

## 46. Financial Controls Policy

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V1.0	19 Apr 2021	New policy in line with requirements/recommendations of Charity Commission's Financial Controls Checklist	K Coupe E Sellers	Dropbox.com Website	May 2022

### Statement of Intent

At North Nibley Pre-school we aim to ensure that we evaluate the Pre-school's performance against legal requirements and good practice recommendations set out in the Charity Commission's guidance on [internal financial controls of charities](#).

### Aim of Policy

This document sets out North Nibley Pre-school's policy with regards to financial controls in all aspects associated with the operation of the Pre-school. This policy will be reviewed annually by the Committee.

Internal financial controls reduce, but do not eliminate the risk of losses through theft and fraud, bad decisions, human error, breaches of controls, management override of controls and unforeseeable circumstances. If any of these things do happen then internal financial controls should also help the Committee members (ie trustees) to find out sooner and take necessary action.

The aims of internal financial controls are:

- to protect the charity's assets;
- to identify and manage the risk of conflicts of interest, loss, waste, bribery, theft or fraud;
- to ensure that financial reporting is robust and of sufficient quality; and
- to ensure that the Committee comply with charity law and regulation relating to finance.

No system of controls, however elaborate, can guarantee that a charity will be totally protected against loss, waste, bribery, theft or fraud, or mistakes or mismanaged conflicts of interest. Having sufficiently rigorous controls does provide protection for the charity's assets and is the best defence for the Committee members against the charge of failing to protect the charity's assets and funds.

### Financial records and accounting

North Nibley Pre-school keeps financial records so that:

- the setting meets its legal and other statutory obligations, such as Charity Acts, Her Majesty's Revenue & Customs and common law;
- the Committee, acting as trustees, have proper financial control of the Pre-school; and
- the Pre-school meets the contractual obligations and requirements of funders, ie. Gloucestershire County Council (GCC) and the nursery education funding.

The books of accounts which the Pre-school hold include:

- a cashbook analysing all the transactions appearing on the bank account;
- a petty cash book if cash payments are being made;
- Inland Revenue deduction cards P11d (if registered for PAYE)<sup>1</sup>.

The Treasurer, assisted by the Deputy Treasurer (if in role) and the Administrator, presents a summary of previous year's financial accounts at the Annual General Meeting.

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<sup>1</sup> A form P11d will need to be completed and filed with HMRC detailing expense payments and benefits received by each staff member earning £8,500 or more.

Prior to the start of each financial year, the Treasurer, Deputy Treasurer (if in role) and Chair, will approve a budget income and expenditure for the following year.

Forecasting continues throughout the financial year, taking into account changes in income/expenditure and any adjustments to the budget are made and presented at the committee meetings. An account summary is presented to the Committee at every termly committee meeting. Issues are discussed and, where appropriate, recorded in the minutes.

The Treasurer will appoint an appropriately qualified independent examiner to audit/examine the end of year accounts prior to them being submitted to the Charity Commission in line with requirements for the Pre-school's Annual Return.

### **Banking**

North Nibley Pre-school will bank with Lloyds Bank plc at its Stroud Branch. Accounts will be held in the name of North Nibley Pre-school. The following accounts will be maintained:

- Account 1 : current account
- Account 2 : savings account

The reserves bank account is held with Coventry bank.

The following trustees may act as account signatories: Treasurer, Deputy treasurer, Chair. The bank mandate (list of people who can sign cheques on the Pre-school's behalf), will always be approved and minuted by the Committee, as will any changes to it.

North Nibley Pre-school will require the bank to provide monthly statements and these will be reconciled with the cash book at least termly.

North Nibley Pre-school will not use any other bank or financial institution or use overdraft facilities or loan without the agreement of the Committee.

### **Account controls and procedures**

#### *Annual accounts*

The financial year runs from 1st September – 31st August. All receipts and payment information for the year is finalised in the Autumn term by the Treasurer, and sent to an independent examiner, who will audit the final accounts. The Independent Examiner's final accounts and the Trustees' Annual Report are submitted to the Charity Commission via the Annual Return online portal within the 10 month deadline (ie. by 30 June the following year).

#### *Termly accounts*

End of term accounts are prepared at the end of each term and reports include a bank reconciliation, monthly payments and receipts, a monthly summary by category and a year to date summary. The Treasurer reviews these along with the bank statement and deposits information to make sure all payments and receipts agree with the bank statement. A copy of the bank statement is also sent to the Chair. Each monthly bank statement is signed by the Chair and Treasurer to confirm that all transactions are in order. This forms part of the Treasurer's termly report to the Committee and will enable explanation for any increase/decrease in actual/forecast income or expenditure.

#### *Cash flow forecast*

The annual cash flow forecast is reviewed termly to include actual expenditure and income as well as including realistic estimates of future income and expenditure. A summary report is produced, accounting for any differences in the previous projections. This is tabled at the termly Committee meetings – any decisions resulting from discussions are recorded in the minutes.

## Income

All monies received will be recorded promptly in the cash analysis book and banked without delay (this includes sundry receipts such as payment for telephone calls, photocopying etc). The Pre-school will maintain files of documentation to back this up.

The Administrator is responsible for the invoicing and collection of fees with regards to the termly invoices sent to parents/carers of children who attend the setting. Termly invoice spreadsheets are created and maintained. The Treasurer receives these twice a term, once to check accuracy before termly invoices are issued, and secondly the final version for the Treasurer files.

- Parents are requested to pay childcare fees, where possible, via a bank transfer and/or childcare vouchers. The bank account is checked regularly for receipts and each deposit is recorded in the appropriate termly invoice spreadsheet and invoice log by the Administrator. The Treasurer or Deputy Treasurer (if in role) will reconcile this with the accounts (on the deposits sheet).
- Any cash/cheques received in payment of a termly invoice will be recorded by the Playleader or Deputy Playleader, the monies deposited in the Pre-school's safe and the Treasurer, Deputy Treasurer (if in role) and Administrator informed accordingly.
- Parents of eligible children are required to complete termly funding forms (3 per year) with regards to free childcare for 2, 3 and 4 year olds within stipulated deadlines. The Administrator reconciles the monies received from GCC against what was submitted. Anomalies are investigated. Any additional income received, eg. early years pupil premium, is noted and the Playleader informed.

The Treasurer or Deputy Treasurer (if in role), is responsible for:

- cheque and cash receipts are promptly recorded in the accounts (on the deposits sheet) and banked regularly;
- Records of cheques, cash and direct receipts into the bank account are checked against the bank statement on a monthly basis by the Treasurer

## Payments (expenditure)

The Treasurer or Deputy Treasurer (if in role) is responsible for settling all bills promptly as well as for paying the staff wages, NEST<sup>2</sup> pension contributions (PATA organises these payments) and paying the HMRC for tax and National Insurance.

### *Payments by cheque*

Cheques are signed by two bank signatories, one of whom will be the Chair and the other the Treasurer/Deputy Treasurer (if in role). A cheque must not be signed by the person to whom it is payable (you will have to ensure that you have enough signatories on your bank mandate).

The Treasurer is responsible for holding the cheque book(s), including unused and partly used cheque books) which should be kept under lock and key.

- Blank cheques will NEVER be signed.
- The relevant payee's name will always be inserted on the cheque before signature and the cheque stub will always be properly completed.
- No cheques should be signed without original documentation, the only exception being advanced bookings fees for training courses for staff.

### *Payments by bank transfer*

See section entitled "internet banking controls and procedures"

### *Payments by Direct Debit*

Direct Debits are only set up after written authorisation from the Treasurer, with the original direct debit mandate signed by two signatories.

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<sup>2</sup> National Employment Savings Trust (NEST): a defined contribution workplace UK pension scheme

### *Wages and Salaries*

There will be a clear trail to show the authority and reason for EVERY such payment, eg. completion of PATA payroll paperwork, PATA payroll monthly email detailing payments to HMRC and NEST. All employees will be paid within the PAYE and National Insurance regulations. Staff wages are paid by a BACS transfer on the last Friday of the month for all the hours worked in the month together with any authorised expenses.

All staff appointments/departures will be authorised by the Treasurer or Deputy Treasurer (if in role). PATA Payroll paperwork will be completed and submitted accordingly. Similarly, all changes in hours and variable payments such as overtime, etc, will be recorded on the monthly payroll paperwork (as necessary) and authorised by the Treasurer/Deputy Treasurer prior to submission to PATA payroll. Electronic copies of these documents will be kept for a period of 6 years as per Policy 35<sup>3</sup>.

The Administrator is responsible for:

- creating annual salary calculations (ASC) for all staff prior to the start of the Pre-school year and for amending these due to:
  - increases/decreases in staff hours; and
  - changes in staff hourly rates, eg. in response to annual national minimum and living wage rates.
- All ASCs are checked by the Treasurer/Deputy Treasurer prior to issue.
- preparing the monthly payroll paperwork and forwarding to the Treasurer in a timely manner, for submission to PATA by the required deadline.

### *Petty Cash*

A float will be entrusted to the Playleader/Deputy Playleader on a termly basis. When the float is more or less expended, further funds will be withdrawn from the Pre-school bank account by the Treasurer/Deputy Treasurer to bring up the float to the agreed sum.

### *Expenses/allowances*

North Nibley Pre-school will, if asked, reimburse expenditure paid for personally by

- (a) staff – providing:
  - expenditure is evidenced by original receipts (scanned copies accepted);
  - car mileage is based on [HMRC](#) scales and claims are authorised prior to journeys;
  - authorised regular expenditure evidenced by bank account payments, eg. monthly photocopier costs (scanned copies accepted).
- (b) Committee – providing:
  - expenditure is evidenced by original receipts (scanned copies accepted);
  - car mileage is based on HMRC scales and claims are authorised prior to journeys;

### *Debit card usage*

Pre-School employees should not use their own money to purchase items or services on behalf of North Nibley Pre-School, the exception being the monthly cost associated with the Pre-school printer which is deducted from the Administrator's personal account and reimbursed through monthly payroll, and annual and 2-yearly costs associated with the pre-school website ([www.wix.com](http://www.wix.com)).

To avoid this situation, a debit credit card(s) is/are available to North Nibley Pre-School's Treasurer and/or Chair who have a need to incur business expenditure on a regular basis, which includes purchase of goods for running costs (e.g. snacks, materials etc), stationery and equipment as required by the setting.

The following roles may have a debit card (decided on by the committee), with the following authorised amount limit:

- Pre-School Treasurer £1500

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<sup>3</sup> Policy 35: Record Keeping

- Pre-School Deputy Treasurer (if in role) £ 500
- Pre-school Committee Chair £ 250

Debit card holders must agree to the following:

- to not use the debit card for any personal expenditure, to obtain cash advances or to guarantee or support the encashment of cheques;
- to keep their PIN safe;
- to keep the original invoices or receipts of purchases for submission to the Treasurer; and
- to use the debit card for authorised expenditure, ie. within the agreed budget constraints or only when authorisation has been given by the Treasurer for any expenditure over budget or for single items costing over £100.

The Treasurer and Chair review the use of the debit card on a termly basis to make sure card use is consistent with above guidelines.

### **Internet banking controls and procedures**

Electronic payments are used for staff wages and other business purchases as it is a convenient and efficient way of managing transactions. The Treasurer, Deputy Treasurer (if in role) and Administrator have access to online banking in order to monitor the bank account. The Treasurer and Deputy Treasurer (if in role) have the authority to set-up and authorise payments.

- all computers with access to online banking facilities are secure and up to date with anti-virus, spyware and firewall software;
- passwords and PINs are kept secret;
- an electronic record (cashbook) is kept reconciling all payments
- end of term accounts are prepared at the end of each term and the electronic cashbook is updated. The Treasurer reviews these along with the bank statement and deposits information to make sure all payments and receipts agree with the bank statement.

### **Other rules**

North Nibley Pre-school does not accept liability for any financial commitment unless properly authorised. Any orders placed or undertakings given which are likely to cost the Charity in excess of £1500 must be authorised and minuted by the Committee.

In exceptional circumstances such undertakings can be made with the Chair's approval who will then provide full details to the next meeting of the Committee. (This covers such items as the new service contracts, office equipment, purchase and hire).

All fundraising and grant applications undertaken on behalf of North Nibley Pre-school will be done in the name of the setting with the prior approval of the Committee or in urgent situations the approval of the Chair who will provide full details to the next Committee meeting.

- Gloucestershire County Council Nursery Education Funding – North Nibley Pre-school will adhere to the Local Provider agreement that is signed annually with the County Council for receipt and use of these funds.
- North Nibley Pre-school will adhere to the application requirements of the annual Nibley Music Festival, expenditure against the grant obtained will be recorded to enable audit.

North Nibley Pre-school will maintain a property record of items of significant value (eg. laptop(s), ipads, photocopier etc), with an appropriate record of their use.