Internal Financial Controls Policy

Document Owner: Grace Foundation

Approved by: Grace Foundation Board of Trustees

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Contents

1. Introduction

Grace Foundation is committed to maintaining robust financial controls to safeguard its assets, manage risks, and ensure compliance with legal requirements and best practices. This policy details the controls and procedures in place to uphold the charity's financial integrity and accountability.

2. Purpose and Scope

This policy applies to all areas of financial management within Grace Foundation, including:

- Handling income and expenditure.

- Banking and payment systems.
- Payroll management.
- Asset safeguarding.
- Monitoring and auditing financial performance.
- Risk management and incident reporting.

All staff, volunteers, and trustees are expected to follow the controls outlined in this document.

Grace Foundation receives HR, IT, and Financial Services from IMG (UK) Holdings Ltd and its subsidiary entities (collectively referred to as IMG). Any mention of IMG in relation to Grace Foundation pertains to these entities.

3. General Financial Controls

Comprehensive Financial Oversight:

- Controls cover all aspects of the charity's financial activities, from income collection to expenditure monitoring.

Professional Advice:

- External advice is sought as needed to ensure compliance with legal and financial regulations.

Training:

- All staff, trustees, and volunteers receive training on financial policies to ensure consistent understanding and adherence.

4. Governance and Oversight

Trustee Responsibilities:

- Trustees receive regular, detailed reports on the financial performance of the charity.
- Financial performance and risks are discussed at every trustee meeting.
- Budgets, forecasts, and variances are reviewed and approved by trustees annually.

Annual Review:

- The charity conducts an annual review of its internal financial controls to ensure effectiveness.

Audit Considerations:

- The need for an internal auditor or audit committee is regularly evaluated.
- External audits are carried out where required by law.

5. Income Management

5.1 Donations and Tax Repayments

- Procedures are in place to identify and claim all eligible tax repayments (e.g., Gift Aid).
- Systems are in place to monitor and identify "tainted charity donations."

5.2 Trading Activities

- Though not currently applicable, trading income would follow proper reconciliation and invoicing processes if introduced.
- Should trading activities occur the tax implications would be reviewed to ensure compliance for all potential taxes, in particular VAT and corporation tax.

5.3 Restricted Income

- Any income that is received for a specific purpose is coded to the Restricted Income nominal code and is therefore recorded separately to unrestricted funds in accordance with Charities SORP (FRS102).
- Expenditure is monitored by the Finance Executive (at approval level) to ensure that the funds are being spent according to restrictions set out by the donor. Records are kept ensuring that the corresponding expenditure does not exceed the restricted income received.

6. Banking Controls

6.1 Bank Accounts

- All bank accounts are held in the charity's name, and a list of active accounts is maintained and reviewed regularly.
- Unused accounts are closed, and third-party use of accounts is prohibited.
- Bank mandates require at least two authorised signatories for all transactions.
- Regular training is provided to all staff dealing with the charities bank accounts whether online or otherwise to promote the awareness of fraudulent practices.

6.2 Online Banking

- Online banking transactions require dual authorisation from two individuals. There must be one authoriser from IMG and one from Grace Foundation to remain compliant with this policy.
- Access is limited to approved personnel, with passwords and PINs regularly updated and securely stored.
- Security measures include up-to-date anti-virus software and firewalls on devices used for financial transactions.
- An audit trail of all online transactions is maintained.
- No payment or transfer may be made unless the account details have been either used before within the past 12 months for that supplier/individual etc. or appropriate verification checks have been carried out.
- No funds shall be transferred or paid outside of the charity based on an email instruction without first having confirmed such instruction for example by speaking to the individual purporting to have sent the email (not replying to the email).

7. Expenditure Controls

7.1 General Expenditure

- Expenditure policies outline authorisation limits, criteria, and procedures for approving purchases.
- Invoices are matched against purchase orders and/or verified for receipt of goods or services.
- Significant or unusual expenses are subject to trustee approval.

7.2 Payment Cards

- Payment card use is governed by strict governance which maintains spending limits, security requirements, and usage criteria. Access is restricted to members of the Finance or Operations Team under the supervision of the Business Operations Manager.
- All card transactions are supported by receipts and invoices.
- Card statements are checked by someone other than the cardholder to ensure accountability.

7.3 Bank Transfers and Standing Orders

- Only authorised individuals may set up payments such as bank transfers, direct debits, and standing orders.
- Dual authorisation is required for all such transactions to minimise risks.
- Regular monitoring ensures that recurring payments are necessary and correct.

8. Payroll and Expenses

8.1 Payroll

- Statutory deductions (e.g., PAYE and National Insurance) are submitted to HMRC on time.
- All employees have contracts of employment, and personnel records are securely stored separately from payroll records.
- Changes to payroll (e.g., starters, leavers, or salary adjustments) are authorised and documented.
- Wages are paid via secure methods, such as bank transfer or BACS.

8.2 Expense Reimbursement

- Expense claims are supported by detailed receipts and include a self-declaration of accuracy.
- Claims are authorised by Line Managers, ensuring no individual authorises their own expenses.
- Mileage rates comply with HMRC's approved rates, and expenses are paid securely.

9. Risk Management and Incident Reporting

Financial Crime Awareness:

- Staff and trustees are trained to recognise and mitigate risks of financial crime, fraud, and abuse.

Policies and Procedures:

- Anti-bribery and conflict-of-interest policies are in place and regularly reviewed.
- A register of interests is maintained for trustees, staff, and key volunteers.

Incident Reporting:

- Procedures exist for recording and reporting financial concerns to the Charity Commission or relevant authorities.
- Staff and trustees are aware of their responsibilities for reporting concerns.

10. Asset and Data Management

10.1 Fixed Assets

- A comprehensive fixed asset register is maintained and regularly updated.
- Fixed assets are inspected annually to ensure they remain in good repair and are used effectively.
- Insurance coverage is reviewed periodically to mitigate risks associated with asset loss or damage.

10.2 Data Security

- Personal data is protected in compliance with GDPR and other relevant data protection legislation.
- Secure systems and best practices are used to store and manage sensitive information, ensuring compliance with GDPR and protecting data from unauthorised access or loss.
- When data is handled or processed by third parties, GF ensures they confirm compliance with GDPR and relevant data security regulations.

Other electronic data and intangible assets are protected through appropriate cybersecurity measures, access controls, and secure storage systems.

11. Monitoring and Transparency

- Financial records are reconciled regularly with bank statements and other documentation to ensure accuracy.
- Trustees receive quarterly financial reports, including budget performance and risk updates.
- The policy and controls are reviewed annually, and findings are shared in the charity's annual report.

This policy links to the IMG Business Code of Conduct which can be accessed here.
This policy links to the IMG Anti-Bribery and Corruption Policy which can be accessed here.
This policy links to the GF Expenses and Purchase Request Policy and the GF Travel Expenses Policy which can be accessed here.

12. Approval and Review

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