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# Musical Keys (“The Charity”): Financial Controls Policy

**Governance**

1. The Board will be assisted in discharging its responsibilities by a finance sub committee (the “Finance Committee”) consisting of at least three trustees, of whom one shall be the Treasurer.
2. The Finance Committee shall be appointed by the Board of Trustees (“the Board”), and is tasked with oversight of key financial decisions for the Charity for their recommendation to the Board. It will scrutinise the draft annual budget, cash flow and reserve projections prior to presentation to the board. It will also use its best endeavours to meet before each board meeting to consider management accounts and historic cash flow information, assess performance against budget and consider the continued appropriateness of the assumptions underlying the budget.

It will also approve the annual accounts in draft before presentation of the final version to the Board of Trustees for formal approval.

Details of the finance function and policies, for which the finance committee will have oversight are detailed below.

**Financial Records and Accounts**

1. Financial records must be kept so that:
* The Charity meets its legal and other statutory obligations, such as Charity Acts, Companies Act, HMRC requirements and common law, and the board discharges its responsibilities.
* The Charity meets the contractual obligations and requirements of funders in relation to accounting for monies in accordance with those contracts.
1. The Charity will maintain its accounts using a financial software package approved by the Board. Its electronic records must include:

A cashbook analysing all the transactions appearing on the bank accounts, which is reconciled to the bank statements on a regular basis and not less than quarterly.

 A petty cash book if cash payments are being made.

HMRC wages records (if registered for PAYE) to be compliant with HMRC reporting regime and in accordance with RTI submission requirements.

 Records segmenting income and expenditure between projects, and tracking the

 balances of restricted and unrestricted funds.

1. The Charity may outsource these functions with the agreement of the Board. Any decision process to outsource must include due consideration of the position of the person(s) to whom the finance function will be outsourced, to include due regard for independence and professional qualifications and competence.
2. Accounting records will be retained for a minimum period of 6 years.
3. Management accounts will be prepared on a regular basis and not less than quarterly for scrutiny by the finance committee and subsequent reporting to the Board. The management accounts may be presented on a ‘cash’ rather than ‘accruals’ basis and, as a minimum should show the income and expenditure in the period, broken down between funds. They should also show the current fund balances. The finance committee will consider any funds which reflect a deficit position for discussion with the Board in order that remedial or corrective action may be taken.
4. Annual financial statements, to comply with appropriate Accounting Standards prevalent at the time, shall be drawn up at the end of each financial year within 4 months of the financial year end and formally approved by the Board at a Trustee meeting. Following approval the financial statements shall be filed together with the Annual Return with the Charities Commission.
5. As required by Statute, the financial statements will be subject to an Independent Examination or Audit. The Board will appoint an Independent Examiner/Auditor annually, at a meeting of the Trustees, and the appointment will have due regard to independence and competence.
6. Any communications from Independent Examiners or Auditors in relation to recommendations on systems, key issues or adjustments shall be reviewed by the Finance Committee and communicated to the Board, who will take any necessary action to address those matters noted.
7. Adjustments to reserve balances following issue of the financial statements should be reflected within the Charity’s accounting records as soon as practicably possible and without undue delay.
8. Prior to the start of each financial year, the Board will approve budgeted income and expenditure and cash flow projections for the year (phased on a monthly basis) for the following year (documenting the assumptions on which the documents have been prepared), and will review the existing reserves policy for the Charity and make recommendations for any revisions to this in light of circumstances prevailing at the time.
9. A report comparing actual income and expenditure and cash flow with the budget should be presented to the trustees at least every three months, as part of the management accounts information referred to above.

**Reserves policy**

1. The reserves policy will be reviewed annually in the light of the Charity’s position, objectives and outlook, by the Finance Committee.
2. The current reserves policy is stated as follows:

Restricted reserves are held for specific application to the purposes to which they relate.

Unrestricted reserves will be held at a sufficient level to fund operating costs for a minimum of six months on anticipated levels. The purpose of the reserves held should include the avoidance of short term cashflow/liquidity issues arising and to ensure the safeguarding of the Charity’s ability to operate as a going concern for at least 6 months even in the event that no income was recorded in that timescale.

**Banking**

1. The Charity will bank with a bank approved by the Board, and accounts will be held in the name of the Charity.
2. The following accounts will be maintained:

Charity Account No 1

Charity Investment Account

1. The Board will approve the Charity’s Investment Policy and will review the investment account annually.
2. Any change to the Charity’s bank or any other holder of its funds shall only take place if first approved by the Board
3. The bank mandate (list of people who can approve payments on the Charity’s behalf) will always be approved and minuted by the Board as will any changes to it.
4. The bank mandate will be such that dual signatories will be required for all payments. For online banking this means one person creates the payment and a different signatory will approve.
5. The Charity will require the bank to provide statements every month and these will be reconciled with the cash book at least every month.
6. The Charity will not use any other bank or financial institution without the agreement of the Board. Furthermore no loans, overdrafts or other borrowing facilities or agreements will be entered into without the written authority of the Board.

**Receipts**

1. All monies received will be recorded promptly in the cashbook and banked without delay (this includes any sundry receipts such as payment for telephone calls, photocopying etc.).
2. The Charity will maintain files of documentation to support and evidence the nature of all receipts.
3. The Charity will ensure that invoices or requests for payment are duly made. Any invoices or requests for payment that are beyond ordinary, or agreed, terms will be followed up without undue delay and where appropriate escalated to the trustees for further action.

**Expenditure**

1. All expenditure must be incurred only in relation to furtherance of the Charity’s bona fide activities.
2. Where applicable all expenditure shall be in line with approved project budgets. It will be properly authorised in such a form as to enable compliance to be demonstrated. Any payment in excess of £750 and which is not within the original budget or is outside of the routine course of business must be approved by the CEO.
3. All expenditure must be clearly identified as to which funding pot from which payment should be made, or else that the payment is to be made from unrestricted funds. This information should be appended on all invoices or other source documentation, as appropriate; sufficient that an independent person could readily identify the funding pot from which payment was intended.
4. If cheque books are provided by the bank they should be held by the CEO and only used as a last resort.
5. Payments by electronic transfer or online banking must be created by one authorised signatory and approved by a different authorised signatory.

**Payment documentation**

1. Every payment out of the Charity's bank accounts will be evidenced by the following documentation:

An original invoice (never against a supplier's statement or final demand). That original invoice will be retained by the Charity and filed.

Once paid, the invoice will be marked paid and filed, together with the approved payment requisition form.

1. The only exceptions to payments not being supported by an original invoice are Items such as advanced booking fees for a future course, deposit for a venue, VAT, etc. Other payment request info should be kept as support for these payments.

3) Wages and Salaries. There will be a clear trail to show the authority and reason for every such payment. All employees will be paid within the PAYE and National Insurance regulations. Details of each payroll run must be maintained on file and the payroll payments should be authorised by at least one Trustees.

1. All staff appointments will be authorised by the Board and records will be maintained to document the start dates and salary level. Similarly, all changes in hours and variable payments such as overtime, etc, will be authorised by the Board.
2. Petty cash records must be maintained on no less frequent than a monthly basis and the level of float will be agreed by the Finance Committee. The CEO will hold the petty cash float, but may delegate this function. The petty cash held must be reconciled on at least a quarterly basis and all petty cash spends must be supported by a receipt and, where impractical, a petty cash voucher should be recorded to document the nature of the spend.
3. The Charity will, if asked, reimburse expenditure paid for personally by staff in relation to bona fide Charity purposes, subject to the following conditions:

The costs are borne wholly and exclusively on Charity business.

Travel fares are evidenced by tickets.

Other expenditure is evidenced by original receipts.

Car mileage is based on agreed scales.

No individual will authorise the payment of their own expenses unilaterally.

**Investment policy**

1. The charity should always aim to get the best return possible on its cash and cash equivalents. This involves moving funds not required in the day-to-day running of the charity into savings accounts / investment accounts.
2. Bank balances should be monitored monthly with excess funds (not likely to be required for day-to-day running of the charity over the coming 2-3 months) transferred to a savings / investment account. This should be done in conjunction with reviewing and considering the budget / known large costs due for the next quarter. This will ensure the best return on these funds.
3. Transfers to / from savings / investments accounts should be approved by the CEO / the trustees. They should also be subject to the dual authorisation rules within the payments policy above.
4. All banking / investment accounts should be considered for suitability / sustainability / ethics prior to opening an account and board should approve all new bank / investment accounts before opening of these accounts.

**Other rules**

1. The Charity does not accept liability for any financial commitment unless properly authorised. Any orders placed or undertakings given which are likely to cost the Charity in excess of £750 and are not within the budget lines or is outside of the routine course of business must be authorised and minuted by the Board.

2) In exceptional circumstances such undertakings can be made with the Chairperson's approval who will then provide full details to the next meeting of the Board. (This covers such items as office equipment, purchase and hire).

3) All fundraising and grant applications will be executed in the name of the Charity with the prior approval of the Board or in urgent situations the approval of the Chairperson who will provide full details to the next meeting of the Board.

1. All contractual commitments shall be approved by the CEO or as he/she shall designate, and contracts may be only be signed by the CEO or with his/her approval.

5) The Charity will adhere to good practice in relation to its finances at all times.

6) The Charity will maintain records in such a form as to enable it to meet funders’ reporting requirements

7) The Charity will carry employer’s liability and public liability insurance and will also carry an appropriate level of directors’ and officers’ liability insurance. The terms of the insurance will be approved in principle by the trustees.

Policy adopted: 23 February 2022

Signed: 

Policy to be reviewed: February 2023