Home-Start Cymru Financial Controls Policy

Home-Start Cymru

Financial Control Policy

Contents

Purpose

This policy sets out internal financial controls to ensure that:

- Home-Start Cymru (HSC) meets its legal and statutory obligations.
- The trustees have proper financial control of the organisation with delegated authorities clearly stated and applied.
- HSC meets its contractual obligations and the requirements of funders.
- The risk of fraudulent action by staff, volunteers or suppliers is effectively mitigated.

This document provides a summary framework of the control measures applied. Further documentation of detailed processes and procedures are held as part of the internal finance team policies which are regularly updated.

Types of Financial Controls

In any area of financial control there are three potential types of control measure:

- People controls – the knowledge, experience, and training of staff members.
- Process controls – processes and procedures (for example bank reconciliations)
- System controls – controls applied via automated systems (for example access controls)

In each area where control is required a mix of the above measures can be used as is most effective in delivering efficient risk mitigation. A system of internal control also has to balance the management of risk with issues of cost and practicality, in particular not encumbering the ability of the organisation to operate effectively.

A robust system of internal controls depends on a systematic approach underpinned by a culture of good governance and transparency that is modelled and led from the top of the organisation. Identified and tested cover arrangements and detailed procedures need to be in place for financial processing, authorisation, reporting, and oversight.

External Audit - In addition to the internal controls applied independent scrutiny is provided by the external auditors through statutory accounts review and advice provided during the year.

Responsibility for Financial Control

Understanding and applying principles and policies of financial control is the responsibility of all staff, senior leadership team and trustees:

- **Board of Trustees** – hold primary responsibility for ensuring that a robust internal control framework is applied across the organisation.
- **Finance & HR Sub Committee (F&HRSC)** – hold delegated responsibility for detailed review of financial management, financial control, and financial performance on behalf of the Board. The F&HRSC review financial control policies, receive reports from the Senior Leadership Team and external auditors.
- **Senior Leadership Team (SLT)** – hold collective delegated responsibility for establishing and implementing the internal control framework and ensuring an organisational culture conducive to good governance.
- **Staff** – all staff members should be aware of the financial control policy, whistleblowing policy and procedures affecting their areas of work.
- **Volunteers** – HSC volunteers are expected to support good practice and follow procedures in all areas of their involvement with HSC.

Dealing with the Risk of Fraud

What is Fraud?
Fraud can be defined as a form of dishonesty, involving either false representation, failing to disclose information or abuse of position, undertaken in order to make a personal gain or cause loss to another.

Theft is the dishonest appropriation of property belonging to another with the intention of permanently depriving the other of it.

Scale of risk
Research suggests that fraud across the charity sector has a value between £143 Million and £1.65 Billion per annum. The likelihood of fraud in the charity sector has not been found to be any greater or less than in other parts of the economy.

Fraud happens when three factors are present – motive, rationalisation, and opportunity. Fraud can happen, does happen and good internal controls must properly address this risk. Therefore, a key element of this Financial Control policy is to establish measures to minimise the opportunities for any potential scale for any fraud through robust checks. Controls and audit trails should also support identification of fraud where it may have already occurred.

In addition, the existing and new controls identified in this policy there are three specific controls in this area:

- **Awareness** – Staff and trustees should always be mindful of the potential for fraud and common areas of risk. See Appendix B for examples of the most common types of fraud.
- **Whistle blowing –** Fraud can sometimes be missed because it is overlooked or goes unreported. A key element in addressing this risk is a clearly documented and communicated whistle blowing policy that encourages fraud reporting and protects those who do so. HSC has a whistle blowing policy that is regularly updated.

- **Permission to question –** All staff and trustees are actively encouraged to feel free to question financial transactions and payment authorisations. In particular the members of the finance team are expected to question and challenge any questionable instructions from key decision makers such as the Head of Finance and Chief Executive. This is especially important due to the prevalence of email-based attempts at fraudulent subversion of controls.

Section 1 - Governance

A. Board and Finance & HR Sub Committee

Home-Start Cymru is governed by the board of trustees which has four scheduled meetings each year and meets to:

- agree the policy of the charity.
- determine strategic direction and objectives.
- make major decisions on the use of finances.
- review operational management matters.
- review and assess risk.

The board of trustees is made up of at least three and not more than 15 trustees who bring with them a range of experience from the private, public, and voluntary sectors and from local Home-Starts. Under the terms of the Articles of Association board members may be appointed for an initial term of appointment of three years. This initial term may be followed by re-appointment for a further period of three years. The board meets on other occasions as business requires.

The board is aided in its work by the work of the Finance & HR sub-committee, which monitors the financial position of the charity and makes recommendations to the board, and by committees who help to ensure the effectiveness of Home-Start Cymru. The knowledge gained from working with colleagues informs the operation and management of Home-Start Cymru across the whole of Wales.

B. Delegated Authorities

Clarity in delegation of authorities is a key element of robust internal control framework.

The Board has full responsibility for running HSC and ensuring good financial management is vested in the Board of Trustees. This responsibility can never be fully delegated and always rests with the Board. The Finance & HR Sub Committee provides scrutiny of budgets, pay strategy, fundraising performance, statutory accounts, financial management and financial control policies and advises the Board.

<u>*Key principle:*</u> *In the case of the Board and all subsequent delegations of authority the key principle is that responsibility remains with those delegating.*

Appendix C provides a summary of matters that are reserved for Board decision.

Specific areas of delegation from the Board relating to financial control.

Budget management

Once an annual budget has been approved by the Board responsibility for its delivery is delegated to the Chief Executive and the Senior Leadership Team. Budgets and strategic plans provide a basis for activity during the year against which SLT reports to the Board during the year. Changes to financial forecasts and variances from budget are reported through the management accounts for Board review.

Investment & debt financing

The current investment strategy is to deposit funds in short-term interest-bearing accounts with UK banks and building societies, retaining in current account two months of anticipated expenditure.

Fundraising bids to grant making bodies

Unless otherwise required by the funder the Chief Executive and Senior Leadership Team are empowered to submit and authorise funding in line with the funder’s requirements and HSC’s charitable objects.

Appointment of staff

The Chief Executive and trustees are empowered to appoint staff for the furtherance of the strategic aims of HSC. Expenditure on staffing should be in line with approved budgets with significant variations reported to the Board.

Changes to the make-up of the Senior Leadership Team and broad reorganisation of the staff team will require prior Board approval.

Leases of offices and equipment

Head of Finance/CEO, in line with authorisation limits, are empowered to enter into leases, including multi-year leases, where these are necessary to support the organisation’s activities and fall within approved budgets.

C. Commitment to Contracts

Specific controls are required where HSC is being committed to a legally binding contract. Such contracts commit the organisation to payments and/or service delivery. Appropriate review and authorisation are vital to ensure that terms are not onerous, and contracts are in line with both budgets and strategic priorities.

For the purposes of control there are different classes of contract:

Contracts for Payment

- Single-year contracts for services from suppliers in support of budgeted expenditure and contracts with values above £5K must be reviewed by the Head of Finance, CEO and Chair/Treasurer.
- Multi-year contracts with suppliers commit the organisation to expenditure beyond the period of authorised budgets but are necessary in some cases.
  For contracts with values of up to £5K per annum can be authorised by the Head of Finance, together with CEO and Chair/Treasurer.
  Contracts with values of over £5K per annum will require prior additional agreement and signature of the Chief Executive, Chair of Trustees, and the Treasurer. For any new spend a business case must be put forward to the Chief Executive, Chair of Trustees, and the Treasurer.

Contracts for Service Delivery

- Contracts for service delivery by HSC must be reviewed by the Chief Executive then signed by Chief Executive or Head of Business Development.
- Copies of all contracts for service delivery and formal grant agreements should be stored in the HSC Business Development SharePoint folder.

Key Principle: In the case of any uncertainty about the suitability of a contract, guidance should be sought.

D. Strategic Risk Register

HSC maintains a Strategic Risk Register (SRR) for the monitoring and management of key identified risks including those linked to financial management.

The SRR is held as a standing item on the agenda of the Senior Leadership Team and reviewed quarterly by the Finance & HR Sub Committee on behalf of the Board of Trustees. The full SRR is agreed annually by the Board of Trustees and reviewed quarterly. Each identified risk has an assigned owner within the Senior Leadership Team with responsibility for active implementation of risk mitigation measures.

E. ISO9001

HSC holds ISO9001 accreditation and progressively works to imbed the principles of quality management and good governance across the organisation.

F. Conflict of Interest Management

A conflict of interest is any situation in which a trustee's or senior manager's personal interests or loyalties could, or could be seen to, prevent them from making a decision only in the best interests of the charity.

HSC Memorandum & Articles of Association state: -

Whenever a trustee has a personal interest in a matter to be discussed at a meeting of the Trustees or a committee the Trustee concerned must:

- declare an interest at or before discussion begins on the matter.
- withdraw from the meeting for that item unless expressly invited to remain in order to provide information.
- not be counted in the quorum for that part of the meeting.
- withdraw during the vote and have no vote on the matter.

This clause may not be amended without the prior written consent of the Commission.

At the commencement of each trustee board meeting, a trustee will declare their interest in any item on the agenda where they have a conflict of interest, whereby the above extract from the Memorandum & Articles of Association will be followed.

A Register of Interests is maintained and updated annually.

The Senior Leadership Team identify and record potential conflicts of interest.

Section 2 – Planning and reporting

Effective financial management depends in large part on there being a clear planning and reporting framework within which an organisation operates. HSC has set a clear strategic plan with annual budgets then approved by the Board. This then provides the basis for measuring whether actual income, expenditure, progress, and outcomes are in line with expectations.

A. Management Accounts

Quarterly management accounts are produced according to an established timetable. This track of financial performance provides summary and detailed management information including a forecast and charts. Balance sheet, cash flow and project reporting are also included.

Controls need to ensure the information provided is timely, accurate, effective in scope and responsive to changes in activities.

Process Control	Detailed processes held in the Internal Finance folder
Process Control	Continuous improvement approach to management accounts reporting
Process Control	Review of management accounts at each meeting of the Board of Trustees and Finance & HR Sub Committee
Process Control	Report format specifically includes tracking of identified projects and contracts
Process Control	Specific reporting against restricted and designated funds
Process Control	Timely production of management accounts consistently in line with a set timetable
Process Control	Unbudgeted income, expenditure & projects identified proactively and incorporated. transparently into management accounts
System Control	YTD performance and position data drawn directly from Xero accounting software
People Control	Detailed review of management accounts by the Senior Leadership team
People Control	Segregation of duties with different staff involved at different stages in the monthly management accounts process

B. Cashflow

The effective management of cashflow and an active approach to forecasting is necessary for all organisations. HSC as a charity is dependent on voluntary income and with funding often paid in arrears is particularly vulnerable in this area.

Good treasury management also needs to ensure that the interest received on cash balances is maximised and where appropriate cash is invested. A 12-month rolling cashflow will be produced with the budget and monitored on a monthly basis, with reporting to the Finance & HR subcommittee and Board alongside the management accounts.

C. Statutory Accounts

The regulatory requirements for external reporting and audit in a standard format are the key test that all internal processes continue to operate in line with good practice. Transparent, accurate and timely reporting in this way, as well as being a regulatory requirement, provides funders, supporters, partners, and trustees with assurance that the charity continues to be well managed in line with strategic aims and public benefit.

All other policies and processes identified in this document should support and underpin effective delivery of the annual report and accounts each year.

Section 3 – Income

A. Bank Accounts

HSC maintains a defined group of bank accounts with HSBC.

The current group comprises 2 accounts all with sort code 40-08-27: HSC

Community Account: xxxx 4394

HSC Reserves Account: xxxx 4416

The Community Account is the current bank account. The reserves account being a deposit interest bearing account used for short-term investment. The Senior Finance Administrator will continue to reconcile all bank accounts with review by Head of Finance.
Changes and additions to this group to require authorisation of two signatories of the administrator roles from bank signatories as listed at Appendix A.

B. Post opening & Banking

HSC does not have an office premises; it has a virtual office address (being HSC's Registered office) in Cardiff which is where any mail is delivered to. The mail is held securely until a member of SLT picks it up. Mail received rarely includes cheques and never cash. If a cheque is received it is banked immediately. Funds received in this way are not always known about in advance representing a key financial control risk. Internal controls need to ensure that any such income is properly identified and recorded. As in other areas, the aim is to balance control with efficient processes.

Post received not marked personal, CEO or HR is opened by one staff member, details of cheques are then recorded before being banked.

Process Control	(Minimum) Quarterly review of audit trails by Head of Finance
Process Control	Clear audit trails maintained with evidenced records of funds received
Process Control	Cash & cheques held securely after receipt and prior to banking
Process Control	Paying in slips filled in at bank are stored in the Finance folder (cloud based)
Process Control	Head of Business Development to be advised of any cheques received
People Control	One staff involved in post as and when notified mail is at the registered office address
People Control	End of month check of cheques received against banking paying in schedules by the Senior Finance Administrator. The Head of Finance undertakes quarterly spot checks. Very rare any cheques received as majority of payments are by BACS.

C. Bank reconciliation

A critical element of internal financial controls lies in ensuring that all funds that pass-through HSC's bank accounts are properly accounted for. The recorded and evidenced monthly bank reconciliation ensures that all transactions have been identified, are authorised and have been processed accurately through HSC's Xero accounting software with a clear audit trail maintained.

Process Control	Bank reconciliations are prepared by Senior Finance Administrator and reviewed by Head of Finance along with associated Xero balances
Process Control	Full audit trails maintained for tracing of transactions and audit review
System Control	Defined bank and suspense accounts on Xero for transparent reconciliation
People Control	Segregation of duties maintained with different staff involved in the preparation and review of the bank reconciliation

D. Income processing

HSC receives income from various sources including fundraising grants & donations, contracts, statutory bodies, and Home-Start Cymru schemes. Detailed processes and robust controls are needed to ensure that the organisation receives all of the income due to it and that this is allocated against the correct budgets.

System Control	Defined list of Xero income codes setup and used in line with approved budgets
System Control	Xero customer ledger used for invoicing, tracking and receipt of income wherever appropriate
System Control	Xero debtors control account & aged debtors lists maintained
People Control	Segregation of duties with multiple staff/departments involved in each income stream

E. Donations and sales income at events

This is a high risk but low-income level for Home-Start Cymru as there are currently only a small number of these events during the year. HSC has insurance in place for cash of £4,000 in transit.

Process Control	Merchandise stock taken to an event but no income is generated from giving out merchandise at an event
Process Control	Cash & cheques held securely after receipt and prior to banking
System Control	Defined income codes for tracing of transactions and audit review
People Control	Segregation of duties maintained with different staff involved in the attendance at events and if applicable in the counting of cash amounts

F. Investments

The majority of surplus funds is deposited in interest-bearing accounts with UK banks and building societies. The accounts used is the deposit interest bearing account. The account is operated by the Head of Finance and maintained by the Senior Finance Administrator. Should cashflow shows a high cash balance then the Investment Policy is referred to and process followed.

The authorised signatories on these accounts are as shown in

Appendix A

The authorised signatories for online banking are as follows: Head

of Finance and CEO.

Section 4 – Payments

A. Supplier selection and good receipting

As in other areas, the aim is to balance due care and securing value for money with flexibility and the need for processes not to be cumbersome. The selection of suitable suppliers for HSC is the responsibility of the Project Managers for their respective areas.

Significant suppliers for anything above £3k and no more than £5k we will need 3 quotes/tenders (such as phone companies/IT support etc.). Anything over £5k will also need verification from the Chair/ Treasurer and if it is a new spend a business case needs to be put forward.

Consultants and associates are identified through a mixture of existing networks and recruitment depending on the activity – the relational element of this is important for fit, understanding of HSC and affordability.

For smaller purchases, budget holders then have the freedom to select new suppliers for ad hoc expenditures with selection on the basis of cost, quality, and service. This is a core part of budget holder responsibility and is delegated on that basis. This is then approved by CEO or one of the Senior Ops Managers

Received goods are checked on receipt to ensure they are as ordered.

Process Control	Payments and new contracts over £5K in total value to require evidenced quotes/tenders from three suppliers where practicable. For new contracts above £5K a business case will need to be submitted for consideration before requesting any tenders.
Process Control	Received goods are required to be checked vs orders.
People Control	Control of budgets is the responsibility of SLT and designated budget holders.

B. Purchase Ledger

Purchase ledger at HSC follows standard principles for financial control with full audit trails maintained. Most supplier payments are made via a weekly BACS payment. Smaller numbers of payments are made by direct debit and same day payments. On occasion the Equals prepaid card will be used to make payment.

Principal responsibility for purchase ledger sits with the Senior Finance Administrator overseen by the Head of Finance. Purchase ledger operates according to four stages under the mnemonic ‘PAPA’:

Proposer – Member of staff who identifies the need and best source for expenditure will fill in a request/purchase order which is then forwarded to the Authoriser.

Authoriser – CEO or Senior Operations managers to authroise the expenditure of funds against approved budgets up to set authorisation limits.

Processor – Member of the finance team (principally the Head of Finance) who processes the payments onto Xero ready for payment and the Senior Finance Administrator sets up the BACS (or same day payment) run.

Approver – Authorised online bank signatory who can, on review that the previous stages have been followed properly, release the payment.

Process Control	Authorised signatories list maintained for budget holders
Process Control	Processes require full paperwork (in most cases invoices) before payment is made
Process Control	Quarterly review of creditor control accounts and aged creditors by the Senior Finance Administrator and reviewed by the Head of Finance
Process Control	Defined process for dealing with supplier queries and requests for payments
System Control	Designated control account on Xero for clear audit trail
System Control	Access permissions on Xero to the purchase ledger limited to the finance team
System Control	HSBC system configured to reflect authorisation limits
People Control	Approval of HSBC online business banking limited to CEO & Head of Finance
People Control	System coding allows for tracing of audit trails and the reporting against budgets
People Control	Segregation of duties maintained with payment authorisation, processing and submission undertaken by different staff

C. Bank signatories

Authorised payments are made to suppliers via BACS, and same day payments. Purchase ledger at HSC follows standard principles for financial control with full audit trails maintained (See B. Purchase Ledger).

A list of the authorised list of signatories is included at Appendix A.

D. HSBC online banking – Reference appendix A

Authorised payments are made to suppliers via BACS, and same day payments. Purchase ledger at HSC follows standard principles for financial control with full audit trails maintained (See B. Purchase Ledger).

Process Control	Processes require full paperwork (in most cases invoices) before payment is made
System Control	Designated control account on Xero for clear audit trail
System Control	Access permissions on Xero limited to finance staff
System Control	Access to HSBC online banking system limited to identified staff and authorised bank signatories see Appendix A for current list. (Note – the person submitting the file of payments onto HSBC is not permitted to authorise the file of payments)
People Control	Segregation of duties maintained with payment authorisation, processing and submission to the bank undertaken by different staff

E. Staff and Volunteer expenses

Staff and volunteers incur costs in the course of fulfilling their roles and these costs need to be reimbursed. Controls need to ensure that all expense claims are valid, in line with organisational policies and properly authorised.

Process Control	Clear policies communicated to staff regarding expenses policies and claims procedures
Process Control	All expenditure (except mileage) requires original receipts attached to expense claims or original scanned receipts
Process Control	Line manager authorisation of expense claims prior to processing by finance
Process Control	Quarterly evidenced review by Senior Finance Administrator of spot checks of submitted expense claims to include checking of number of miles of journey, checking receipts, duplication of receipts if receipts being claimed for previous month and correct authorisation
System Control	Xero accounting software coding structure and record keeping allow for budget holder and audit review of claims
People Control	Segregation of duties with responsibility for authorising, processing, and checking expense claims

F. Company Credit Cards/Preload card (Equals)

HSC currently has no company credit cards, HSC use a pre-loaded cash card for business use, this is used solely when costs are unable to go through normal invoicing system e.g. online ordering, immediate payments. Identified staff members sign an agreement of use of the cards.

Process Control	Clear policies communicated to staff regarding appropriate use of the Equals card
Process Control	All new prepaid cards and amendments to limits must be approved by the Head of Finance
Process Control	All card holders required to provide receipts and where appropriate prior authorisation for expenditure in writing.
Process Control	Head of Finance review use of the Equals card on a regular basis
Process Control	Card control accounts reviewed and reconciled on a monthly basis by the Head of Finance
System Control	Designated control account on Xero for clear audit trail
System Control	Card limits set appropriately and only amended with authorisation by the Head of Finance
System Control	Only Head of Finance can set up new cards
People Control	Segregation of duties with responsibility for authorising, processing, and checking card statements

G. Petty Cash

HSC does not hold petty cash.

Section 5 – Payroll

Staffing represents the largest area of annual expenditure for HSC. Payroll is therefore a high priority and risk area for fraud and a focal point for financial control.

<u>Key principle:</u> Payroll is operated by finance but managed by HR. Clear instructions with accompanying audit trail must exist for all payroll payments.

A. Staff recruitment, contract amendments and exits

Clear processes and procedures are needed for all payroll processes particularly with regard to additions, changes, and removals from the staff list.

Process Control	Standardised and robust HR processes for staff recruitment, contract amendment and exits ensuring that all necessary information and authorisation is recorded
Process Control	Monthly review of payroll by Head of Finance specifically including review of all changes and associated paperwork
Process Control	Management accounts track of expenditure on staffing in each department with investigation of variances
Process Control	All amendments to monthly payroll require instruction via HR
Process Control	Recruitment of staff and amendment of staff terms and conditions require authorisation from the CEO
People Control	Segregation of duties with processing of payroll separate from authorisation of payments and authorisation of changes
System Control	Defined list of Xero codes for each cost related to pay (salary/NI/pension etc.)

B. Monthly payroll

With only extremely rare and authorised exceptions all payments through payroll are made as part of the monthly payroll process.

Process Control	Once prepared payroll payments are reviewed in detail by the Head of Finance including all associated paperwork and calculations
Process Control	All payroll payments are made on a consolidated monthly payment run separate to other payments made
Process Control	Full audit trails are maintained at all times for payments made and the reason for them
Process Control	Full and detailed procedure notes are maintained in the Internal Finance Manual
People Control	Segregation of duties with different staff involved in instruction, authorisation, and processing of payroll
People Control	Monthly payroll is prepared by the Senior Finance Administrator using the amendments supplied by the HR dept
System Control	Use of Xero payroll module, only accessible to identified staff, ensures audit trails are maintained

C. Casual workers and staff overtime

HSC does not employ casual workers or pay overtime.

D. Contracts for services and agency staffing

Some skill requirements and short notice cover cannot be met through paid staffing and casual workers. The use of consultants and agency workers may therefore be necessary but should be kept to a minimum due to cost.

<u>Key principle:</u> There are only three options for non-payroll engagement of paid work:

- *Temporary staffing via agency*
- *Contract for services engagement of sole traders with evidence of UTR status & relevant insurance*
- *Direct company to company engagement*

Process Control	Authorisation (& signatory) to contracts for services and agency arrangements is limited to CEO in line with approved budgets
Process Control	HR Manager or SLT to be involved in planning for all consultancy and agency staffing arrangements. (The CEO will access external legal advice if required)
Process Control	Copy of all contracts for consultancy and agency staffing to be held by the HR Manager
System Control	Xero codes identify and separately record consultant and agency staffing

Section 6 – Taxation

Charities such as HSC are not subject to corporation tax but still need to deal with other forms of taxation including PAYE, National Insurance, VAT. Tax relief in the form of Gift Aid also needs to be properly accounted for.
Internal controls need to ensure information required for regulatory and audit purposes is retained securely, that data protection requirements are met and the affairs of the charity are managed in the most tax efficient way possible.

A. PAYE and National Insurance

Xero payroll is used to record payments to all staff and calculate the PAYE due to HMRC. Similar calculations are made for both employer and employee national insurance. These combined amounts are then paid over to the HMRC on a monthly basis.

Process Control	Review and authorisation of PAYE and NI payments by Head of Finance each month
People Control	Segregation of duties with different staff involved in payroll processing, detailed review, and authorisation by the Head of Finance
People Control	Experienced finance team staff with detailed understanding of payroll processes
System Control	Online approval of payments limited to authorised bank signatories within HSBC online banking
System Control	Defined list of Xero codes for PAYE and NI for ease of reconciliation
System Control	Use of Xero payroll module, only accessible to identified staff, ensures audit trails are maintained. Xero payroll is password protected.

B. Gift Aid

Gift Aid can be reclaimed from the HMRC for qualifying donations. The finance team maintains records of Gift Aid declarations and Gift Aid claims are prepared by the Finance team.

Process Control	Review and authorisation of Gift Aid claims by the Senior Finance Administrator
Process Control	Clear procedures in Fundraising for where donations can receive Gift Aid relief documented in the Internal Finance Manual
Process Control	Full and detailed procedure notes are maintained in the Internal Finance Manual
People Control	Segregation of duties with different staff involved in gift aid processing review and online submission to HMRC.
People Control	Experienced finance team staff with detailed understanding of Gift Aid processing
System Control	Annual submission of Gift Aid claims
System Control	Reconciliation by Head of Finance that Gift aid claim agrees to claim received

C. VAT

HSC is not vat registered and should services change, professional advice should be obtained as to whether VAT position is to change.

Section 7 – Restricted and Designated Funds

Restricted Funds – Donors regularly apply restrictions to how funds can be used. Controls need to ensure that restrictions are identified, fall within HSC's charitable activities and are expended in line with the donor's wishes. Future grants and donations frequently depend on timely use of funds and detailed reporting of outcomes delivered.
Designated Funds – The Board of Trustees can set aside unrestricted funds for identified purposes. Controls need to ensure that such funds are planned for and utilised effectively in a controlled manner.

A. Establishment of new funds

New restricted funds are created through the receipt of restricted grants and donations. Designated Funds are only created at the direction of the Board of Trustees.

Process Control	New designated funds only set up with agreement of the Board of Trustees
Process Control	Clear strategy for designated funds as part of reserves policy
Process Control	New restrictions from funders discussed between SLT
Process Control	Management accounts reporting to track and report on restricted and designated funds
System Control	Defined list of codes on Xero for reserve balance, separate schedule maintained to show individual fund balances

B. Budgeting and tracking

Clear planning and reporting around designated and restricted funds are a vital element of internal control.

Process Control	Management accounts format developed to report on projects, designated and restricted funds
Process Control	SLT specific review of designated and restricted funds as part of management accounts review
Process Control	Annual budgets and reserves policies incorporate plans for use of designated and residual restricted funds
System Control	Xero coding designed to support tracking of designated and restricted funds

C. Cost allocation

Restricted funds need to be expended in line with the donor's expectations, often in the form of staff time. Detailed reporting is often required, and costs need to be allocated to each fund without any costs or staff time being accounted for twice.

Process Control	Detailed spreadsheets maintained by the Head of Finance to monitor expected and then actual expenditure against each fund
Process Control	Regular monthly review of project budgets and restricted funds between CEO and Head of Finance
People Control	Experienced finance team staff with detailed understanding of fund accounting

Section 8 – Fixed Assets

Capital assets held by Home-Start Cymru fall into two categories:

- Fixtures & fittings
- Computer equipment (from servers & phone systems to laptops and projectors)

Controls need to ensure that fixed assets are properly identified, accounted for and that best value for money is achieved for what can be high value purchases. Assets need to be maintained and renewed in a planned way so that long-term requirements and expenditure are managed.

Depreciation needs to be charged in line with accounting policies so that costs are spread across the working life of the assets. The capitalisation threshold for fixed assets is currently £1,000. Accounting policies establish the expected working life of each asset class.

A full asset register is maintained and reviewed regularly. IT assets in particular require careful management and control to ensure that all IT equipment is appropriately cared for and used to support for work of the charity.

Process Control	Accounting policies for fixed assets and depreciation reviewed at least annually
Process Control	Asset register maintained by IT and finance departments
Process Control	Monthly review of asset registers by the Head of Finance as part of management accounts processes
Process Control	IT asset register includes all equipment including items below the capitalisation threshold
Process Control	All IT equipment required to be purchased via the Finance team with manager approval in order to ensure equipment is fit for purpose and are caught on the asset register
Process Control	IT Expenditure requires authorisation by the CEO/ Head of Finance up to £5K and Chair of Trustees and CEO over 5K.
Process Control	IT and HR policies provide clear guidance to staff on the appropriate use of equipment issued for use
Process Control	IT equipment purchases over £5K require comparative quotes to be obtained
Process Control	Annual review of fixed assets and stock levels by Head of Finance
People Control	Segregation of duties with different staff involved in purchase, management, and depreciation of capital assets
System Control	Fixed assets recorded on Xero and reconciled monthly

Section 9 – Stock Management

HSC principally holds very low levels of stock, two types:

- fundraising and branding merchandise as part of fundraising campaigns
- publications, leaflets, and training resources sold to schemes in support of Home-Start Cymru's work.

Due to the low level of stock, it is not necessary to enter a value of stock into the accounts, when stock is ordered it is distributed immediately and what is left in stock is very minimal.

Section 10 – Reserves Policy

The trustees are required to review the reserves policy on an annual basis. Reporting regulations are becoming more stringent on this, particularly with the introduction of International Financial Reporting Standards (FRS102).

A good reserves policy should as a minimum cover:

- The reasons why we need reserves.
- The level of reserves the trustees consider are needed.
- Steps we are planning to take to reach the target range or level.
- Arrangements for monitoring or reviewing the policy.

An updated reserves policy is presented to the Board of Trustees annually during May/June.

Section 11 – Regular reconciliations

Throughout this policy there are references to key control accounts and reconciliations that are performed regularly by the Finance Team. For reference these are noted below:

Control accounts and regular reconciliation

Xero Control account/reconciliation	Performed by	Reviewed by & how often
Bank reconciliation	Senior Finance Administrator	Head of Finance – monthly
Equals card	Head of Finance	Head of Finance
Monthly payroll reconciliation of Xero **payroll** to Xero accounts	Senior Finance Administrator	Head of Finance monthly
Debtors' Control Account & Aged Debtors	Senior Finance Administrator monthly	Head of Finance monthly
Creditor Control Account & Aged Creditors	Senior Finance Administrator monthly	Head of Finance monthly
Fixed assets register and depreciation	Head of Finance	Head of Finance annually
Trial Balance	Head of Finance	Head of Finance monthly as part of management Accounts
Designated Fund balances	Head of Finance	Head of Finance monthly as part of management accounts process. Further review by CEO as part of quarterly management accounts review with Head of Finance
Restricted Fund balances	Head of Finance	Head of Finance monthly as part of management accounts process. Further review by CEO as part of the quarterly management accounts review with the Head of Finance
Suspense accounts cleared	Senior Finance Administrator	Head of Finance monthly
HMRC PAYE/NI control accounts	Senior Finance Administrator	Head of Finance monthly

Review & Implementation

This policy will be reviewed bi-annual and shared with the Finance & HR Sub Committee. Responsibility for implementation of these financial controls will be held by the Head of Finance. Oversight will be provided as required by the Chief Executive and the Treasurer.

The latest version of this policy will be published on the SafeHR for HSC staff.

References

The following publications and documents were referenced in the creation of this policy:

- Charity Finance Yearbook - CFG
- A Practical Guide to Financial Management – Kate Sayer
- ICSA Chartered Secretaries – Guidance notes – Matters Reserved for the Board

And internally:

- HSC Financial Management Policy
- ISO9001 requirements
- Internal Finance Manual

Appendix A – Bank Mandate

Strict controls established via the bank, enforced by systems, and applied in payment processing by the finance department. These controls relate to the 4th, Approver, stage in payment processes (PAPA). Bank signatories acting to approve payments must always review backing paperwork to confirm that payments match to invoice details and there is evidence of appropriate authorisation/budget coding.

The formal bank mandate is used for cheque signing and for transfers between bank accounts or to fixed notice deposit accounts. The bulk of regular payments are normally made by BACS via the HSBC Bankline system. Similar but parallel controls exist for that system and is detailed below.

Bank Signatory Groups and Levels

Key principle: Staff involved in preparing payments do not approve them

Authorisation required

- Payments are made after invoice has been approved for payment by the CEO or one of the senior operations managers. The invoices are on a weekly payment run. Once approved, the Head of Finance will then provide a Bacs list for payment. This is then set up onto the online banking system by the Senior accounts administrator, and then final approval on the online banking by the Head of Finance or the CEO
- Unlimited value – payments of over £50K should always be transacted singly.
- There is a daily limit of authorization of £100k, reference Appendix A

Bank authorisers –

Head of Finance
CEO

The Senior Finance Administrator or the Senior data/finance administrator, will only process i.e. input a bank payment to the Online banking, they cannot authorise a bank payment.

The following have online access for uploading payments to the online bank account. They have no authority to approve payments online.

- Senior Finance Administrator
- Senior Data/ Finance Administrator

The following have online access with authorising limits up to £100,000 per day.

- CEO – Primary user with full controls
- Head of Finance
- Chair of Board

If at any time the Senior Finance Administrator or the Senior data/finance administrator are not available to work, it will be the Head of Finance that sets up the bank payment, and the CEO must authorise the bank payment.

Online Banking access mandate and authorisation limits are as follows

Username	*User Roles	Limit of Authorisation
Senior Finance Administrator	PROCESSING ROLE ACCOUNT OPERATIONS ACCOUNT OPERATOR	
Finance Officer	PROCESSING ROLE ACCOUNT OPERATOR	
CEO	AUTHORISE ONLY ROLE BANKLINE MOBILE USER	Daily limit of £100,000
Finance	AUTHORISE ONLY ROLE FINANCE MANAGER OLE BANKLINE MOBILE USER	Daily limit of £100,000
Chair of Trustees	BANKLINE MOBILE USER	
*Privileges	AUTHORISE ONLY ROLE	Authorise bulk payment Authorise future dated / BACS payments Authorise CHAPS payments Authorise CHAPS transfer

Applying authorisation levels

Authorisation levels apply for any single payment or any grouped payment where one or more payments is at or above the requisite level.

Examples:

a) BACS

A batch of payments being made by BACS with a total value of £50K but with the largest single payment being £5K would require sanction by either the CEO if the Head of Finance has approved the payment.

b) Cheques

Cheques are not used by HSC any longer as all payments are made by Online Banking, but in the event that a cheque might be needed:

- A minimum of two signatures will be required on any cheque issued.

- No one person to sign a cheque that they are directly or indirectly benefiting from.
- At least one signature on each cheque should be from a trustee.
- New signatories must be approved by the trustees before action is taken with the bank.
- All cheques issued should be against an invoice, receipt or expenses claim form.
- Cheque signatories should check that the expenditure has been authorised by the appropriate person before signing the cheque.
- All invoices, receipts and expenses claim forms should be numbered, cross-referenced, and filed.

c) **Home-Start Cymru Credit/Debit Cards & Online Banking**

- CEO is the Primary User for on-line banking. Online payments will always be uploaded by the Senior Finance Administrator or the Senior Data/Finance Administrator and authorised by either by CEO or Head of Finance.

No Credit/Debit cards are held. Finance Team have access to preloaded cards (Equals)

Appendix B – Common types of fraud

- Misuse of the charity's bank account
- Stealing or 'skimming off' money from cash collections
- Fake fundraising events and requests for donations
- Fake invoices
- Fake employees inserted into monthly payroll
- Timesheets and expense claims falsely submitted
- Misuse of company credit cards
- Charities setup for improper purposes
- Fraudulently obtain grants
- Fake letters supposedly from suppliers asking for redirection of payments
- Suspected money laundering
- Fraudulent websites

Appendix C – Matters reserved to the Board

General enabling provision

- Subject to its governing document and relevant legislation, the board of trustees may delegate such matters as it considers appropriate.

Regulations and control

- Approval of recommendations to change/amend the charity's governing document, subject to the approval of the Charity Commission and members, where applicable.
- Approval of recommendations to change/amend the charity's governing document, subject to the approval of the Charity Commission and members, where applicable.
- Approval of standing orders (by laws), a schedule of matters reserved for the board and financial reporting for the regulation of its proceedings and business.
- Suspension of standing orders (by laws).
- Alteration and amendment of standing orders (by laws).
- Ratify any urgent decisions taken by the chair and chief executive.
- Approve a scheme of delegation of powers from the board to committees and their terms of reference.
- Require and receive the declaration of trustee interests that may conflict with those of the charity and determining the manner in which such conflicts will be managed.
- Require and receive the declaration of interests of staff members that may conflict with those of the charity.
- Approve arrangements for dealing with complaints.
- Adopt/review/amend the organisational, management and control structures, processes and procedures required to further the aims of the charity's objects.
- Receive reports from committees and agree/amend/reject any recommendations presented to the board.
- Establish/review/amend terms of reference and reporting arrangements of all committees of the board, including any ad hoc committees.
- Ratify/reject instances of failure to comply with standing orders (by laws).

Appointments/remuneration/discipline

- Nominate and elect a trustee to serve in the positions of chair, vice-chair, and treasurer, where appropriate.
- Appoint and dismiss committees and individual members of committees that are accountable to the board.
- Put in place effective procedures for the succession planning of the board.
- Appoint, appraise, and dismiss the chief executive officer, where applicable.
- Appoint, appraise, and dismiss the charity secretary, where applicable.
- Consider, approve/reject proposals from the remuneration committee regarding salary and benefits of the chief executive and other senior management staff, where appropriate.
- Agreeing procedures for the effective evaluation of the board and individual trustees, and committees.
- To consider and decide on any proposal to remunerate a trustee, subject to the restrictions of the charity's governing document and the requirements of the Charities Acts.
- Ensuring compliance with the charity's objects and relevant legislation.

Strategic and budgetary matters

- Define and agree the strategic aims and objectives of the charity.
- Approve/amend proposals for the delivery/cessation of delivery of programmes to further the charitable objects or changes to the charity's activities.
- Apply charitable property to the furtherance of the charity's objects.
- Ensuring that trading and other activities do not compromise charitable status.
- Approve/amend the charity's policies and procedures for internal control and the management of risk and protection of the charity's property (including insurance).
- Approve/amend proposals for capital investment or expenditure, including the spending of capital from an endowment fund.
- Approve/amend budgets.
- Approve/reject proposals for the acquisition/disposal of land/buildings, or change in its use, following the receipt and consideration of professional guidance.
- Approve fundraising and income generation programmes, including funding applications, service delivery contracts and transfer of public collection certificates from one trustee to another.
- Agree and review investment strategy, in line with relevant policies.
- Decide on the number, purpose and mandates of bank accounts and other deposit media.
- Authorise delegated powers and limitations to the chief executive and other members of the senior management team, where appropriate.
- Decisions relating to court proceedings against or on behalf of the charity.
- Approval and appointment of the charity's professional advisers and consultants and to determine their remuneration.
- Approval of purchasing Trustee Indemnity Insurance from charity funds.
- Approve the transfer of charity property to another charity with substantially similar objects.
- Agree changes to the charity's pension scheme or the management of its funds.

Policies

- Establish/review/amend/approve key organisational policies including:
    - trustee code of conduct
    - trustee engagement/agreement to serve letter.
    - employment policy
    - health and safety policy
    - environmental policy
    - communications policy
    - complaints policy
    - investments policy
    - reserves policy
    - whistleblowing policy
    - risk management policy.
    - corporate social responsibility
    - conflicts of interest policy
    - communications/PR policy
    - equal opportunities policy

Audit arrangements

- Consideration of the external auditors, in line with legal requirements and those of the charity's governing document.
- Approval of remuneration of external auditors, their re-appointment or removal, in line with legislation and the requirements of the charity's governing document.
- Receive and note the annual management letter from the external auditor and agree the proposed course of action, taking into consideration the recommendations of the audit committee, where appropriate.
- Receive and note reports from the internal audit function and agree remedial action, where appropriate.

Reporting arrangements

- Receive/present/approve the charity's annual report and accounts.
- File the annual report, accounts, and SIR with the appropriate regulator(s).
- Establish, maintain, and retain appropriate financial reporting arrangements and records and approve any significant changes in accounting policies or practices.
- Hold an annual general meeting for members, where applicable.

Monitoring

- Receive and review such reports as the board requires from committees and individuals with regard to the use of delegated powers.
- Receive and review such reports from members of the charity's staff pertaining to the activities of the organisation in furtherance with the charitable objects.
- Receive and review reports from the finance function on the financial performance of the charity against agreed budgets and strategy.
- Receive and review reports from the chief executive pertaining to meeting the charity's goals as agreed in the strategic and business plans.

Jonathan Richards
Jonathan Richards (Jul 14, 2026 22:38:20 GMT+1)

Jonathan Richards

07/14/2026

9. Financial Controls Policy

Final Audit Report 2026-07-14

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