

Control of Purchases, Payments and Loans

Scope

This document defines Acts Trust policy on the controls of authorising expenditure on goods, and services, expenditure on grants, payment by cheque, payment by debit card, credit card or charge card, the payment by direct debit, standing order or BAC, payment by cash, payment of wages and salaries, payment of expenses, taking of loans, expenditure records, fixed assets, investments, cash held on deposit, electronic banking, non-traditional banking methods and the restricted funds and endowments.

Policy

Controls for the authorisation of expenditure on goods and services

Expenditure controls help ensure that only necessary and authorised purchases are made and that funds exist within approved budgets to meet the expenditure.

Controls also ensure that payments are made only for the goods and services actually received and at the agreed prices.

- Acts Trust establishes authority levels for placing orders and approving payments which are clear and documented. (FIN108 Procedure for authorizing levels of placing orders and approval of cheque payments).
- Orders must be placed within an agreed spending plan or budget - additional spending outside agreed budgets should be authorised
- Invoices received must be checked against orders confirming the price paid and the receipt of the goods or services ordered.
FIN110 Procedure for invoice checking defines the controls to be applied.

Controls for the authorisation of expenditure on grants

This is not applicable to Acts Trust as the charity does not award grants. If this changes then policy will be amended to define appropriate controls.

Control of payment by cheque

Acts Trust require two signatories on cheques above a defined amount. Cheques below this amount can be authorised by a single signature. A single purchase cannot be paid for by the issue of more than one cheque below the maximum for single signature cheques. The signatories must be agreed by the directors and the bank and must be recorded on the Acts records database. All changes to signatories must be agreed by the directors.

Control Purchases

Controls include:

- keeping cheque books in a secure place
- regular review of bank mandates and authority limits
- prohibition on the signing of blank cheques
- prompt recording of payments in cash books including details of the cheque number, nature of the payment and the payee
- obtaining documentation to support the validity of the payment including relevant invoices and confirmation that the goods or services have been received FIN108 describes the application of these requirements.

Controls in place for payments by direct debit, standing order and Bankers' Automated Clearing Services (BACS) direct credit

Payments by direct debit, standing order and BACS direct credit are all safe ways of making payments provided that appropriate controls are in place. These controls should provide assurance that direct payments are only made for expenditure properly authorised and incurred by the charity. Controls should ensure that payments are only made when authorised and that payments are accurately recorded in the accounting records.

BACS payments must be made via a bank or building society whose security systems are robust. BACS payments must be made by a dual-authorisation system.

Only individuals authorised by the directors shall be able to set up arrangements to make payments by direct debit, standing order or BACS. A list of authorised individuals must be drawn up and retained. The documents setting up the payments must be retained as part of the charity's accounting records. The payments should be monitored so that Acts Trust can ensure that the arrangement is cancelled when the charity stops using the goods or services being supplied. The list of authorised individuals must be included in the Acts records database.

These requirements are fulfilled by FIN111 Procedure for authorizing DD/SO and BACS transactions.

Controls over payments in cash

It is Acts Trust policy to keep cash payments to a minimum as this method of payment carries the greatest risk.

Controls on cash are as follows:

- cash payments should be for small amounts only

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001

Control Purchases

- cash should be paid out of a petty cash float specifically kept for such payments or by way of direct withdrawal from the bank account (a 'Cash Advance'), and not from incoming cash
- details of payments should be entered on a 'Petty Cash Slip' or on the 'Cash Advance Form'
- supporting documentation for the cash payment must be authorised by someone other than
- the person who maintains the petty cash or the person making the payment
- the balance of petty/advanced cash in hand, and the records, should be kept securely in a lockable cash tin.
- regular spot checks of the petty cash float should be made by an authorised person independent of the person who maintains the petty cash

Similar considerations apply to the use of cards which are preloaded with cash where cash withdrawals are made by using a PIN at a cash point or similar facility.

Cash withdrawals should be reviewed for authorisation and correctness by someone other than the person who withdrew the cash.

The above requirements are fulfilled by FIN112 Cash Handling Policy.

Controls in place for wages and salaries

There are a number of legal requirements in this area and trustees will ensure that:

- the records required by HMRC of PAYE deducted from the wages and salaries of employees are maintained
- statutory deductions are paid to HMRC as required and pension contributions paid across to the pensions provider promptly
- deadlines for year-end returns to HMRC are met including P35, P11D and P60 or the data required for 'real time information' submissions to HMRC are complete and submitted on a timely basis
- living wage legislation is adhered to
- only authorised or required deductions are made from pay
- each employee has a proper contract of employment and that individuals are not incorrectly classified as self-employed
- legal obligations in relation to pension scheme arrangements are met

Acts Trust defines a policy on staff pensions (FIN107 Acts Pension Policy).

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001

Control Purchases

Personnel records for each member of staff are kept separately and are separate from the pay records.

The Senior Manager ensures payments are not made to people who are no longer employees. The Senior Manager authorises, records and notifies those operating the payroll of starters and leavers, changes to pay, hours, overtime or non-standard hours, staff sickness or staff maternity or paternity.

Rates of remuneration for all staff are agreed by the directors. No individual has authority to set his or her own remuneration or terms of employment.

Wages and salaries are paid by BACS.

Terms of redundancy are defined in the Acts' Statement of Conditions of Service.

Payment of Expenses

Payment of expenses to staff and volunteers is defined in FIN113 Volunteer Expenses Policy.

Acts Trust only reimburses legitimate expenses properly incurred on its behalf. Acts Trust pays expenses for travel, hotel, conference, business, training and out-of-pocket expenses, provided they are agreed beforehand (except for small cash items). Wherever possible items of such expenses should be included in budgets. Expenses claims must be made in writing and accompanied by receipts. The policy must be clearly communicated within the Acts staff and included within induction training.

Expense claims should be authorised by someone other than the claimant and checked for accuracy before payment. Expense claims should contain a self-declaration that the claim is accurate and incurred in connection with the business of the Acts Trust. To minimise the charity's cash payments, reimbursement should be made by cheque or BACS transfer.

The mileage rate paid for motor travel must be at HMRC rates that do not result in a tax or national insurance liability for the Acts Trust or the claimant.

Unless a dispensation has been granted by HMRC, a Form P11d will to be completed and filed with HMRC detailing expense payments and benefits received by each staff member earning £8,500 or more. If necessary further guidance will be obtained from the HMRC website.

Controls for the taking out of loans including trustee loans

Currently Acts Trust does not raise income by means of loans. Were that to change this policy document would be amended taking the Charity Commission Guidance CC8 into account.

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001

Checks on expenditure records

Records of payments (including direct debit, BACS, or standing orders) are checked periodically to cheque stubs, credit card statements or bank statements - these checks may often be carried out as part of the bank reconciliation processes. Periodic checks are made to ensure payments are supported by invoices which have been properly authorised regular review of standing orders and direct debit payments are made to ensure payments remain in accordance with valid instructions given to the bank or building society.

Checks must be made that expenditure from restricted funds is in line with the restriction placed on how funds are to be used.

These checks must be made by someone other than the person concerned with the original recording of the transactions. The checks on expenditure records are specified in FIN105 Procedure for sample checking financial records.

Controls over fixed assets used by Acts Trust (functional assets)

The directors of Acts Trust have a duty to safeguard the assets of the charity from loss or damage and to ensure their proper use within the charity.

A financial threshold is set for the capitalisation of expenditure on fixed assets within the accounting records.

An asset register is maintained of all assets whether purchased by, or donated to, Acts Trust for its continuing use. This record shows the cost (or value) of the asset and provide sufficient detail to enable an asset and its location to be identified.

Fixed assets should be inspected at regular intervals to ensure that they exist, remain in good repair and are being put to appropriate use. Such checks are required as part of the preparation of the annual report. The Senior Manager is responsible for these checks and can delegate them.

The disposal or scrapping of fixed assets is authorised and recorded in accounting records and in any fixed asset register.

The adequacy of insurance cover is reviewed at regular intervals.

Acts Trust own no buildings or land. If that changed this policy would be amended taking into account the Charity Commission Guidance CC8.

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001

Controls of investments

Acts Trust funds are not invested. If that changed this policy would be amended taking into account the Charity Commission Guidance CC8.

Controls over cash held on deposit

Accounts held with banks and building societies authorised by the Financial Services Authority are protected in the event of their failure by the Financial Services Compensation Scheme for deposits of up to £75,000. Internal controls provide security in areas not covered by the compensation scheme such as inappropriate use of bank accounts. This policy document outlines procedures on safeguarding the receipt and recording of income and further addresses controls over expenditure. Controls are in place to help prevent the unauthorised opening or closure of bank accounts and to help ensure the reliability of accounting records for cash transactions.

Bank reconciliations are prepared at least monthly for all accounts, reviewed by a second person and any discrepancies resolved

Direct debits, standing orders and other transfers are checked monthly for correctness.

The bank account(s) are operated in accordance with the agreement with the issuing Bank and are not used for any money transfers for the private benefit of individuals or third parties under any circumstances.

If acting as an intermediary to transfer funds on behalf of another charity, the trustees are satisfied that the transaction is to further a charitable activity and does not constitute money laundering.

A list of all its bank accounts is kept and reviewed for dormant accounts which should be closed. The opening or closing of accounts should either be authorised by the whole director body.

Third parties are not allowed to open bank accounts in the charity's name, or use the charity's bank account to receive or transfer money.

The costs and benefits of the current and deposit accounts held are regularly reviewed to ensure bank charges and/or rate of interest are competitive and that the credit rating of the deposit taking institution is acceptable. Such reviews should be done annually and overseen by the Senior Manager.

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001

Control of the use electronic banking

Electronic banking is increasingly used by charities as a convenient way to manage their transactions. Where electronic banking is used, the same level of internal financial controls should be in place as for more traditional forms of banking, for example:

- there should continue to be clear segregation of duties to prevent any single person from being able to control substantial resources or obtaining unauthorised access to account information
- there should be proper approval for movements between, and payments from, bank accounts

The level of risk involved in using electronic banking will vary considerably depending on how the facility is used. For example, possible uses may include:

- use of the system simply to obtain information about their account and not to undertake any transactions which poses low risk
- allowing one authorised signatory to initiate transactions. This can be very risky unless there are strict bank controls (eg allowing payments to be made only into previously authorised nominated accounts).

The level of risk arising from single authorisation online banking means that the commission does not recommend this system is used by charities, instead recommending a system that requires authorisation of transactions by more than one individual. This type of system can work well provided the individuals do not divulge their security details to each other. It provides a similar control as dual signatures on a cheque. Dual authorisation systems are available but there may be a transaction cost. Nevertheless, the commission recommends that charities banking online use a dual authorisation system

One example of a multiple authorisation system is the Internet Banking Service, developed by Unity Trust Bank, which has a 'dual authority' or 'triple authority' option. With these options one user submits a transaction and one or two additional users will then authorise it from a 'pending transactions screen'.

Charities should ask their own banking services provider for details of their similar products. In order to maintain the security over electronic bank accounts there are a number of basic precautions that can be put in place including:

- after each electronic banking transaction, a print out should be taken showing details of
- the transaction and stored as part of the accounting record
- retaining printouts of statements as part of the accounting records
- keeping all PCs with access to the online banking facilities secure
- ensuring all PCs are up to date with anti-virus, spyware and firewall software
- keeping all the passwords and PINs secret

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001

Control Purchases

- changing passwords periodically and following changes in authorised staff and trustees
- adequate training for those using the charity's computer systems
- treating emails received relating to bank accounts with caution, in particular, trustees and staff should not respond to emails or telephone calls asking for personal security details

The use of non-traditional banking methods by Acts Trust

Acts Trust has no need to use non-traditional banking.

Controls over restricted funds and endowment funds

The directors must ensure that controls exist to provide assurance that any restricted funds are spent only on the purposes for which they were given. The controls also need to provide assurance that endowed funds are properly invested and any prohibition on their expenditure observed.

Any restrictions or conditions placed on income received must be recorded. The expenditure from restricted funds is limited to the purposes of the gift.

Acts Trust has no endowment funds. In the event of such funds being received this policy document will be amended taking into account the guidance of Charity Commission CC8.

Reference

Internal Finance Control for Charities, Charity Commission guidance CC8

OPS702 Control of Acts records

FIN107 Acts Pension Policy

FIN113 Volunteer Expenses Policy

FIN108 Procedure for authorizing levels of placing orders and approval of cheque payments

FIN109 Procedure for payment by cheque

FIN110 Procedure for invoice checking

FIN111 Procedure for authorizing DD/SO and BACS transactions

FIN112 Cash Handling Policy

HR406 Statement of Conditions of Service

FIN113 Volunteer Expenses Policy

FIN105 Procedure for sample checking financial records

Issued: 01/08/2016

Review: 01/08/2017

Approved: Acts Chair of Board of Directors

Doc FIN102

Issue 001