



## Internal financial controls for charities

# Checklist

## Contents

<b>1. Self-assessment checklist</b>	<b>1</b>
<b>2. Some key issues, monitoring arrangements and risk of fraud</b>	<b>2</b>
<b>3. Income</b>	<b>3</b>
<b>4. Purchases and payments</b>	<b>5</b>
<b>5. Assets and investments</b>	<b>7</b>

## 1. Self-assessment checklist

The questions in this checklist are designed to help charity trustees and their advisers evaluate the charity's performance against the legal requirements and good practice recommendations set out in the commission's guidance on internal financial controls for charities. Trustees should review their charity's performance at least once a year.

Each of the questions on the checklist links to a paragraph of the guidance, where further details can be found. Not all the controls listed will be appropriate for all charities, for example, where a section of the checklist deals with an area of activity that the charity does not undertake then that section of the checklist will not apply.

Charities must always comply with legal requirements and these requirements are identified in the checklist. A 'yes' answer for good practice recommendations does not mean there is no scope for further improvement. A 'no' answer does not always indicate a problem. It may be that the charity has not put in place a particular control because the risk involved is small and the potential loss is acceptable, given the cost that would be involved in putting in place stronger internal controls.

Finally, the answers in the checklist should be based on the trustees' knowledge of what actually happens in the charity and not what they expect to happen. Having an internal control in place is only part of the picture. It must operate in practice to be effective.

## 2. Some key issues, monitoring arrangements and risk of fraud

<b>2.1 Financial controls throughout the charity</b>	<b>Yes</b>	<b>No</b>
Is there segregation of duties to provide automatic 'double check'?	<input type="checkbox"/>	<input type="checkbox"/>
Do the trustees carry out an annual review of the internal financial controls?	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.2 Monitoring activities</b>	<b>Yes</b>	<b>No</b>
Are annual budgets of income and expenditure prepared, and approved by the trustees?	<input type="checkbox"/>	<input type="checkbox"/>
Is performance measured against budgets at regular intervals and explanations sought for variances?	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.3 Internal audit and audit committee</b>	<b>Yes</b>	<b>No</b>
Have the trustees considered the need to appoint an internal auditor or set up an audit committee?	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.4 Information and communication</b>	<b>Yes</b>	<b>No</b>
Are the trustees provided with regular information about the financial performance of the charity?	<input type="checkbox"/>	<input type="checkbox"/>
Do the trustees discuss the financial performance of the charity at each of their meetings?	<input type="checkbox"/>	<input type="checkbox"/>
Are terms of reference in place for any finance sub-committee, or similar sub-group of the trustee board?	<input type="checkbox"/>	<input type="checkbox"/>
Does any finance sub-committee report to the full board of trustees for final decision making?	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.5 Trustees' responsibilities</b>	<b>Yes</b>	<b>No</b>
Are sufficient accounting records kept of all transactions? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Have the trustees considered the need for a reserves policy and put in place a reserves policy if one is needed? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Do the accounts comply with legal requirements? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Are the accounts formally approved by trustees at an annual meeting?	<input type="checkbox"/>	<input type="checkbox"/>
Have the trustees appointed an auditor or independent examiner? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Are newly appointed trustees given a copy of the latest accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Do the trustees file the annual report and accounts and annual return on time? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>

<b>2.6 and 2.7 Managing the risks of financial crime and abuse</b>	<b>Yes</b>	<b>No</b>
Are trustees and staff made aware of why the charity is at risk from financial crime and abuse and of typical examples of potential fraudulent activities?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity have an anti bribery policy, policies on the acceptance of hospitality, the acceptance of donations and a register of interests in place?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity have policies and controls over access to and storage of electronic information?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity have computer programmes to protect its data and systems from external interference?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity have procedures for reporting suspicions internally, and to the commission and the police?	<input type="checkbox"/>	<input type="checkbox"/>

### 3. Income

<b>3.1 Income received in the post</b>	<b>Yes</b>	<b>No</b>
Is incoming post opened in the presence of two unrelated people?	<input type="checkbox"/>	<input type="checkbox"/>
Are all incoming cheques and cash recorded immediately?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity keep unopened mail secure?	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.2 Income from public collections and fundraising events</b>	<b>Yes</b>	<b>No</b>
If the charity undertakes public collections or fundraising events:		
• are public collections undertaken within legal requirements? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
• are collection boxes numbered and their allocation and return recorded?	<input type="checkbox"/>	<input type="checkbox"/>
• are all collection boxes sealed?	<input type="checkbox"/>	<input type="checkbox"/>
• are all collection boxes regularly opened and counted by the charity and a record kept of their locations and history of takings?	<input type="checkbox"/>	<input type="checkbox"/>
• are collections counted in the presence of the collector and a receipt given to them?	<input type="checkbox"/>	<input type="checkbox"/>
• are two unrelated people involved in counting and recording the income?	<input type="checkbox"/>	<input type="checkbox"/>
• is cash banked as soon as possible and without deduction of expenses?	<input type="checkbox"/>	<input type="checkbox"/>
• are records maintained for each fundraising event?	<input type="checkbox"/>	<input type="checkbox"/>
For ticket incomes are:		
• tickets pre-numbered?	<input type="checkbox"/>	<input type="checkbox"/>
• records kept of all persons issued with tickets to sell, and which ticket numbers they have been allocated?	<input type="checkbox"/>	<input type="checkbox"/>
• records kept of which tickets sold?	<input type="checkbox"/>	<input type="checkbox"/>
• reconciliations made of money received against tickets sold?	<input type="checkbox"/>	<input type="checkbox"/>
Has the charity complied with Part II of the Charities Act 1992 where professional fundraisers are engaged? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>

<b>3.3 Gift Aid donations</b>	<b>Yes</b>	<b>No</b>
Does the charity maximise the lawful take-up by its donors of Gift Aid?	<input type="checkbox"/>	<input type="checkbox"/>
Are regular checks made to ensure all eligible tax repayments are obtained?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity keep the records required by HMRC for Gift Aid claims?	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.4 Legacies</b>	<b>Yes</b>	<b>No</b>
Does the charity identify and monitor the receipt of large legacies and ensure that they are correctly included in the accounts?	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.5 Tainted charity donations and substantial donors</b>	<b>Yes</b>	<b>No</b>
Has the charity kept the necessary records to identify transactions with 'substantial donors' for donations received up to April 2011? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
From April 2011, have the trustees put in place procedures to identify 'tainted charity donations'?	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.6 Trading income</b>	<b>Yes</b>	<b>No</b>
If the charity undertakes trading activities (either trading in furtherance of its objects or non-charitable trading):		
• if the level of non-charitable trading is significant is it carried out in a trading subsidiary?	<input type="checkbox"/>	<input type="checkbox"/>
• does the charity have a pricing policy for the goods and services supplied?	<input type="checkbox"/>	<input type="checkbox"/>
• does the charity have invoicing procedures for goods and services supplied?	<input type="checkbox"/>	<input type="checkbox"/>
• does the charity review outstanding debts and collection procedures?	<input type="checkbox"/>	<input type="checkbox"/>
• are there procedures to reconcile amounts invoiced and cash received to outstanding invoices?	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.7 Banking and custody procedures</b>	<b>Yes</b>	<b>No</b>
Are incoming receipts banked promptly?	<input type="checkbox"/>	<input type="checkbox"/>
Is insurance held to cover the contents of the safe or cash box and cash in transit?	<input type="checkbox"/>	<input type="checkbox"/>
Are funds banked without deduction of expenses?	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.8 Checks on income records</b>	<b>Yes</b>	<b>No</b>
Are regular checks made to ensure income records agree with the bank paying-in books and statements?	<input type="checkbox"/>	<input type="checkbox"/>
Are checks made by someone other than the person who made the entry in the accounting records?	<input type="checkbox"/>	<input type="checkbox"/>

## 4. Purchases and payments

<b>4.1 Controls and authorisation of expenditure on goods and services</b>	<b>Yes</b>	<b>No</b>
Is there a written policy on the authorisation of expenditure?	<input type="checkbox"/>	<input type="checkbox"/>
Are invoices received checked against orders confirming pricing and the receipt of the goods or services ordered?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.2 Controls and authorisation of expenditure on grants</b>	<b>Yes</b>	<b>No</b>
If the charity makes grants, does it have a grant-making policy?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity make and monitor grants in accordance with the grant-making policy?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.3 Payment by cheque</b>	<b>Yes</b>	<b>No</b>
Does the charity follow any stipulation in the governing document about who can sign cheques?	<input type="checkbox"/>	<input type="checkbox"/>
Does the bank mandate require at least two signatories?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a practice of not signing of blank cheques?	<input type="checkbox"/>	<input type="checkbox"/>
Are cheque books etc kept in a secure place with access only by nominated persons?	<input type="checkbox"/>	<input type="checkbox"/>
Are any monetary limits placed on an individual's signing recorded in writing?	<input type="checkbox"/>	<input type="checkbox"/>
Is all cheque expenditure recorded in the cash book and noted with the relevant cheque number, nature of payment and payee?	<input type="checkbox"/>	<input type="checkbox"/>
Are cheques signed only with documentary evidence of the nature of the payment, eg invoice?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.4 Payments by debit/credit/charge card</b>	<b>Yes</b>	<b>No</b>
Does the charity have a policy for the use of payment cards, including the criteria for their issue, spending limits and security?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity communicate the policy for the use of cards to all trustees and staff using them?	<input type="checkbox"/>	<input type="checkbox"/>
Are cards cancelled when the holder ceases to work for the charity?	<input type="checkbox"/>	<input type="checkbox"/>
Is all card expenditure supported by vouchers and invoices and recorded in the accounting records each time the card is used?	<input type="checkbox"/>	<input type="checkbox"/>
Are card statements sent to the charity finance team and checked to supporting records and invoices?	<input type="checkbox"/>	<input type="checkbox"/>
Is the cardholder's use of the card independently reviewed periodically to confirm its use is consistent with the policy?	<input type="checkbox"/>	<input type="checkbox"/>

<b>4.5 Payments by direct debits, standing orders and BACS direct credit</b>	<b>Yes</b>	<b>No</b>
Are only named individuals authorised to set up direct debits, standing orders and direct credits?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity use a dual authorisation system for BACS payments?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity monitor the arrangements to ensure that automatic payment arrangements are cancelled when the goods and services are no longer being supplied to the charity?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.6 Payment in cash</b>	<b>Yes</b>	<b>No</b>
Is every effort made to minimise cash payments?	<input type="checkbox"/>	<input type="checkbox"/>
Are all payments by cash made from a cash float and not from incoming cash?	<input type="checkbox"/>	<input type="checkbox"/>
Is supporting documentation authorised by someone other than the person maintaining the petty cash or the person making the claim?	<input type="checkbox"/>	<input type="checkbox"/>
Are details of all payments entered in a petty cash book?	<input type="checkbox"/>	<input type="checkbox"/>
Are regular independent checks made of the petty cash float and records?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.7 Wages and salaries</b>	<b>Yes</b>	<b>No</b>
Are statutory deductions (tax and NIC) made from employees' wages and salaries and regularly forwarded to HMRC? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity comply with minimum wage legislation? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Are any other deductions from salaries made only where they are required or authorised? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Are the end-of-year returns (P60 and P11Ds) completed and filed with HMRC by the deadline? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
If the charity employs staff are the required pension arrangements in place? (legal requirement)	<input type="checkbox"/>	<input type="checkbox"/>
Do all employees have contracts of employment?	<input type="checkbox"/>	<input type="checkbox"/>
Are personnel records kept and held separately from wages records?	<input type="checkbox"/>	<input type="checkbox"/>
Are salary levels properly authorised and recorded?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a system of authorisation for recording and notifying starters and leavers, changes of hours and other payroll changes?	<input type="checkbox"/>	<input type="checkbox"/>
Are payments made by BACS?	<input type="checkbox"/>	<input type="checkbox"/>

<b>4.8 The payment of expenses and reimbursements</b>	<b>Yes</b>	<b>No</b>
Does the charity have a written policy to cover the payment and reimbursement of expenses?	<input type="checkbox"/>	<input type="checkbox"/>
Is the policy communicated to all trustees, staff and volunteers?	<input type="checkbox"/>	<input type="checkbox"/>
Are expenses reimbursed only where the individual incurred the expense in the course of carrying out the charity's business?	<input type="checkbox"/>	<input type="checkbox"/>
Does the expense claim include a self-declaration that the claim is accurate and incurred on the business of the charity?	<input type="checkbox"/>	<input type="checkbox"/>
Are reimbursements made by BACS transfer or cheque?	<input type="checkbox"/>	<input type="checkbox"/>
If the charity pays mileage rates for travel are the rates in accordance with HMRC approved rates?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.9 Loans</b>	<b>Yes</b>	<b>No</b>
Are the terms of the loan documented?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity have a repayment plan in place to repay the principal and any interest due?	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.10 Checks on expenditure records</b>	<b>Yes</b>	<b>No</b>
Are regular checks made to ensure expenditure records are accurate and agree with the bank statements?	<input type="checkbox"/>	<input type="checkbox"/>
Are regular checks made to ensure no discrepancies between the payments made and the original invoice or payment records?	<input type="checkbox"/>	<input type="checkbox"/>
Are checks made by someone other than the person who made the entry in the accounting records?	<input type="checkbox"/>	<input type="checkbox"/>

## 5. Assets and investments

<b>5.1 Controls over fixed assets</b>	<b>Yes</b>	<b>No</b>
Is a comprehensive fixed asset list held and updated regularly?	<input type="checkbox"/>	<input type="checkbox"/>
Are assets checked regularly to ensure they are still in good repair and are of use to the charity?	<input type="checkbox"/>	<input type="checkbox"/>
Has insurance cover been considered?	<input type="checkbox"/>	<input type="checkbox"/>
Is the use of fixed assets reviewed annually (to ensure put to best use and serving the charity's interests)?	<input type="checkbox"/>	<input type="checkbox"/>

<b>5.2 Investments</b>	<b>Yes</b>	<b>No</b>
Does the charity have an investment policy?	<input type="checkbox"/>	<input type="checkbox"/>
Does this policy include the need to consider diversification of investments, including bank accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Is the performance of investments regularly reviewed?	<input type="checkbox"/>	<input type="checkbox"/>
Is professional advice taken, where appropriate, on the selection or disposal of investments?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity inspect investment properties to ensure tenant covenants are adhered to?	<input type="checkbox"/>	<input type="checkbox"/>
Are there controls to ensure that all investment income due is received?	<input type="checkbox"/>	<input type="checkbox"/>
<b>5.3 Money held as a current asset</b>	<b>Yes</b>	<b>No</b>
Are secure records held of all bank and building society accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Are bank statements regularly received and regular bank reconciliations carried out?	<input type="checkbox"/>	<input type="checkbox"/>
Are instructions to open or close accounts properly authorised and reported to trustees?	<input type="checkbox"/>	<input type="checkbox"/>
Are checks made to ensure that there are no dormant accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Are the accounts monitored to ensure there is no third party use?	<input type="checkbox"/>	<input type="checkbox"/>
Do the trustees regularly review the costs, benefits and risks of their current and deposit accounts?	<input type="checkbox"/>	<input type="checkbox"/>
<b>5.4 Electronic banking</b>	<b>Yes</b>	<b>No</b>
If the charity uses electronic banking to make payments does the system used require authorisation of transactions by two individuals?	<input type="checkbox"/>	<input type="checkbox"/>
Are PCs kept secure with up-to-date anti-virus and spyware software and a personal firewall?	<input type="checkbox"/>	<input type="checkbox"/>
Are trustees and staff made aware of the need to ensure that the charity's security details (including the password and PIN) are not compromised?	<input type="checkbox"/>	<input type="checkbox"/>
Is the PIN and password regularly changed, for example to mitigate the risks of compromising security when individuals leave the charity?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity maintain a list of persons (trustees and staff) who are approved to have access to the PIN and password?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity keep an audit trail of electronic banking transactions?	<input type="checkbox"/>	<input type="checkbox"/>
Have those using online banking facilities been trained in their use?	<input type="checkbox"/>	<input type="checkbox"/>

5.5 Non-traditional banking	Yes	No
If the charity uses non-traditional banking methods: <ul style="list-style-type: none"> <li data-bbox="167 383 1300 465">• are policies set and approved by trustees defining the circumstances when non-traditional banking methods may be used?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li data-bbox="167 477 1300 555">• is the use of such methods limited to essential transfers where traditional banking methods cannot be used?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li data-bbox="167 566 1300 611">• does the charity keep an audit trail of non-traditional banking transactions?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li data-bbox="167 622 1300 701">• does the charity ensure that the controls that are in place for its traditional bank transactions also operate with non-traditional banking transactions?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
5.6 Restricted funds and endowment funds	Yes	No
Are procedures in place to ensure that any restrictions put on the use of funds, by the donor or through an appeal, are observed?	<input type="checkbox"/>	<input type="checkbox"/>
Does the charity ensure that the conditions attached to permanent endowments are observed?	<input type="checkbox"/>	<input type="checkbox"/>