

**Friends of In Touch Policy**  
Registered Charity: 1153013



**Policy No : FOIT 09**

**TITLE : Finance Policy**

**ISSUE No : 4**

**ISSUE DATE : March 2023**

**PREPARED BY : Policy Committee**

## **1 Purpose**

- 1.1 Individuals who receive support, funders, referrers, other Agencies and Organisations that we work with, staff, volunteers and other stakeholders need to be aware of the procedures we follow to minimise the risk of fraud and protect the assets of the Charity.
- 1.2 The aims of internal financial controls are:
- To protect the Charity's assets;
  - To identify and manage the risk of loss, waste, theft or fraud;
  - To ensure the financial reporting is robust and of sufficient quality;
  - To ensure that the Trustees comply with charity law and regulation relating to finance; and
  - Enable the Charity to meet the contractual obligations and requirements of funders.
- 1.3 Internal financial controls are rules or procedures that tell everyone in *Friends of In Touch* how the Charity's finances should be dealt with. These controls should be firmly administered but not impractical. If these controls are followed the risk of mistakes or fraud occurring should be reduced.
- 1.4 The *Friends of In Touch* Board of Trustees has a legal duty to ensure that the assets of *Friends of In Touch* are appropriately used to achieve our charitable objectives. They therefore need to ensure that all income that is received is banked and that all expenditure is appropriate and properly authorised and recorded.
- 1.5 *Friends of In Touch* has established a suitable structure to ensure that financial accountability is retained at the right level. Some of the main areas where internal financial controls are necessary are detailed below.

## **2 Accounting system**

- 2.1 The Charity will keep a proper accounting system, which will include:
- A cashbook analysing all the transactions in the Charity's bank account(s) – this is a computer package.
  - A petty cash book if cash payments are being made.
- 2.2 Online accounting systems will be backed-up securely by the Treasurer at monthly intervals.
- 2.3 The financial year runs from 1<sup>st</sup> April to 31<sup>st</sup> March.
- 2.4 An annual accounts' statement will be drawn up after each financial year within one month of the end of the year and presented to the next Annual General Meeting.
- 2.5 Prior to the start of each financial year, the Trustees will approve a budgeted income and expenditure account for the following year.
- 2.6 A report comparing actual income and expenditure with the budget will be presented to the Trustees at every Trustee meeting.
- 2.7 Trustees will attempt to hold reserves of six months expenditure. If this is not possible, a Trustees' meeting will be called within one month to discuss the way forward.
- 2.8 A cash flow will be produced each month if the Charity is in financial difficulties or reserves are less than six months expenditure.

**APPROVED BY :**

*B M Power*

**POSITION :**

**Chair**

**Review date March 2025**

**DATE : March 2023**

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2.9 The Trustees will appoint an appropriately qualified independent examiner to examine the accounts for presentation to the next AGM as required by the Charity Commission.

### **3 Expenditure**

3.1 Any expenditure can only be made provided that it is within the following framework, and therefore it is made:

- Within Charity law
- Within the rules, policies and procedures of *Friends of In Touch*
- In accordance with *Friends of In Touch's* objectives
- With regard to *Friends of In Touch's* funders wishes and expectations, for example The National Lottery Community Fund and the requirements of The Charity Commission.

### **4 Levels of Expenditure Authorisation**

4.1 Within the framework the Board of Trustees may authorise any level of expenditure provided that the expenditure is made and recorded at a quorate Trustee meeting. This includes use of a Business Bank Card.

4.2 Within the framework any two elected officers, subject to confirmation by email from at least four trustees, may authorise expenditure of up to £500.

4.3 Within the framework any one Trustee jointly with the Project Coordinator may authorise expenditure of up to £100.

4.4 Within the framework the Project Coordinator may authorise expenditure of up to £50.

4.5 Within the framework any other member of staff of *Friends of In Touch* may authorise expenditure of £10 with the prior agreement of the Project Coordinator.

### **5 Payments to contracted staff**

5.1 The Project Coordinator should maintain adequate and up to date records of attendance.

5.2 The Project Coordinator, with regard to the records, should check submitted staff invoices.

5.3 The Treasurer should check the Project Coordinator's calculations.

5.4 A Trustee, appointed by the Board of Trustees, should authorise staff payments.

5.5 The Board of Trustees should authorise any changes in staff payments.

### **6 Payments**

6.1 Use sequential numbering of invoices.

6.2 Evidence of authorisation of transactions and documentation must be recorded.

6.3 Where possible, when money is credited to the bank electronically, a reference is agreed for them to use when making electronic payments, to ensure that receipts into the bank account can be traced to the payee easily. Note: This will only be possible when we are notified of a payment in advance.

6.4 Every payment out of the bank account will be evidenced by an original invoice. That original invoice will be retained and filed. The Treasurer should ensure that it is referenced with:

- Cheque number or electronic authorisation reference;
- Date cheque drawn or paid electronically;
- Amount of payment; and
- Who signed or authorised the payment.

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6.5 Blank cheques will NEVER be signed.

### **7 Bank Accounts**

7.1 *Friends of In Touch* banks with the Charities Aid Foundation (CAF). An online account is held in the name of the *Friends of In Touch*.

7.2 The bank mandate (list of people who can sign cheques or authorise electronic payments on *Friends of In Touch's* behalf) will always be approved and minuted by the Trustees as will all the changes to it. The names of online approvers and signatories to the account should be stored in a file on Dropbox.

7.3 *Friends of In Touch* will require the bank to provide statements every month or access to electronic statements. If only electronic statements are available they will be printed off and filed every month.

7.4 *Friends of In Touch* will not use any other bank or financial institution or use overdraft facilities or loan without of the agreement of the Trustees.

7.5 Only the Treasurer can have full access to internet banking.

7.6 Two signatories/authorisers are required for each banking transaction. There will be a minimum of three signatories/authorisers who must be Trustees or the Project Coordinator.

7.7 A Business bank card can be held by signatories/authorisers and can be used for payments (subject to the levels of expenditure authorisation stated in Section 4). Additional Business bank cards may be issued only with the full approval of the Trustees.

7.8 Only the Treasurer should make cash withdrawals using their Business bank card.

7.9 Documentation must show that authorisation of banking transactions has taken place (this facility is available through the online banking system and can be printed out).

7.10 Bank statements should be checked and reconciled each month by the Treasurer.

7.11 Bank account information, cheque books and bankcards are kept securely in a safe place. Password information must be kept in a secure password manager.

### **8 Risk Assessment**

8.1 Should a financial risk assessment be necessary *Friends of In Touch* would seek expert advice.

8.2 *Friends of In Touch* will continue to update financial policy and procedure in line with reviews and guidance.

8.3 *Friends of In Touch* will strive to deliver good practice in its financial management systems.

### **9 Insurance**

9.1 *Friends of In Touch* shall continuously maintain adequate and legal insurance cover. Our policy is currently with Trevor Davis Insurance and all insurance certificates are available to be viewed at any time on Dropbox.

### **10 Staff/Volunteer Training**

10.1 *Friends of In Touch* shall ensure that relevant staff, Trustees and other volunteers receive adequate support and training to be skilled to carry out their duties in relation to financial management.

### **11 Cash Income**

11.1 Two Trustees or members of staff must be present when money is opened, counted and recorded.

11.2 All income must be deposited into *Friends of In Touch's* bank account.

11.3 Any cash income should be recorded in the main accounts (not in the petty cash system).

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## **12 Cash Collections**

- 12.1 All national, local and charitable guidelines and notification procedures must be followed in advance of cash collections.
- 12.2 Collection tins should be sealed before use.
- 12.3 Cash income procedures should be followed.
- 12.4 All collection tins should be signed in and out by a Trustee with the approval of the Treasurer.

## **13 Financial Reports**

- 13.1 The Treasurer, in consultation with the Chair of Trustees, should present regular reports and budgets to the Board of Trustees in order that they may review the activities and future plans of *Friends of In Touch*.

## **14 Assets**

- 14.1 *Friends of In Touch* should keep a list of the fixed assets owned by *Friends of In Touch* and have regular yearly checks on their existence and condition. This information is documented and held in *Friends of In Touch's* Dropbox storage server.
- 14.2 All valuable assets should be kept in a secure location. There are two secure areas in the *Friends of In Touch* Centre (Y-Zone Youth Centre). One is used to secure a printer, cameras and other valuables, the other to secure petty cash tins (in a safe). Laptops held by nominated staff are kept securely and are password protected. All data must be stored in Dropbox, and not held on *Friends of In Touch* laptops.

## **15 Petty Cash**

- 15.1 The word 'petty' does not mean unimportant. Petty cash is the main area where money can go missing within charities, or where insufficient records are kept.
- 15.2 A fixed approximate amount is set for the original cash float, currently £50 between all projects.
- 15.3 Within *Friends of In Touch* the following petty cash controls must be followed:
  - When money is spent out of petty cash it should be replaced with a receipt and the petty cash amount entered into the petty cash book (and a running total completed).
  - A petty cash entry should be completed for each separate item of expenditure before making the payment.
  - Petty cash entries should be dated and signed by the person who is receiving the expenditure.
  - All receipts are kept in the petty cash tin until collected, at regular intervals, by the Treasurer.
  - Cash advances for payments are not permitted.
  - *Friends of In Touch* does not allow borrowing out of petty cash.
  - Access to the petty cash tins is restricted to the Project Coordinator, the Treasurer and the Admin Support Worker. This should minimise the risk of errors or unauthorised expenditure occurring. Where this is impractical, for example during periods of absence, alternative staff may be assigned this responsibility for a set period of time by the Project Coordinator.
  - There is an upper limit of £10 that can be spent out of petty cash in a single transaction. Multiple transactions from the same person are not permitted in any one day.
  - Staff or volunteer expenses over £10 and travel expenses cannot be claimed out of petty cash and will only be paid, by bank transfer, on presentation of a completed, signed and authorised General Expenses Form (F007) or Travel Claim Form (F008).
  - Any larger items of cash expenditure should be drawn out of the bank separately and recorded in the main accounts (not in the petty cash system).
  - Staff invoices must not be paid out of petty cash.

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- No more than a total of £500 cash (£50 petty cash float plus any subscriptions received) should be kept on *Friends of In Touch's* premises and it must be kept in a locked tin in a secure location.
- The petty cash floats should always be replenished via a separate cash withdrawal from the bank.
- On the same day all receipts should be withdrawn from the tin and the details from them should be entered into the petty cash record which is checked and balanced against the previous month and includes a record of the new cash added to the tin.

### **16 Other undertakings**

- 16.1 All fundraising, contract bids and grant applications made on behalf of the Charity will be done in the name of *Friends of In Touch* with the prior approval of the Trustees or in urgent situations the approval of the Chair who will provide full details to the next Trustee's meeting.
- 16.2 Copies of grant applications will be kept and stored in Dropbox. When bids are made using internet portals, electronic or paper copies of the bid will be kept.
- 16.3 Any funding contracts or grant acceptance documentation exceeding £100 will be brought to the Trustee's attention for approval. In urgent situations this may be by email to all Trustees.

### **17 External Financial Controls**

- 17.1 *Friends of In Touch's* annual accounts are reported to the Charity Commission and, as appropriate, The National Lottery Community Fund.
- 17.2 *Friends of In Touch's* accounts need to comply with the requirements of the Charities Act and should include an account of receipts and payments as well as a statement of assets and liabilities. They may also include some notes, which may help to make the accounts more significant.
- 17.3 *Friends of In Touch's* yearly accounts should be approved by the Trustees and the Statement of Assets and Liabilities signed on their behalf by two members of the committee.
- 17.4 The accounts should include the following:
- **Designated and Restricted Funds**
    - If *Friends of In Touch* has more than one funder the notes should include a description of each designated or restricted fund and the reason for any restriction.
    - Accounts should have a note to state the amount of any payments that have been made to Trustees, in the form of remuneration or expenses.
    - There should also be note of which fund or funds any bank interest received has been allocated to.
  - **Receipts and Payments**
    - The receipts and payments should be listed with a surplus or deficit being shown at the end. A further line will then show the total funds brought forward, with this being added to the surplus or deficit to give the balance carried forward.
    - *Friends of In Touch* will use a columnar format. There would be a different column for each type of fund, unrestricted, designated and restricted, as well as a total column. It is also usual to have a column to show the totals for the previous year.
    - Where a columnar format is used a note will be needed to explain each different fund and the total movement on each.
  - **Statement of Assets and Liabilities**
    - This is basically a list of all the assets and liabilities of *Friends of In Touch*. They are divided into two types, monetary and non-monetary.
    - The statement of assets and liabilities will then show the total balance for each of the two types at the end of the year.

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- Monetary assets and liabilities include bank and cash balances. The total of these balances must be equal to the total funds carried forward on the Receipts and Payments Account.
- Non-monetary assets and liabilities include fixed assets, debtors and creditors and will be listed at the end of the statement.
- **Fixed Assets**
  - These will be items such as equipment and furniture. These are listed, with approximate valuations, where possible. They should be summarised into different categories rather than listing each individual item.
- **Debtors**
  - These are people that owe money to *Friends of In Touch* at the end of the financial year.
- **Creditors**
  - This will be the amount that is owed by *Friends of In Touch* to others, including unpaid bills and loans.

### **18 Closure of *Friends of In Touch***

18.1 In the event of *Friends of In Touch* closing down and being wound up, Trustees will:

- consider if it is possible to make effective use of the *Friends of In Touch's* remaining funds by transferring them to another charity with compatible purposes. Alternatively, should an appropriate foundation or other charity offer to continue to run the activities of *Friends of In Touch* in line with its own objectives, this may be considered by a majority of Trustees.
- check if there are any restricted funds or 'linked charities' and ascertain what will happen to them if *Friends of In Touch* is closed.
- clear all debts and liabilities before remaining assets are spent on *Friends of In Touch's* purposes. This will include checking if there is any:
  - unspent grant money - if so, Trustees will check if there is any specific agreement with the grant maker about what to do with it when you are closing *Friends of In Touch*; and
  - money from fundraising appeals that haven't reached their target – if so, Trustees will check the Charity Commission's guidance on failed appeals to see if any donations need to be returned to donors.

18.2 Trustee responsibilities after *Friends of In Touch* has closed:

- After *Friends of In Touch* is wound up, the Trustees must arrange for its accounting books and records (including cash books, invoices and receipts) to be kept for at least six years after the year they were made.
- The former *Friends of In Touch* Trustees remain responsible for the decisions they made while they were in office.

### **19 Review of this policy**

19.1 This will take place every 2 years. Additional changes are to take account of new legislation and practice guidance plus any changed insurance requirements.