

## Formby U3A Internal Financial Control

A key responsibility of Trustees is to manage the charity's resources responsibly. We should put **appropriate procedures and safeguards** in place and take reasonable steps to ensure they are being followed.

As Trustees we should manage risk responsibly. This doesn't mean being risk averse it means assessing and understanding our risks and taking **proportionate action** to manage them.

Internal financial controls are essential checks and procedures that help Trustees :-

- Meet their legal duties to safeguard the charity's assets
- Administer the charity's finance in a way that identifies and manages risk
- Ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information

Financial controls are important to charities of all sizes, even small charities with simple structures. Not all controls are relevant for all charities – it is for the Trustees to decide which controls are appropriate to their charity. The controls put in place by Trustees should be proportionate to the risks involved.

The Trustees, as a body, are together responsible for establishing, implementing and monitoring their charities internal financial controls. The Trustees should make a collective decision on what controls are needed.

It is important that all those working in the charity whether Trustees or volunteers take the issue of internal financial control seriously. Making controls work should not be seen as just the responsibility of one or two Trustees, or as applying to some but not others.

The aims of internal financial controls are :-

- To protect the charity's assets
- To identify and manage risk of theft, fraud
- To ensure that financial reporting is robust and of sufficient quality
- To ensure that the Trustees comply with charity law and regulation relating to finance.

Having sufficiently rigorous controls is the best defence for the Trustees against the charge of failing to protect the charity's assets and funds.

Review of controls : the Trustees should, at least annually, ensure a review is conducted of the effectiveness of the charity's internal controls. This should include an assessment of whether the controls are relevant to, and appropriate for, the charity and not too onerous or disproportionate.

Segregation of duties : a key feature of internal financial controls is to ensure that no single individual has sole responsibility for any single transaction from authorising to completion. It is important where the Trustees administer the charity personally, that there is sufficient segregation of duties amongst them, so that no one trustee is overburdened or exercises sole responsibility.

There may be resource constraints which can make it difficult in smaller charities to achieve a full segregation of duties. However, Trustees can take action to compensate for these difficulties. These actions include Trustees reviewing reports of transactions or carrying out checks on internal controls independently of the person who normally operates them.

One of the most important financial monitoring activities is budgetary control ie monitoring the charity's financial performance against budget. The overall budget should be agreed by the Trustees before the start of the financial year and results throughout the year should be monitored against this. Explanations should be provided for any significant variances.

## **Internal Financial Control Framework of Formby U3A**

### **A. Safeguarding assets**

#### 1. Central bank accounts

All cheque payments shall require two signatures from the bank mandate.

See **Appendix A** for bank mandate signatories

All online payments require approval from two Trustees. In practice, one will approve, by email and the second will create and transmit the online payment.

See **Appendix B** for online payment approvers

#### 2. Group bank accounts

The Trustees have delegated responsibility for the group bank accounts to the group leaders on condition that they satisfy the monthly reporting requirements and the following bank requirements :-

- a) Account details : Bank, sort code, account number, name are to be sent to the Treasurer
- b) The account should include FORMBY U3A in the title
- c) Details of what the account is for and how it operates are to be sent to the Treasurer. This should include how many signatures are required on each cheque and a list of people who can sign the cheques.
- d) The Treasurer must be included on the bank mandate
- e) Bank statements or a copy of them should be forward to the Treasurer on a monthly basis

f) Online access should be given to the Treasurer if possible

In the event of a group closing or suspending any activities, the Treasurer should be contacted and all remaining monies should be transferred to the central U3A bank account.

## **B. Payment of invoices**

### 3. Central invoices

The charity will only pay for legitimate costs, properly incurred on its behalf. All invoices should be authorised and checked for accuracy, before being passed to the Treasurer for payment. See **Appendix C** for a list of who can authorise invoices

### 4. Payment of Group costs & invoices

The Trustees have delegated responsibility for the payment of group costs and invoices to the group leaders on condition that they satisfy the monthly reporting requirements (see D below).

## **C. Payment and reimbursement of personal expenses**

The charity will only pay for legitimate costs, properly incurred on its behalf. All personal expenses claims should be accompanied with receipts. The expenses should be authorised by someone other than the claimant and checked for accuracy before being passed to the Treasurer for payment.

See **Appendix D** for a list of who can authorise personal expense

## **D. Financial reporting rules for group leaders**

All groups handling cash or bank transactions (subject to the exclusion list : see below) must comply with the group reporting rules

- Rule 1: All group income and expenses must be reported to the Treasurer on a monthly basis.
- Rule 2: All group bank and cash balances must be reported to the Treasurer on a monthly basis.
- Rule 3: All groups with bank accounts must provide the Treasurer with details (see section A2 above) on an annual basis.
- Rule 4: Any groups not reporting, must provide the Treasurer with an annual statement explaining why they do not need report e.g. Only same day income and costs.

## Exclusion list

- a) Monies collected and paid out on the same day do not need to be reported
- b) Expenditure on light refreshments e.g. tea, coffee, do not need to be reported
- c) Any lunches or meals out, which are not part of the normal group activity do not need to be reported, as they are not deemed to be U3A activities.
- d) If annual income is less than £100 no reporting is required
- e) Holidays booked directly through a travel agent/tour company/hotel with individual members paying the provider direct. If it is easier, the organiser can collate and post the individual cheques to the provider."

## **Appendix A : Bank mandate signatories**

### **Bank mandate signatories**

Chair

Vice-Chair

Treasurer Secretary

Membership secretary

Other Trustees at the discretion of the Committee

## **Appendix B : online approvers**

Submission of payment : Treasurer, Chair

E mail approver : All Trustees

Online read only access : Membership secretary

## **Appendix C : Authorisers of central expenses**

All Trustees Webmaster, News editor

## **Appendix D : Authorisers of personal expenses**

All Trustees