

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

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# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

<b>Contents</b>	<b>Page</b>
1 Introduction	3
2 Separation of duties	3
3 Conflict of interest	3
4 Contracting	3
5 Financial management	4
6 Cash	4
7 Banking	4
7.a Bank accounts	4
7.b Cheques	5
7.c International transfers	5
8 Income	5
9 Expenditure	6
9.a Delegation of authority	6
9.b Approval and payment	6
9.c Pay and remuneration	6
9.d Payment procedures	7
9.e Travel expenses	7
9.f Novel and contentious expenditure	8
10 Fixed assets and equipment	8
11 Other issues	9
11.a Fraud or bribery	9
11.b Hospitality	9
11.c Losses	9
11.d Records	9
11.e Experience and training	10
12 IT and online security	10
13 Useful on-line guidance	11

# **New Road Old Stones Trust**

## **Internal Financial Controls policy and procedures**

### **1. Introduction**

The New Road Old Stones Trust (NROST) Financial Controls policy and procedure is the framework under which the day-to-day financial matters of NROST are to be undertaken by the Treasurer, Trustees, Employees and Volunteers of NROST.

### **2. Separation of duties**

- a. No one person may both authorise and pay any payment or transfer, for example by signing a cheque or authorising an on-line banking payment or credit card transaction.
- b. The Treasurer is authorised to pay, by the most appropriate means, all bills, costs and expenses incurred by NROST that have previously been agreed by the Trustees. For example, payroll, insurance, membership fees, etc.
- c. Employees are authorised to pay ordinary project expenses from personal funds and claim reimbursement from the Treasurer on production of a receipt.
- d. Unusually expensive project expenses must be agreed in advance by the Trustees. If agreed, an invoice should be sent to the Treasurer for payment. If there are circumstances where this is not possible, for example a supplier not able to offer this facility, then the expense may be paid as per 2.c above.

### **3. Conflict of interest**

- a. No individual may:
  - i. Authorise or make changes to his or her own pay or personnel entitlements or records.
  - ii. Make payments or enter into contracts with family members or companies in which they have an interest, either directly or through a family member or close friend.

### **4. Contracting**

A robust contracting process is to be implemented with all major contracts openly tendered.

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

### 5. Financial management

The Treasurer is to review with budget holders any variances to budget/forecast and unusual or unexpected transactions that cannot be adequately explained.

### 6. Cash

- a. Any cash held is to be secured under lock and key.
- b. Access is restricted to those who need access.
- c. A cash limit is set that is within the insurance limit.
- d. Cash is not sent through the post.
- e. Cash and cheques are banked as soon as reasonably practicable.
- f. Cash is banked 'gross' – that is income is not netted off against other expenditure. All transactions must be recorded.
- g. Cash is kept separate from personal money and is never used for personal expenditure.
- h. Where significant sums are to be banked, two individuals escort the money and it is transported by car, not on foot. In the event of a robbery, the money is to be handed over without resistance.
- i. Cash payments are avoided wherever possible.

### 7. Banking

- a. **Bank accounts**
  - i. Bank, savings and any other form of investment is only to be opened with the minuted approval of the Trustees.
    1. Accounts are to be reconciled at least monthly.
    2. The bank reconciliation, statement, cashbook, chequebook, computer records and any other supporting documentation are cross checked.
    3. Bank reconciliation is to be regularly randomly checked

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

throughout the charity financial year by someone other than the person concerned with the original recording of the transactions.

- ii. Bank mandates, account signatories and e-banking access are to be kept up-to-date and individuals may only be added with the minuted approval of the Trustees. The list of people with access and their access levels are to be reviewed annually, as part of the audit preparation process.

### b. **Cheques**

Although the bank has issued NROST with a cheque book, cheques are not to be used as a payment method. Instead, expenditure, apart from necessary small expenses, is to be passed to the Treasurer for electronic payment.

### c. **International transfers**

There are specific risks and regulations, such as the Financial Action Task Force (FATF), relating to transferring currency internationally. There are also specific regulatory requirements in some countries and strict HMRC guidelines on transferring charitable funding overseas that must be complied with. Given the complexity of international transfers, NROST does not engage with organisations that would need NROST to transfer currency internationally.

## 8. Income

- a. Donations are to be checked for compliance with the gifting policy before being accepted. Where any doubt exists, the advice of the Treasurer is to be sought, who may in turn need to seek advice from an organisation such as the Charity Commission, Charity Excellence; HMRC, etc.
- b. Regular checks are to be carried out to ensure that records are being accurately maintained and that there are no discrepancies in the accounting records. Specifically, that:
  - i. Records of cash and cheques received agree with bank paying-in slips.
  - ii. The paying-in slips equate with the bank statements, both in terms of amount banked and date of credit.
  - iii. All transfers or other direct payments into the bank can be identified and verified against paperwork.

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

- iv. Care needs to be taken to administer restricted funds separately to ensure these are only used in accordance with donors' restrictions.

### 9. Expenditure

#### a. Delegation of authority

- i. The Trustees delegate to the Treasurer authority to approve expenditure against the budget.
- ii. In the event that NROST grows in size and complexity, the Treasurer is authorised to sub delegate specific financial management to project leaders. However, responsibility for all expenditure remains with the Treasurer and, before delegating authority, the Treasurer is to ensure that the individual to whom a delegation is made is issued with any necessary instructions and is competent.

#### b. Approval and payment

- i. The prior approval of the Trustees is required for any projects or proposals in excess of £100 that are not included in the NROST current activities and funded in the budget and for any that will result in a budget being overspent. All expenditure must be properly authorised, represent good value for money and be on appropriate items or services. Delegations and any subsequent changes are to be issued in writing and clearly specify budget lines and limits.
- ii. The Treasurer is to check invoices received against orders and confirm that the goods or services have been received, are correctly priced, with any discounts or credit notes taken into account and sales tax (e.g. VAT) excluded if appropriate, before authorising or making payment.
- iii. The Treasurer is to check each invoice before payment. Any that have not been appropriately authorised should be rejected and remain the personal responsibility of the individual who incurred the expenditure.

#### c. Pay and remuneration

- i. Pay is the single biggest cost and, therefore, particular safeguards need to be put in place.
  - 1. Any proposals to increase staffing are to be submitted to the Trustees for authority to proceed.

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

2. If used, time sheets should be properly completed and approved by the Treasurer or employee direct line manager.
  3. Where payroll exceeds five staff, the payroll schedule is to be checked and signed each month by the Treasurer and another Trustee. For example, to check any changes have been authorised, the rates used are correct, and for issues such as staff being paid twice or for amounts or items that would not be expected.
  4. Where payroll exceeds ten staff, the staff list should be reconciled to the payroll at random, but regular periods not exceeding 6 months.
- ii. Ensure that a:
1. Leave record system is in place and is properly up-to-date and maintained.
  2. Monitoring system for sick leave is in place and any excessive absences managed accordingly.
- iii. Pay and personnel records should be kept separate.
- d. **Payment procedures**
- i. Payment systems, such as cheque books, credit cards and on-line systems and passwords should be adequately safeguarded. Physical items, such as e-banking encryption devices and cheque books should be kept under lock and key when not in use. Passwords should not be written down or shared, and should be changed regularly and if compromised.
  - ii. Accounting IT systems should be routinely backed up and back-ups stored off site in case of fire.
- e. **Travel expenses**
- i. Claimants must log car journey claims and include the purpose of the journey, start and end Post Codes, journey mileage, and amount claimed for the journey.
  - ii. Expenses for journeys undertaken other than by car may only be claimed on production of a receipt or the travel ticket that shows the

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

date and the cost.

- iii. Travel expenses claims are to be checked by the Treasurer to ensure that the expenses policy has been complied with.

### f. **Novel and contentious expenditure**

- i. Novel expenditure is defined as not meeting the letter of our regulations. That is, using a budget for a purpose for which it was not intended. For example, payment of a bonus to an individual, when there is no such provision in the pay policy. Or exceeding permissible limits. For example, payment of subsistence rates or class of hotel accommodation that exceed the limits in the expenses policy.
- ii. Contentious expenditure is defined as meeting the letter of the relevant policy, but where the need for it or the cost involved may be questioned. For example, where subsistence has been approved within agreed limits, but alcohol or other inappropriate expenditure is claimed for.
- iii. Payment of any expenditure which may be novel or contentious requires the prior approval of the Chair of Trustees.

## 10. Fixed assets and equipment

- a. Purchases of assets that have a life expectancy of, and will provide benefit for, more than one financial year may be treated as capital items and their value written down over the lifetime of the asset.
- b. In general, the minimum value for an item (or a group of items, for example a quantity of T-shirts) to be treated as a capital asset is £100.
- c. The Treasurer is to ensure that:
  - i. A fixed asset register is maintained and reviewed annually.
  - ii. Items are allocated inventory codes and marked accordingly.
  - iii. Subsequent to the annual review, insurance cover is reviewed to prevent being under or over insured.
  - iv. Staff do not remove assets or items of equipment without prior approval.
- d. Please refer to the Capitalisation of Fixed Assets Policy for full details.

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

### 11. Other issues

#### a. Fraud or bribery

If fraud or bribery is suspected it is to be brought to the attention of the Chair of Trustees.

#### b. Hospitality

- i. Employees may be offered hospitality in the form of being taken out to drinks or events, or gifts by suppliers or others. It is essential that this is entirely above board and can be demonstrated to be so.
- ii. Employees and Trustees may only accept hospitality or gifts, which are worth less than the value of £50. Such gifts are to be declared in the Hospitality Book, held by the Treasurer, unless these are trivial and of value of less than £10.
- iii. The Hospitality Book is to be reviewed and signed off by the Chair annually, as part of audit preparation.

#### c. Losses

- i. Any losses are to be investigated by a Trustee delegated to the incident.
- ii. The amount and circumstances of the loss are to be determined and, in particular, whether the loss arose from weaknesses in procedures and/or a failure to apply procedures correctly.
- iii. Appropriate action is to be taken to ensure no further losses occur, arising from similar circumstances.
- iv. The value of any item is to be at realisable value.
- v. Any loss must be approved for write off in line with the delegations from the Trustees.
- vi. The loss is to be written off on the accounting system and the record of investigation and approval for write-off filed for audit purposes.

#### d. Records

The Chair of Trustees is to ensure that:

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

- i. Records are retained in accordance with the documents policy. In particular, computer files, cashbooks and other prime books of account are retained for 7 years and supporting vouchers for 18 months.
  - ii. A secure archive is identified and:
    - 1. Records are kept under lock and key.
    - 2. The archive is organised to enable records to be easily identified and retrieved.
- e. **Experience and Training**

The Chair of Trustees is to ensure that:

- i. On appointment, appropriate work references are taken up and qualification certificates checked.
- ii. Staff are competent and properly trained to carry out their duties in relation to finance.
- iii. Staff are made aware of relevant financial policies on appointment and those with financial responsibilities are briefed by the Treasurer as part of their induction process.
- iv. Relevant financial policy requirements are included in the Staff Handbook and job descriptions.
- v. That this and other guidance is readily available to staff and brought to their attention.

## 12. IT and online security

- a. Security software is to be kept up-to-date, preferably by automatic renewal.
- b. There are effective controls for authorising and managing access.
- c. Software updates are kept up-to-date.
- d. Passwords are strong, not shared and changed regularly.
- e. Data is remotely backed-up on a regular basis.
- f. There are disaster recovery procedures that would restore data quickly and

# New Road Old Stones Trust

## Internal Financial Controls policy and procedures

fully enough; these have been tested.

- g. Staff and volunteers are aware of what they need to do (and not do) to help counter the risk of unlawful access to NROST data.
- h. On leaving NROST, an individual's accounts are to be disabled.

### 13. Useful on-line guidance

- a. [Charity Governance Code: 4 Decisions, Risk, Control](#)
- b. [CC: 8 - Internal Financial Controls](#)
- c. [CC: Financial Controls Checklist](#)
- d. [CFDG: Banking for charities](#)
- e. [CC: Compliance toolkit](#)
- f. [BZ: Retention of accounting and other records](#)
- g. [CC: Charities, fraud and financial crime](#)
- h. [TT: Charity online security measures](#)
- i. [NCSC: Password Guidance](#)
- j. [Password strength checker](#)