46. Financial Controls Policy

Version number	Dates produced & approved	Reason for production & revision	Author	Locations	Proposed next review date
V1.0	19 Apr 2021	New policy in line with requirements/recommend-dations of Charity Commission's Financial Controls Checklist	K Coupe E Sellers	Dropbox.com Website	May 2022
V2.0	16 July 2024	Review and update to • reflect current working practice to include Setting Support Officer and Financial Administrator roles; and • include "Associated Policies and Procedures" section as per S175/157 EY Safeguarding audit	C Malins K Coupe	Dropbox.com Website	May 2025
V3.0	2 July 26	Review & update	J Dyer	Website	July 2027

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 for charities: protect your charity from fraud and loss (CC8) - GOV.UK

- **Aim of Policy**

- This document sets out North Nibley Pre-school's policy with regard 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 protect 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 holds 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)[1].

The Treasurer, assisted by the Financial Administrator and the Setting Support Officer, presents a summary of the previous year's financial accounts at the Annual General Meeting.

Before the start of each financial year, the Treasurer 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 Financial Administrator (or Treasurer if required) 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 bank with Lloyds Bank plc at its Stroud Branch. A current account will be held in the name of North Nibley Pre-school.

The reserves bank account is held with Coventry Bank. The Financial Administrator is responsible for updating the banking book for this account every year.

The following trustees may act as account signatories: Treasurer, Chair, longstanding committee members, in addition to the Financial Administrator and setting support officer. 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 (or accessed online) and these will be reconciled with the cash book monthly by the Financial Administrator.

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 Financial Administrator and approved 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 by the Financial Administrator and reports include a bank reconciliation, monthly payments and receipts, and a year to date summary. The Financial Administrator reviews these along with the bank statement and deposits information to make sure all payments and receipts agree with the bank statement. The Treasurer reviews the current account and updated cashbook to ensure 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

---

[1] 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.

The annual cash flow forecast is reviewed termly to include actual expenditure and income as well as 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 Setting Support Officer is responsible for the invoicing and collection of fees with regard to the half -termly invoices sent to parents/carers of children who attend the setting. Invoice spreadsheets are created and maintained. The Financial Administrator will check the accuracy of the invoices before they are sent out to parents. The Treasurer can access these via the google drive to review against the Treasurer's reports.

- 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 Setting Support Officer. The Financial Administrator will reconcile this with the accounts (on the deposits sheet).
- Parents of eligible children are required to complete termly funding forms (3 per year) with regards to free childcare for 9 to 23 months, 2, 3 and 4 year olds within stipulated deadlines. The Setting Support Officer 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, Financial Administrator and Treasurer informed.

The Financial Administrator, 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 Financial Administrator

Payments (expenditure)

The Financial Administrator is responsible for settling all bills promptly as well as for paying the staff wages, NEST[2] 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 – these include the Financial Administrator, Setting Support Officer and Treasurer   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 Financial Administrator 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 authorisation from the Financial Administrator, with the original direct debit mandate signed by two signatories (if required).

[2] 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 Setting Support Officer and Chair or Treasurer. 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 Setting Support Officer prior to submission to PATA payroll. Electronic copies of these documents will be kept for a period of 6 years as per Policy 35[3].

The Setting Support Officer is responsible for:

- Liaising with PATA for the creation of 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 Financial Administrator and Treasurer prior to issue.
- preparing the monthly payroll paperwork and forwarding to the Financial Administrator in a timely manner, for submission to PATA by the required deadline.

Petty Cash
A float of £50 is available to the Setting Support Officer for the purposes of fundraising activities.

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.

To avoid this situation, a debit credit card(s) is/are available to North Nibley Pre-School's Setting Support O, Financial Administrator and Treasurer if required 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.

---

[3] Policy 35: Record Keeping

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

- Pre-School Treasurer £1500
- Setting Support Officer £1000
- Financial Administrator £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, Financial Administrator, Setting Support Officer and Administrator have access to online banking in order to monitor the bank account. The Financial Administrator and Setting Support Officer 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 Financial Administrator reviews these along with the bank statement and deposits information to make sure all payments and receipts agree with the bank statement. These should be further reviewed by the Treasurer.

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 maintain a property record of items of significant value (eg. laptop(s), ipads, photocopier etc), with an appropriate record of their use (this can be found within the PAT testing record)

Associated Policies and Procedures

- 26 Payment of Children's invoices
- 35 Record Keeping
- 44 Reserves
- 49 Debt Recovery