., changes in assets).
- 14.3 A copy of the Employers Liability Insurance Certificate will be displayed in the office.
- 14.4 A copy of the Public Liability Certificate will be displayed in the office

## **15. Monitoring and Review**

- 15.1 This policy takes account of the Charity Commission's guidance on Internal Financial Controls for Charities and the Statement of Recommended Practice (SORP) for charity accounts.
- 15.2 The effectiveness of this policy, and its procedures, will be monitored and amended as and when necessary, by the Chief Executive Officer. Significant changes will require the approval of the Board of Directors. The policy will also be reviewed every three years as part of a continuing review of organisational policies.