



# HYTHE CIVIC SOCIETY

Registered Charity 283177

## INTERNAL FINANCIAL CONTROLS, RESERVES AND CHARITY FUNDS POLICIES

### 1 WHY ARE FINANCIAL CONTROLS NEEDED?

Internal financial controls are essential checks and procedures to:

- protect HCS assets including its money and property,
- make informed decisions about the HCS financial position,
- meet HCS legal duties - for example, to manage your charity's resources responsibly,
- identify and manage risks with its finances and assets,
- keep good quality accounting records,
- prepare timely and relevant financial information, and
- make sure HCS financial reporting complies with the relevant legal requirements.

### 2 WHO IS RESPONSIBLE FOR THE SOCIETY'S FINANCES?

The Executive Committee is responsible for HCS finance within parameters set by the HCS constitution. The Executive Committee has delegated the daily running of its finances to the Hon Treasurer who will seek the advice of the Chairman, or the Executive Committee, as necessary.

But all trustees remain responsible for HCS financial management and for implementing and monitoring HCS internal financial controls. This includes understanding HCS financial information by access to clear, accurate and up-to-date financial information. This includes:

- latest management accounts. These usually report performance against budget and may include estimates for future periods,
- reasons for any differences between financial forecasts and the current financial position, and
- details of cash flow and closing bank balances.

To achieve this the financial position and performance will be a standing agenda item at the Executive Committee meetings and sent to each trustee before each meeting.

The role of the Hon Treasurer is set out in an appendix to this document.

### 3 FORMAT OF ACCOUNTING DETAILS

The Income and Expenditure files were set up after discussions with the current accounts examiner's predecessor some 11 years ago. Any successor might wish to change them. The Community, HIB and TCP accounts all have individual Income & Expenditure files.

The Executive Committee will:

- Authorise the opening, amendment or closing any account,
- Regularly review the costs and benefits of the Society's accounts including checking that any charges and interest rates are competitive,
- Ensure that there is proper approval for bank transfers and payments,
- Ensure that accounting records and bank statements are compared each month to make sure they reconcile,

- Ensure a second person reviews reconciliations in the charity to identify any discrepancies.

#### **4 PREPARING ACCOUNTS AND REPORTS**

HCS will produce annual accounts for endorsement by the Executive Committee in April or May before submission and approval by the HCS annual meeting in late May.

The HCS Charity Commission (CC) correspondent will submit the accounts electronically to the CC.

#### **5 EXTERNAL AUDIT OF ANNUAL ACCOUNTS**

The annual audit of accounts is governed by statute. The Executive Committee will appoint an independent+ examiner or auditor following the advice in the latest edition of “Statement of Recommended Practice” (SORP)

#### **6 ANNUAL BUDGET**

A draft budget will be submitted to the Executive Committee sufficiently in advance to be able to change the level of subscriptions at an annual meeting of HCS.

#### **7 REVIEW OF FINANCIAL CONTROLS**

The Executive Committee will review these internal financial procedures on an annual basis.

#### **8 SPLITTING FINANCIAL DUTIES**

HCS will make sure that more than one person is involved in all financial transactions. This means having a different person authorising a transaction to the person who made it.

#### **9 REPORTING INCIDENTS**

HCS will report any potential incidents of financial crime, abuse or breakdown of its financial controls to the Executive Committee which will take appropriate action. This includes operational risks, fraud or cybercrime.

HCS stores personal details of donors, financial supporters and members online. The loss of personal or financial data could expose HCS to the risk of theft, fraud and loss. HCS ensures that it complies with the UK General Data Protection Regulation (GDPR) and any other relevant data protection laws.

HCS has a separate GDPR policy statement. This ensures HCS has suitable policies in place which cover:

- access, use, storage and processing of electronic data,
- the use of computers and data storage, such as cloud storage and memory cards,
- handling breach detection, investigation and reporting procedures,
- Make sure your charity has suitable software to protect against viruses and hacking.

#### **10 RISKS OF CORRUPTION AND BRIBERY**

To reduce the risk of corruption and bribery HCS will:

- ensure any hospitality given to or received by an individual trustee is not detrimental to either HCS's beneficiaries or to its reputation and must be justified to the Executive Committee,

- maintain a register of hospitality offered and, also, accepted to individual Executive Committee members and to HCS collectively,
- any such declarations must be recorded in the minutes of the meeting and included in the Register of Interests.
- maintain a register of interests for trustees to identify any conflict of interest,

## **11 BANK ACCOUNTS**

HCS currently has the following online accounts:

- Barclays Community Account - The main Society account,
- Barclays Business Premium Account - Hythe in Bloom (HIB),
- Barclays Business Premium Account - Town Centre Projects, and
- United Trust Bank Deposit Account - Charity 3 month bond - Opened Jan 2024.

All accounts are primarily conducted online.

## **12 SIGNATORIES TO ACCOUNTS**

All the above accounts are managed by dual authorisation requiring 2 named persons (from a panel of 4 signatories) to authorise any payments whether by bank transfer or cheque/cash. Currently the 4 named persons are AJ, CD, MT and PN. A print out of the payment is taken and included in the accounts file together with any associated documents.

The account mandate will set out who in the Society is authorised to manage bank accounts. HCS will:

- keep a clear record of who is named on your charity's bank mandate as signatories
- regularly review whether the bank mandate remains appropriate
- require dual authorisation to set up or change any bank mandate.

## **13 ONLINE BANKING**

HCS will use a dual-authorisation system for its bank or building society accounts.

Authorised trustees will not share their security details with one another. The Society will:

- keep details of all online banking transactions,
- keep statements as part of the accounting records,
- keep all devices with access to online banking facilities secure,
- keep all devices up to date with anti-virus, spyware and security system software
- keep all passwords and PINs secure,
- change passwords periodically especially after changes in authorised trustees,
- keep up to date with advice from the bank about using online banking safely,
- follow any requirements from its bank,
- Ensure that its bank is authorised by the Prudential Regulation Authority may be protected by the Financial Services Compensation Scheme up to £85,000.

## **14 BANKING CASH AND CHEQUES**

The Treasurer will:

- record and bank cash and cheques promptly,
- store cash and cheques you have not yet banked in a safe or locked cash box,
- bank funds gross, this means without deduction for costs or expenses,
- consider insurance cover for cash your charity may hold,

The Treasurer also will keep an audit trail for each transaction. This will include, as appropriate:

- payment vouchers,
- post transaction documentation,
- details of the intermediary's name and address,
- the amount and date of payment,
- the name of the person making the payment and the recipient/payee.

When HCS collects cash it will:

- Ensure that two people handle and record the cash,
- Ensure it is banked as soon as possible without deducting expenses,
- Ensure records are kept for each fundraising event,
- Ensure how much has been collected and the costs incurred.

#### **15 INCOME AND DONATIONS RECEIVED ONLINE AND BY CARD READER**

The Society may use a card reader and BACS to collect income. The Society will:

- Ensure the card reader is securely held by the Hon Treasurer,
- Ensure that the correct bank account details are used,
- Ensure passwords are kept secure.

#### **16 INCOME AND DONATIONS RECEIVED BY POST**

The Hon Treasurer will ensure Income received in the post is:

- held securely,
- opened promptly,
- accurately recorded.

#### **17 DONATIONS OF GOODS**

Any donation of goods to the Society (eg material for the archives) shall be recorded in the minutes of the next Executive Committee and in a "donations log" kept in the archives. In addition, the donor shall receive a letter of thanks from the Chairman.

#### **18 GIFT AID**

The Hon Treasurer will claim Gift Aid annually as soon as possible after the end of the financial year on donations and subscriptions from individuals after receipt of a Gift Aid declaration.

#### **19 EXPENDITURE**

HCS will:

- have clear, written authority limits for placing orders and approving payments,
- make sure that any orders are within an agreed budget. Spending outside agreed budgets should be authorised by the Executive Committee or, in urgent cases, by the Chairman,
- check invoices against orders and the receipt of the goods or services ordered,
- pay invoices on time and include any relevant discounts,
- make sure accounting records reconcile.

HCS does not have any debit or credit cards.

For payments by bank transfer, Bankers' Automated Clearing Services (BACS), Direct Debits and standing orders HCS will:

- only allow the Hon Treasurer to set up these types of payments,
- use dual authorisation to authorise a BACS payment,
- keep any documents setting up payments as part of your charity's accounting records.

For payment by cheque HCS will:

- use dual signatories on each cheque issued,
- keep cheque books in a secure place,
- prohibit the signing of blank cheques,
- ensure prompt recording of payments in accounting records including details of the cheque number, nature of the payment and the payee,
- get confirmation that the goods or services have been received.

For payments in cash HCS will:

- keep these payments to a minimum,
- require a receipt
- ensure prompt recording of payments in accounting records including details of the cheque number, nature of the payment and the payee,
- get confirmation that the goods or services have been received.

For the reimbursement of expenses HCS has a separate policy.

## **20 EQUIPMENT AND OTHER ASSETS**

HCS will:

- keep a record of equipment and other assets, over a value of £25 (?????? level) which includes the initial cost and location,
- include non-physical assets such as intellectual property rights
- personal data – primarily member details. HCS has a GDPR policy covering this asset.
- will review the list annually,
- ensure the insurance policy covers such items when away from their normal location.

## **21 RESTRICTED FUNDS**

Restricted funds are given to a charity for a specific, or restricted, purpose which is narrower than the purposes of the charity. The procedures for restricted funds, currently Hythe in Bloom and Town Centre Projects, will follow the procedures above.

## **22 ENDOWMENT FUNDS**

HCS currently has no endowment funds. If HCS receives such a fund it will read CC guidance and, if appropriate, amend these controls.

## **23 INVESTMENTS**

HCS will take advice from the CC via its "Charities and Investment Matters: A Guide For Trustees". Currently HCS invests its immediately unwanted funds in a high interest savings account.

## **24 RESERVES**

It is the aim of the Society to have between 6 and 12 months of expenditure as a reserve against unforeseen circumstances as recommended by the Charity Commission. This aim is monitored via the annual budget and the Treasurer's monthly financial reports to the Executive Committee.

## **25 INVESTING CHARITY FUNDS**

Any funds surplus to immediate and/or short term use shall be invested in a fund that balances potential income, risk and ease of access as recommended by the Treasurer.

## **26 LOANS**

HCS does not make loans nor does it seek loans.

## **REVIEW**

This policy shall be reviewed on an annual basis by the Executive Committee.

## **APPROVAL**

This policy was adopted by the Executive Committee at its September 2024 meeting.

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## **APPENDIX (Refer to clause 2) HCS TREASURER'S JOB DESCRIPTION**

- 1 Responsible for the management and correct accounting of all monies received or paid out- including reviewing an proposed unnecessary spending.
- 2 As a registered charity ensure accounting procedures are in line with Charity Commission regulations – including retaining accounting documents for a period of 8 years.
- 3 Ensure the Society's online banking account is kept secure.
- 4 Ensure any cash or cheques received are kept securely until paid into the Society's bank account at the earliest opportunity.
- 5 Carry out a regular reconciliation of the Society's Accounts.
- 6 Present a statement of accounts at the monthly Society Committee meetings.
- 7 Ensure the Society's insurance policy is reviewed and renewed on time.
- 8 In November each year submit a Gift Aid reimbursement application to HMRC.
- 9 With the Committee's (Trustees) agreement prepare or assist in the preparation of any grant application.
- 10 At the end of the financial year prepare accounts for examination by an Independent Examiner.
- 11 Present an annual statement of accounts to members at the Society's AGM for their approval.