FINANCIAL MANAGEMENT AND INTERNAL CONTROLS POLICY

PRN-62: FINANCIAL MANAGEMENT AND INTERNAL CONTROLS POLICY
Company Name: AI Auto-Tech Ltd
Trading/Business Name: Trusted Companionship
Company Registration Number: 15556946
SIC Code: 88100 – Social Work Activities Without Accommodation for the Elderly and Disabled
Email: info@trustedcompanionship.com
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1. Purpose

The purpose of this policy is to establish a clear framework for financial management, accountability, budgeting, expenditure control, financial reporting, and internal controls within the organisation.

The organisation is committed to maintaining sound financial governance and ensuring that financial resources are managed responsibly, transparently, and in a manner that supports the organisation's aims and objectives.

This policy aims to:

- Protect organisational assets.
- Promote financial accountability.
- Prevent fraud and financial mismanagement.
- Ensure proper use of funds and donations.
- Support legal and regulatory compliance.
- Maintain public and stakeholder confidence.
- Promote financial sustainability.

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2. Scope

This policy applies to:

- Trustees
- Directors
- Managers
- Employees with financial responsibilities

- Volunteers involved in financial activities
- Contractors handling organisational funds

The policy applies to all financial transactions and activities undertaken on behalf of the organisation.

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3. Policy Statement

The organisation is committed to maintaining robust financial controls and effective financial management arrangements.

Financial activities will be conducted in accordance with the principles of:

- Accountability
- Transparency
- Integrity
- Accuracy
- Value for money
- Stewardship of resources

Financial decisions must always support the organisation's objectives and the interests of service users and beneficiaries.

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4. Financial Governance Principles

The organisation will ensure:

Accountability

Individuals are accountable for financial decisions and actions.

Transparency

Financial transactions are recorded and capable of scrutiny.

Segregation of Duties

Financial responsibilities are appropriately separated where possible.

Prudence

Resources are managed carefully and sustainably.

Compliance

Financial activities comply with applicable legal and regulatory requirements.

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5. Roles and Responsibilities

Board of Trustees

Responsible for:

- Overall financial governance.
- Financial oversight.
- Approving annual budgets.
- Monitoring financial performance.
- Ensuring effective internal controls.
- Reviewing financial risks.
- Approving significant expenditure where required.

Directors

Responsible for:

- Day-to-day financial management.
- Financial reporting.
- Implementing financial controls.
- Budget monitoring.
- Maintaining accurate financial records.

Managers

Responsible for:

- Managing approved budgets.
- Authorising expenditure within delegated limits.
- Monitoring financial performance.
- Reporting concerns.

Employees and Volunteers

Responsible for:

- Following financial procedures.
- Using organisational resources responsibly.
- Reporting financial concerns promptly.

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6. Financial Planning

The organisation will undertake financial planning to ensure sustainability and effective resource allocation.

Financial planning should consider:

- Organisational objectives.
- Service delivery requirements.
- Funding arrangements.
- Operational costs.
- Strategic priorities.
- Financial risks.

Financial planning should support informed decision-making.

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7. Budget Setting

An annual budget should be prepared and approved by the Board or authorised governing body.

The budget should include:

- Projected income.
- Planned expenditure.
- Operational costs.
- Training costs.
- Governance costs.
- Contingency arrangements.

Budgets should be realistic and evidence-based.

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8. Budget Monitoring

Financial performance should be monitored regularly against approved budgets.

Monitoring should include:

- Actual expenditure.
- Actual income.
- Variances.
- Forecast financial position.
- Emerging risks.

Significant variances should be investigated and reported.

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9. Income Management

All organisational income must be:

- Recorded accurately.
- Banked promptly.
- Properly accounted for.
- Protected from misuse.

Income may include:

- Grants.
- Donations.
- Fundraising proceeds.
- Service-related income.
- Sponsorship.

Income records should be maintained securely.

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10. Cash Handling

Where cash is accepted:

- Receipts should be issued where appropriate.

- Cash should be counted and recorded promptly.
- Cash should be stored securely.
- Banking should take place as soon as practicable.

The use of cash should be minimised where possible.

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11. Banking Arrangements

Organisational funds must be held in approved bank accounts in the organisation's name.

Banking arrangements should:

- Support accountability.
- Protect organisational resources.
- Facilitate effective financial management.

Bank account access should be restricted to authorised individuals.

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12. Authorisation of Expenditure

Expenditure must be authorised by individuals with appropriate delegated authority.

Authorisation arrangements should:

- Reflect the value and nature of expenditure.
- Be documented.
- Be reviewed periodically.

Individuals must not approve expenditure for personal benefit.

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13. Purchasing and Procurement

Purchasing decisions should:

- Support value for money.
- Be necessary and reasonable.
- Reflect organisational needs.
- Follow procurement procedures where applicable.

Large or unusual purchases may require additional approval.

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14. Payments

Payments should only be made:

- For legitimate organisational purposes.
- Following appropriate authorisation.
- Against supporting documentation.

Appropriate records should be retained for all payments.

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15. Financial Records

The organisation will maintain accurate financial records including:

- Bank statements.
- Invoices.
- Receipts.
- Payment records.
- Budget reports.
- Payroll records.
- Grant records.
- Donation records.

Records must be retained in accordance with retention requirements.

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16. Segregation of Duties

Where reasonably practicable:

- Different individuals should authorise, process, and review financial transactions.
- Financial responsibilities should not be concentrated in a single individual.

Segregation of duties reduces the risk of errors and fraud.

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17. Expense Claims

Employees and volunteers may claim approved expenses in accordance with organisational procedures.

Claims should:

- Be submitted promptly.
- Be supported by receipts where possible.
- Relate to approved organisational activities.

Expense claims must be authorised before payment.

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18. Payroll Controls

Where employees are engaged, payroll arrangements should ensure:

- Accuracy.
- Confidentiality.
- Appropriate authorisation.
- Compliance with employment and tax obligations.

Changes to payroll records should be authorised and documented.

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19. Petty Cash

If petty cash is used:

- A petty cash register should be maintained.
- Receipts should be retained.
- Regular reconciliations should occur.
- Access should be restricted.

Petty cash balances should be reviewed periodically.

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20. Financial Reporting

Regular financial reports should be prepared for governance and management purposes.

Reports may include:

- Income and expenditure summaries.
- Budget monitoring reports.
- Cash flow information.
- Financial forecasts.
- Reserve levels.

Reports should support effective oversight and decision-making.

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21. Bank Reconciliations

Bank accounts should be reconciled regularly.

Reconciliations should:

- Identify discrepancies promptly.
- Be reviewed by an appropriate individual.
- Be documented and retained.

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22. Reserves

The organisation should maintain financial reserves where practicable.

Reserves may support:

- Financial stability.
- Unexpected expenditure.
- Operational continuity.
- Financial resilience.

Reserve arrangements should be reviewed periodically.

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23. Grants and Restricted Funding

Restricted grants and donations must:

- Be used for their intended purpose.
- Be monitored appropriately.
- Be recorded separately where necessary.

Funding conditions must be respected and documented.

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24. Fraud Prevention

The organisation adopts a zero-tolerance approach to fraud and financial misconduct.

Examples include:

- Theft.
- False expense claims.
- Misappropriation of funds.
- Falsification of records.
- Bribery.
- Corruption.

All concerns must be reported immediately.

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25. Financial Irregularities

Examples include:

- Missing funds.
- Unauthorised payments.
- Suspicious transactions.
- Inaccurate records.

Financial irregularities should be investigated promptly and appropriately.

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26. Reporting Financial Concerns

Employees and volunteers should report:

- Financial misconduct.
- Suspected fraud.
- Control weaknesses.
- Unusual transactions.

Concerns may be reported through:

- Management arrangements.
- Incident reporting systems.
- Whistleblowing procedures.

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27. Internal Financial Controls

Internal controls may include:

- Authorisation limits.
- Dual approvals.
- Segregation of duties.
- Financial monitoring.
- Reconciliations.
- Audit activities.
- Secure record keeping.

Controls should be proportionate to organisational size and complexity.

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28. Audit and Financial Review

The organisation may undertake:

- Internal audits.
- Financial reviews.
- Independent examinations.
- External audits where required.

Audit findings should be reported and acted upon appropriately.

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29. Financial Risk Management

Financial risks should be identified and reviewed regularly.

Risks may include:

- Funding reductions.
- Fraud.

- Cash flow difficulties.
- Economic pressures.
- Cost increases.

Risk management arrangements should form part of overall governance processes.

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30. Donations and Fundraising Controls

All donations and fundraising income should be:

- Properly recorded.
- Accounted for transparently.
- Used appropriately.

Donation and fundraising activities must comply with relevant organisational policies.

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31. Information Security and Finance

Financial information must be:

- Protected from unauthorised access.
- Stored securely.
- Shared appropriately.
- Managed in accordance with data protection requirements.

Cyber security considerations should form part of financial management arrangements.

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32. Training and Awareness

Relevant employees, volunteers, managers, and trustees should receive training or guidance on:

- Financial procedures.
- Internal controls.
- Fraud awareness.
- Budget management.
- Financial governance responsibilities.

Training needs should be reviewed periodically.

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33. Case Study

Scenario: Unauthorised Expenditure Identified

During a routine financial review, a manager identifies an expenditure item that does not appear to have been approved in accordance with organisational procedures.

Action Taken

- The transaction is reviewed.
- Supporting documentation is requested.
- Internal controls are examined.
- Findings are reported to senior management.

Outcome

A procedural weakness is identified, and additional authorisation controls are introduced.

Learning Point

Regular monitoring and internal controls help detect errors and strengthen financial governance.

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34. Monitoring and Quality Assurance

The organisation will monitor:

- Budget performance.
- Financial reporting.
- Audit findings.
- Expense claims.
- Bank reconciliations.
- Grant compliance.
- Fraud concerns.
- Financial risks.

Monitoring outcomes will be used to strengthen financial management and governance.

35. Review Arrangements

This policy will be reviewed:

- Annually.
- Following significant financial incidents.
- Following audit recommendations.
- Following legislative or regulatory changes.
- Following organisational restructuring.

Related Policies

- Governance, Board and Trustee Responsibilities Policy
- Fraud, Bribery and Corruption Policy
- Gifts, Hospitality and Donations Policy
- Risk Assessment Policy
- Whistleblowing Policy
- Information Governance and Cyber Security Policy
- Records Management and Record Keeping Policy
- Quality Assurance and Continuous Improvement Policy