

Manor House Development Trust (MHDT) Financial Controls Policy

1. Introduction

- 1.1 Internal financial controls will ensure that:
- 2.1.1 MHDT meets its legal duties to safeguard the charity's assets
 - 2.1.2 MHDT administers its finances and assets in a way that identifies and manages risk
 - 2.1.3 MHDT ensures the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information
- 1.2 It is intended that the internal financial controls protect the MHDT's resources. These controls will be overseen on a day-to-day basis by the MHDT Director and will be reviewed on an annual basis by MHDT at a relevant Board meeting. It is the responsibility of both the Director and all Trustees to make sure that these controls are properly applied and adhered to.
- 1.3 A key intention of these controls is to ensure that no single individual has sole responsibility from authorisation to completion and review. There needs to be sufficient segregation of duties between the Director and the Trustees to enable this to occur.

2. Monitoring of Financial Activities

- 2.1 **Agree annual forecasts and approve annual budget.** MHDT will agree annual forecasts and an annual budget on the basis of proper and realistic estimates of income and expenditure for all MHDT's activities. This will be used to set the overall budget, which will be approved by the MHDT at its March meeting prior to the commencement of the new financial year.
- 2.2 **Monthly updates of expenditure will be prepared and signed off by the Director.** This will include a review of expected sources of income and actual income received and any adjustments to financial projections that result from these changes. Any financial restrictions placed by funders will be identified.
- 2.3 **Bi-monthly reports identifying actual income and expenditure will be prepared by the Director and reviewed by the Trustees.** Any significant over- or under-performance will be identified and discussed and a way forward agreed with the Director. Reports will be provided that are clear and easily understood. They will include details of financial position and performance including:
- Latest management accounts
 - Comparison of budget to actual figures

- Explanation of variances between forecast and actual
- Details of cash flow and closing bank balances

2.4 **Community Interest Companies.** MHDT will ensure that all the relevant financial controls are exerted over the Community Interest Companies established. This will include the receipt of quarterly income and expenditure statements, agreement of an annual budget and an end of year financial position statement. All other accounting requirements and reduction of risk requirements identified in these controls will also be applicable to the CIC.

3. Accounting Requirements

3.1 MHDT is legally responsible for ensuring that the following requirements are met:

- An annual audit will be undertaken of the accounts in accordance with the requirements of the Charity Commission and Companies House
- Accounting records will be maintained to explain all transactions and show the MHDT's financial position
- An annual report and statutory accounts will be prepared to meet legal requirements
- MHDT's Annual Report and accounts will be agreed by the Trust Board
- Accounts will be subject to any external scrutiny required by law or by the Trust's governing document
- MHDT's Annual Report, accounts and annual return will be filed on time with the Charity Commission as required by law and a return will be made to Companies House
- Any requests from the public for copies of the MHDT's most recent Annual Report and accounts will be met
- MHDT's assets will be safeguarded and any resources received will be properly applied
- Steps will be taken to prevent and detect fraud, financial abuse and other irregularities

3.2 To enable these requirements to be met all new Trustees will be provided with a copy of the latest accounts, together with the Charity Commission's guidance on public benefit and the responsibilities of Trustees.

4. Reducing the Risks of Financial Abuse

4.1 Income

4.1.1 **Income received by post:** Any post received will be opened, recorded in the post book and any donations, cheques or cash payments made will be banked within 7 days of receipt. During those 7 days, these funds will be held securely in the Trust's safe.

4.1.2 **Trading income:** A pricing policy for hiring will be established and should be adhered to at all times. Any payments not made are

reviewed and action taken to chase payment. There are procedures in place to reconcile amounts invoiced and cash received to outstanding invoices on a monthly basis.

- 4.1.3 **Income records:** MHDT Chair or other Trustee as agreed by the Chair will undertake bi-monthly checks are made to ensure that accounting records of income are accurately maintained. This will include that records of cash or cheques received agree with bank paying-in slips; paying-in slips agree with the bank statements, both in terms of amount banked and date of credit and transfers or other direct payments into the bank are identified and verified against supporting paperwork.

5. Purchases and payments

5.1 Authority levels for placing orders and approving payments are as follows:

- Any expenditure up to £10,000 – delegated to the Director (subject to the requirements of the Procurement Policy)
- Any expenditure between £10,000 and £50,000 – to be approved by the Chair and one other Trustee (subject to the requirements of the Procurement Policy)
- Any expenditure over £50,000 – to be approved by the MHDT Board and recorded in the minutes of the meeting (subject to the requirements of the Procurement Policy)

5.2 The Director or delegated officer is responsible for making sure that any orders placed are within the approved budget and any expenditure outside the approved budget will be authorised by the Chair, unless it exceeds the authority levels identified above, when it would need Trust Board authority.

5.3 The Director or delegated officer is responsible for making sure that invoices received are checked against orders confirming pricing and the receipt of the goods or services ordered.

6. Payment by cheque

- All cheque books and paying in books are kept in the Trust's safe.
- Quarterly reviews of bank mandates and authority levels will be undertaken.
- Cheques require 2 signatories (authorised signatories are 4 Trustees).
- No blank cheques will be signed by any of the Trust's 4 authorised signatories.
- Prompt records of payments in cash books will be made including details of cheque number, nature of payment and payee.
- Relevant invoices and confirmation of receipt of goods or services will be obtained and securely filed.

7. Payments by direct debit, standing order or BACS direct credit

7.1 These payments can only be set up by the 4 authorised signatories. MHDT Director is an authorised signatory. Any payments made by these methods will be monitored regularly to ensure that they are cancelled when the charity stops using the goods or services supplied.

8. Payments by cash

8.1 Cash payments are only made for small amounts (not exceeding £150). A petty cash float is maintained in the Director's office for such payments. Details of any payments made in this way are entered into the petty cash book. Supporting documentation for the cash payment will be made by the Director. A balance of petty cash in hand and the records are kept in the Trust's safe. Spot checks of the petty cash float will be undertaken by the Chair (or another Trustee s/he has nominated) on a regular basis.

9. Wages and salaries

9.1 A number of agencies and organisations are the employer on behalf of MHDT. They are ensuring that all the required records, returns and legal obligations are being met. MHDT will need to develop its own financial controls in this area if and when it administers its own payroll system.

10. Expenditure

10.1 MHDT will review its expenditure bi-monthly in its financial report. The Chair (or another Trustee s/he nominates) will check on a bi-monthly basis that the following is being undertaken:

- Records of payments
- Payments are supported by invoices
- Regular review of standing orders and direct debit payments
- Expenditure from restricted funds is in line with the restriction placed on how the funds are to be used

11. Fixed assets

11.1 MHDT will maintain an assets register of all assets purchased by or donated to the Trust. MHDT will review the adequacy of its insurance cover at regular intervals

12. Electronic banking

12.1 MHDT will ensure that there is clear segregation of duties to prevent any single person from being able to control substantial resources or obtain unauthorised access to account information. All invoices to be paid will be obtained and signed off by the Director. If they are within the approved budget for the year and within the authorised payment level, they will be passed to one of the authorised signatories for payment via electronic

banking. The 4 authorised signatories are enabled to use electronic banking. For all other transactions, a cheque will be raised.

12.2 The following will be adhered to, to maintain security over electronic bank accounts:

- After each electronic banking transaction, a print out will be taken showing details of the transaction and stored as part of the accounting record
- Print outs of statements will be retained
- All PCs with access to online banking will be kept securely
- Anti-virus, spyware and firewall software will be kept up-to-date on these PCs
- All passwords and PINs will be kept secret
- Passwords will be changed periodically
- All emails relating to bank accounts will be treated with caution, in particular staff and Trustees will not respond to emails or telephone calls asking for personal security details