

Financial Controls

Definitions:

Segregation of duties - ensuring no single individual has sole responsibility for any single transaction from authorisation to completion and review.

Background

1. As a charity funded and supported by the generosity of private donors and organisations that provide public money, Evolve has a responsibility to ensure appropriate financial controls are in place to support adequate financial management. This document has been developed as a Financial Manual for the charity and covers internal control procedures including bank and cash management, and monthly and annual processes.
2. Evolve will ensure an annual review of the charity's internal financial controls is conducted by one of the trustees, including an assessment of whether the controls are relevant to, and appropriate for, the charity.
3. Due to the size and capacity of Evolve, it is difficult to achieve full segregation of duties. To compensate for this, trustees reviewing reports of transactions or auditing internal controls will be independent of the person who normally undertakes the work.
4. Trustees have legal responsibilities to keep accounting records, and to prepare an annual report and accounts with the appropriate level of external scrutiny. Trustees must also safeguard Evolve's assets and take steps to ensure the charity is protected against financial abuse. Accounting records must be kept for at least six years.
5. Trustees should report any incidents of financial crime and abuse that takes place within Evolve to the police and the Charity Commission. The Commission may consider any failure to report these incidents to be mismanagement and take regulatory action.

Income Controls

6. At least two people should be involved in handling and recording any money received.
7. Any cash collected should be banked by Evolve as soon as possible without deduction of expenses.
8. Records should be maintained for each fundraising event, in sufficient detail to identify gross receipts or takings and costs incurred.

9. For fundraising and sponsored events where there is ticket income or a fee for entry:
 - 9.1. a record should be kept of all individuals issued with tickets to sell, and the ticket numbers allocated to each person;
 - 9.2. a record should be kept of which tickets have been sold;
 - 9.3. all money from tickets and any unsold tickets should be collected;
 - 9.4. reconciliation should be made of receipts against tickets sold.
10. Banking and Custody Procedures
 - 10.1. cheque and cash receipts should be banked regularly and promptly recorded in the accounting records;
 - 10.2. cheques and cash not banked on the day of receipt should be placed in a safe or locked cash box;
 - 10.3. funds should ordinarily be banked gross without deduction for costs or expenses.

Purchases and Payments Controls

Purchases

11. Invoices should be checked against orders confirming the price paid and the receipt of the goods or services ordered.
12. Where practicable there should be two signatures on any cheques issued. One of the signatures should be from a trustee.
13. All cheque books should be kept in a secure place and there should be no signing of blank cheques.
14. Any payment cards should be cancelled and destroyed if the individual ceases to work for Evolve or if the authorisation of the card's use is withdrawn.
15. All debit card expenditure should be supported by an invoice, receipt or bank statement transaction record, and recorded and analysed in accounting records.
16. Periodic review of card use should be implemented to ensure consistency of use with the set policies.

Payments

17. Evolve should ensure only the Financial Manager and one of the Charity Trustees is able to set up arrangements to make payments by direct debit, standing order or BACS. Documents setting up the payments should be retained as part of the charity's accounting records. The payments should be monitored so Evolve can ensure the

arrangement is cancelled when the charity stops using the goods or services being supplied.

18. Payments in cash should be kept to a minimum due to the greater risk handling cash presents. The following procedures should be followed wherever possible, bearing in mind that exceptions may have to be made for payments whilst members of the Evolve team are in Uganda or other overseas countries due to their infrastructure:
 - 18.1. cash payments should be for small amounts only;
 - 18.2. cash should be paid out of a petty cash float (no more than £500) and details of payments should be entered in a petty cash log;
 - 18.3. supporting documentation for the cash payment should be authorised by someone other than the person who maintains the petty cash or the person making the payment;
 - 18.4. the balance of petty cash in hand, and the records, should be kept securely;
 - 18.5. regular spot checks of the petty cash float should be made by an authorised person independent of the person who maintains the petty cash.

Assets and Investments

19. Evolve's trustees have a duty to safeguard the assets of the charity from loss or damage and to ensure their proper use within the charity:
 - 19.1. a list or register should be maintained of all assets whether purchased by, or donated to, the charity for its continuing use. This record should show the cost (or value) of the asset and provide sufficient detail to enable an asset and its location to be identified;
 - 19.2. fixed assets should be inspected at regular intervals to ensure that they exist, remain in good repair and are being put to appropriate use;
 - 19.3. the disposal or scrapping of fixed assets should be appropriately authorised and recorded in accounting records and in any fixed asset register;
 - 19.4. the adequacy of insurance cover should be reviewed at regular intervals;
 - 19.5. the title deeds to land should be held securely and record adequately the charity's interest in the land.

Cash Held on Deposit

20. Bank reconciliations should be prepared at least monthly for all accounts, reviewed by a second person and any discrepancies resolved immediately.

21. Direct debits, standing orders and other transfers should be checked monthly.
22. If acting as an intermediary to transfer funds on behalf of another charity, the trustees should be satisfied that the transaction is to further a charitable activity and does not constitute money laundering.
23. A list of all bank accounts should be kept and reviewed for dormant accounts which should be closed.
24. The opening or closing of accounts should either be authorised by the majority of trustees, or if delegated, the trustees should be promptly informed of changes.
25. Third parties are not allowed to open bank accounts in Evolve's name, or use the charity's bank account to receive or transfer money.
26. All PCs with access to the online banking facilities should be kept secure and up to date with anti-virus, spyware and firewall software.
27. All password(s) and PIN(s) to online banking accounts should be kept secret and changed following changes in authorised staff and trustees.
28. Trustees and staff should not respond to emails or telephone calls asking for personal security details.

Restricted Funds

29. Any restricted funds should be recorded and may be operated as part of separate budgets, purchasing systems, or bank accounts if considered necessary.

Bribery

30. Trustees should avoid situations where there is an expectation of a gift or payment in return for an advantage of any kind. Evolve's trustees will need to use their judgment and their knowledge of the charities' activities, and of the country they are operating in, to decide upon appropriate anti-bribery procedures which are proportionate to the risks faced by the charity.
31. Small bribes paid to speed up a service are sometimes called facilitation payments. Some charities work in areas where such payments are the norm in the local culture, often where charitable need is extreme. The Ministry of Justice (MOJ) guidance

confirms that, notwithstanding the small amounts usually involved, they are still bribery payments and an unacceptable use of charity funds.

International Risks

32. It is important to be able to reassure donors and stakeholders that funds are going where they are meant to. The Finance Manager should maintain clear audit trails stating how much money has been moved and where it has been moved to.
33. When deciding how much money to hold locally in another country, consideration should be given to the risks Evolve is open to. The money could be lost if the local banking system collapses or the exchange rate drops, and as a result, care should be taken to keep the minimal amount of local funds required in-country.
34. Wherever possible, any financial payments from the UK should be made in pound sterling.

Procedures and Guidelines

Expenses

35. An [expense claim form](#) should be completed for all expenses in the UK and internationally. The form and any accompanying documentation (receipts or bank statements) should be sent to the Finance Manager no more than 60 days after the end of the project/activity.
36. One form should be completed per person per activity/project and each form should include the name of the claimant, date of expense, expense category and description, and the amount (in GBP or foreign currency). Receipts or alternative proof of purchase (e.g. bank statement) for all expenses should be uploaded into the [GDrive](#) and linked to the claim form.
37. The Finance Manager should approve all expense claims and reimburse personnel within seven working days of receipt of full documentation.

Petty cash log

38. In line with paragraphs 18.2-18.5, the [petty cash log](#) should be completed whenever cash is removed from or added to the petty cash float.
39. Each input into the log should include date of transaction, amount (deducted or added to the float), new balance, name of the individual responsible for the transaction.

Asset Register

40. Any assets purchased or gifted to Evolve should be recorded in the [Asset register](#) accompanied by the cost (or value) of the asset and sufficient detail to enable an asset and its location to be identified.

Month End Process

41. At the end of each month, checks should be made to ensure that:
 - 41.1. records of cash and cheques received agree with bank pay-in slips or statements in terms of the amount and date banked;
 - 41.2. transfers or other direct payments into the bank are identified and verified against supporting paperwork;
 - 41.3. the petty cash log is verified against the petty cash safe/box;
 - 41.4. expenses, purchases, or payments from the bank account or debit/credit card are verified against supporting paperwork and appropriate categories have been assigned to each line of expenditure.
42. These checks should be made by someone other than the person concerned with the original recording of the transactions.
43. Any discrepancies found should be resolved immediately, and where inaccuracies still exist, these should be escalated to the Charity Trustees. Trustees should report any incidents of financial crime and abuse that takes place within Evolve to the police and the Charity Commission.
44. The [month end summary](#) should be completed for restricted and unrestricted funding detailing receipts, assets and investment sales, payments, and any cash or monetary assets held at the end of each month.

Year End Process

45. Evolve's financial year is 1 January to 31 December.
46. At the end of each financial year, checks should be made to ensure that:
 - 46.1. All records of cash, cheques, transfers or payments received agree with month end summaries;



- 46.2. the petty cash log is verified against the petty cash safe/box;
- 46.3. expenses, purchases, or payments from the bank account or credit card are verified against supporting paperwork from expense forms the month end summaries.

47. These checks should be made by someone other than the person concerned with the original recording of the transactions.
48. Any discrepancies found should be resolved immediately, and where inaccuracies still exist, these should be escalated to the Charity Trustees. Trustees should report any incidents of financial crime and abuse that takes place within Evolve to the police and the Charity Commission.

49. Evolve must submit an annual return within 10 months of the end of the financial year (31 October).

50. If for any reason, a return cannot be completed, an email including the charity name and registration number can be sent to filingextension@charitycommission.gov.uk to request an extension.

51. When completing the annual return, questions must be answered about the charity and PDF copies of the trustee annual report and accounts must be attached.

52. If the annual gross income is over £25,000, Evolve will also need to get the accounts checked and submit a PDF copy of the independent examiner's report.

53. Completion of the annual return can be submitted [here](#).