

## **Internal Financial Controls Policy**

The **aims** of this Internal Financial Controls Policy are:

- to protect the assets of Christchurch Baptist Church (CBC);
- to maximise the protection of the Trustees against risk of financial crime;
- 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;
- to ensure that the Trustees comply with charity law and regulations relating to finance.

### **Review Of Controls**

The Trustees should ensure the reviews required in this Policy are undertaken by the Finance Team at least annually. This should include the effectiveness of the Policy, as well as an assessment of whether the controls are practical and relevant to, and appropriate for, CBC and not too onerous or disproportionate.

### **Records**

All personal information held on the CBC donor base is stored securely and can only be accessed by those working in the Finance Team. Financial records, including Annual Accounts, will be kept for 7 tax years, after which they will be disposed of securely.

### **Income**

Weekly offerings:

- Two people are involved in handling, counting, and recording the money received.
- Offerings are stored in the safe until banked, and the record sheet is stored separately.
- The offering is banked on the first possible working day after receipt.

Church activities (with the exception of those where the Treasurer identifies that alternative appropriate controls are in place), fundraising and sponsored events:

- Records are maintained for all activities and fundraising events, in sufficient detail to identify gross receipts or takings and costs incurred.
- for all events for which there is ticket income or 'gate' money:
  - tickets are all pre-numbered;
  - a record is kept of which tickets have been sold;
  - all money from tickets and any unsold tickets are collected;
  - a reconciliation is made of receipts against tickets sold;
  - ticket money received is given to the Finance Team for banking as soon as possible.

### **Gift Aid**

Records must be adequately kept to ensure complete and accurate returns are made, maximising the value of donations to the charity.

### **Legacies**

From time to time the church may receive gifts from deceased members who have left legacies for the church from their estate. In some cases the deceased person will have left instructions, either in a will or in a letter, regarding use of the legacy and the church is obligated to use the gift for that purpose.

In other cases no instructions have been given and the church will need to decide how the legacy will be used. In these circumstances:

- a. Wherever financially viable within the bigger picture of church finances, the legacy will be applied to an aspect of church activity that the deceased person was associated with, or had a particular affinity with.
  - b. Where the amount of the legacy is for a sum of up to £5,000, the appropriate use of the gift will be considered and decided by the Trustees. The use of the legacy may be applied immediately and the details reported at the next Church Members' Meeting (CMM).
  - c. Where the amount of the legacy is for a sum in excess of £5,000, the appropriate use of the gift will be considered by the Trustees. However, before applying the gift, the decision regarding its use will be reported to the next CMM for ratification.
- Legacies to which the Church is entitled are recorded in accounting records.
  - Adequate correspondence files are maintained.

### **Trading**

- Invoices are raised for all goods and services provided.
- Cash received is reconciled to invoices raised/outstanding.
- Stock is adequately recorded.

### **Banking**

- Cheque and cash receipts are promptly recorded.
- Cheques and cash are banked regularly and promptly.
- Cheques and cash not banked on the day of receipt should be placed in a safe or locked cash box.
- Funds are normally banked gross without deduction for costs or expenses.
- Insurance cover for cash in hand and in transit should be adequate.
- Records of cash and cheques received are reconciled with bank paying-in slips or counter foils.
- Counter foils or paying-in slips agree with the bank statements, both in terms of amount banked and date of credit.
- Transfers or other direct payments into the bank are identified and verified against supporting paperwork.

### **Reserves**

It is the policy of CBC to maintain reserves at a level consistent with safeguarding the Church against unexpected significant items of expenditure, in order to safeguard the employment of its staff, and to provide working capital to smooth over peaks and troughs in short term cash flow. The level of these Reserves should ideally represent between two and five months of gross income. Reserves will be reviewed by the Trustees every 2 years.

### **Expenditure**

CBC maintains financial control of its activities in the following main ways:

1. By establishing annual budgets at a level to support individual budget holder accountability.
2. By providing monthly accounts to the Trustees, and annual accounts and account updates to the CMM.
3. By clear segregation of duties to prevent any single person from being able to control substantial resources or obtaining unauthorised access to account information.
4. By delegating expenditure within defined limits to individuals and groups.
5. By retaining authority for certain items for decision by Trustees or CMM. (See Level 3 below)

The **authorising** of expenditure **within budget** (**prior to commitment** where applicable) should be undertaken as follows:

**Level 1:** Any expenditure within budget, up to £500, to be authorised by the budget holder, the Treasurer, the Minister, or the responsible Trustee.

**Level 2:** Any expenditure within budget, between £500 and £5,000, to be authorised by the Trustees.

**Level 3:** Any unexpected expenditure over £5,000, to be authorised by the CMM.

The **authorising of gifts, donations, gifts from the Pastoral Caring Fund (PCF), or preaching fees** should be undertaken as follows:

- up to £1,500 to be authorised by the Minister or Trustees;
- over £1,500 to be authorised by the CMM (with the exception of the PCF which will be authorised by the Trustees).

### **Payments**

- Should be within the agreed budget and authorised by the budget holder. Additional spending outside agreed budgets must be authorised **prior to commitment** in line with the expenditure authority levels above.
- Invoices are checked against orders to confirm receipt of the goods or services received.
- Non-invoiced payments (e.g., gifts/donations) should be requested/authorised in writing or by email.
- Two signatures are required on cheques and the signing of blank cheques is prohibited.
- Payments are recorded in the Accounts, including details of the cheque number, nature of the payment and the payee.
- Payments by Direct Debit, Standing Order and Bankers' Automated Clearing Services (BACS) can only be made by a small number of specifically authorised people (currently David McLellan and Loraine Chirgwin).
- Dual authorisation is required for all electronic payments.
- BACS payments are made in accordance with the controls set out in the expenditure authority levels section above.
- Quarterly reviews of Standing Order and Direct Debit payments should be undertaken by the Finance Team.

### **Payments In Cash**

- Cash payments are for small amounts only (under £30).
- Cash is paid out of a petty cash float.
- Details of payments are entered in a petty cash Log Sheet, which is kept securely.
- Supporting documentation for the cash payment is authorised by someone other than the person who maintains the petty cash or the person making the payment.
- Petty cash in hand should be stored securely.
- Regular spot checks (at least monthly) of the petty cash float should be made by the Treasurer/Finance Administrator.

### **Payment of Wages and Salaries**

- Records required by HMRC are maintained.
- Statutory deductions are paid to HMRC as required, and pension contributions are paid across to the pensions provider monthly by Direct Debit.
- Deadlines for year-end returns to HMRC are met.
- Minimum wage legislation is adhered to.
- Only authorised or required deductions are made from pay.
- Each employee/Minister has a proper contract of employment/Terms of Appointment and individuals are not incorrectly classified as self-employed.
- Legal obligations in relation to pension scheme arrangements are met.

- Personnel records are held for each member of staff separately from the pay records.
- Salary projections are checked at the start of each year by the Finance Team to ensure accuracy.
- Rates of remuneration will only usually be increased within the Baptist Union recommended increase levels, ensuring that no individual has authority to set their own remuneration.
- All wages/salaries are paid by BACS between 22<sup>nd</sup> and 25<sup>th</sup> of each month.

#### **Payment and reimbursements of expenses**

- Expense claims are authorised by the relevant budget holder or a Trustee (not the claimant themselves), and checked for accuracy before payment.
- Expense claims contain a self-declaration that the claim is accurate and incurred in connection with the business of CBC.
- Reimbursement is made by cheque or BACS transfer where possible.
- The mileage rate paid must comply with the Travel Policy (see separate Policy).

#### **Fixed Assets**

- A list or register should be maintained of all assets (above £1000). This record should show the cost (or value) of the asset and provide sufficient details to enable an asset and its location to be identified.
- Fixed assets are inspected at regular intervals by the Trustees to ensure that they exist, remain in good repair and are being put to appropriate use.
- The disposal or scrapping of fixed assets should be authorised by the Trustees and recorded in the accounts.
- The adequacy of insurance cover is reviewed regularly.

#### **Cash Held In Bank and Building Society Current Accounts/Deposit Accounts**

- Bank reconciliations are prepared at least monthly for all accounts, and independently examined by the Treasurer, and any discrepancies resolved.
- A list of all CBC's bank accounts is kept and reviewed regularly.
- The opening or closing of accounts should either be authorised by the whole Trustee body, or if delegated, the Trustees should be informed of changes.
- Two signatories are required to open bank accounts in CBC's name.
- Third parties are not allowed to open bank accounts in CBC's name, or use CBC's bank account to receive or transfer money.
- The costs and benefits of the current and deposit accounts held are regularly reviewed to ensure bank charges and/or rate of interest are competitive and that the credit rating of the deposit taking institution is acceptable.

#### **Electronic Banking**

- Bank statements are retained as part of the accounting records.
- All PCs with access to online banking facilities are kept secure with up to date anti-virus, spyware, and firewall software.
- All passwords and PINs are kept secret.

#### **Signatories to Bank Accounts**

- The following are signatories for Bank Accounts held with Lloyds Bank Plc., and Santander: Treasurer (currently David McLellan), Finance Assistant (currently Loraine Chirgwin), one Elder, and one Deacon.
- Signatories are regularly reviewed to ensure they are relevant and appropriate. ]