

Internal Controls of Income

Scope

The control of income received in the post, receipts from public collections and fundraising events, gift aid receipts, income from legacies, trading income, service level agreements, procedures for banking and custody and checks of income records. The policy on 'tainted' charity receipts is defined.

Policy

Control of income received in the post

Post should be held securely until opened. Income received by post should be opened as soon as possible, ideally in the presence of two unrelated persons. Income should be recorded into the accounts and banked promptly.

Income from public collections and fundraising events

All legal requirements will be observed and the CC guidance followed.

The following internal financial controls will be used:

- at least two people to be involved in handling and recording the money received
- collection boxes to be individually numbered and their issue and return is recorded
- all collecting boxes are sealed before use so that it is apparent if they have been opened before they are returned
- all collection boxes to be regularly opened and the contents counted
- general public collections to be counted in the presence of the collectors and a numbered receipt given to them. Note: Currently to Acts Trust does not use members of the public as collectors.
- cash collected will be banked by the charity as soon as possible without deduction of expenses.

For fundraising and sponsored events the Charity Commission recommends that the following controls will be used:

- records will be maintained for each fundraising event, in sufficient detail to identify gross receipts or takings and costs incurred
- for all events for which there is ticket income or gate money:
 - (i) all tickets will be pre-numbered
 - (ii) a record will be kept of all persons who have been issued with tickets to sell, and the ticket numbers that have been allocated to each person
 - (iii) a record will be kept of which tickets have been sold
 - (iv) all money from tickets and any unsold tickets will be collected

(v) a reconciliation will be made of receipts against tickets sold

Where external fundraisers are engaged, the directors must comply with the requirements of Part II of the Charities Act 1992 (Charities and fundraising (CC20) gives further details).

Note: Currently Acts Trust does not use external fundraisers.

Income received as gift aid

Records must be made of income received under the gift aid scheme. Checks must be made that donations have been received before any claim is processed. The receipt of tax repayments must be checked.

Control of income from legacies

Significant time can elapse between the notification of a legacy and its final receipt. Internal financial controls will be directed at ensuring that all legacy income to which the charity is entitled is actually received and properly recorded in the accounting records.

Records will be maintained of all legacies notified to the charity. Agents can also be used to check probate records to ensure that Acts Trust is aware of all legacies to which it may be entitled.

Control procedures will ensure that:

- legacies to which Acts Trust is entitled are recorded in accounting records
- adequate correspondence files are maintained
- regular reviews of progress on collection of outstanding legacies are made
- chattels and property received are held securely, valued and sold or realised

Control of ‘tainted charity donations’

Charities must be aware of the rules of, and their responsibilities towards, tax legislation on tainted charity donations. Section 27 and schedule 3 of the Finance Act 2011 introduces new legislation to counter the abuse arising whereby a donor gets relief from tax, only for the capital or a benefit from the donation to end up back in the hands of the donor. These new rules became effective from 1 April 2011 and replaced the substantial donor provisions.

Although the regime is intended to affect the tax position of the donor, should the charity have claimed a repayment of tax on the gift, an income tax charge will arise on that repayment. The charity itself may be liable for this charge if the charity was a party to, or aware that, the main purpose or one of the main purposes of the arrangements was to provide financial advantage to the donor.

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It is the policy of Acts Trust to refuse 'tainted charity donations'.

Control of trading income

Trading includes all goods and services provided for a fee and can include charitable activities where fees are charged, as well as those trading activities that raise funds for the charity. Controls should be designed to ensure that all income due to the charity is received and recorded.

Currently Energize provides its services to schools and clubs service level agreements. The Restore Furniture project carries out most of its sales by eBay.

Controls will depend on the type of the trading activity carried on by the Acts Trust.

Controls will generally include:

- regular reviews of trading activities to ensure that they fall within tax exemptions
- establishing a pricing policy for goods and services supplied including regular reviews of pricing structures to ensure appropriate cost recoveries
- invoicing procedures for all goods and services provided
- review of outstanding debts and debt collection procedures
- stock control procedures
- procedures to reconcile amounts invoiced and cash received to outstanding invoices

Controls Acts Trust's banking and custody procedures

The following controls are used to ensure a basic level of protection for the charity's funds:

- cheque and cash receipts must be promptly recorded in the accounting records
- cheques and cash must be banked regularly and promptly
- cash and cheques not banked on the day of receipt must be placed in a safe or locked cash box
- funds must normally be banked gross without deduction for costs or expenses
- insurance cover for cash in hand and in transit will be considered

Checks on income records

Regular checks are made to ensure that:

- records of cash and cheques received agree with bank paying-in slips or counter foils
- counter foils or paying-in slips agree with the bank statements, both in terms of amount banked and date of credit
- transfers or other direct payments into the bank are identified and verified against supporting paperwork

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These checks should be made by someone other than the person concerned with the original recording of the transactions. Acts Trust designates a directors to make such checks on a sample basis.

References

1. Charities and Fundraising (CC20)
2. FIN105 Procedure for sample checking financial records

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