



## **INTERNAL FINANCIAL CONTROL POLICY**

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## 1. Why u3a York need internal financial controls

Internal financial controls are important. They are essential checks and procedures to help:

- Protect u3a York's assets, including its money and any property.
- Make informed decisions about u3a York's financial position.
- Meet u3a York's legal duties, for example managing u3a York's resources responsibly.

Fraud and financial mismanagement can happen at any charity. Using suitable internal financial controls helps u3a York:

- Identify and manage any risks associated with its finances and assets.
- Keep good quality, accurate and complete accounting records.
- Prepare timely and relevant financial information.
- Make sure its financial reporting complies with the relevant legal requirements.

Mismanaging u3a York's finances or assets can damage:

- u3a York's financial viability, with consequences for how it delivers its services.
- Volunteers' morale.
- u3a York's reputation.
- Public trust and confidence in charities.

## 2. Who is responsible for u3a York's internal financial controls?

The detailed work on financial controls is delegated to the Treasurer, but all Trustees remain responsible for u3a York's financial management and for implementing and monitoring u3a York's internal financial controls.

All Trustees and volunteers at u3a York need to understand and follow them.

## 3. Financial Controls

### 3a) Understanding u3a York's financial information.

The Board of Trustees will be given clear, accurate and up-to-date financial information, for example:

- The latest management accounts. These usually report performance against budget and may include estimates for future periods.
- The reasons for any differences between u3a York's financial forecasts and u3a York's current financial position.
- Details of cash flow and closing bank balances.

u3a York's financial position and performance will be:

- A standing agenda item at Board of Trustees meetings.
- Sent to each Trustee before the meeting.

Regularly reviewing u3a York's financial position can help the Board of Trustees check that u3a York is operating as a 'going concern' and isn't facing insolvency.

All members of the Board of Trustees must question things they don't understand and highlight any concerns they have. The Board of Trustees as a whole is responsible for u3a York's finances.

The Board of Trustees needs to understand u3a York's financial position and performance. The Board of Trustees (as a whole) remains ultimately responsible for all decisions.

### 3b) Preparing accounts and reports

The Board of Trustees has a legal duty to make sure that accounting records for u3a York are kept and that annual accounts are prepared.

The Board of Trustees also has a duty to make sure that, as a registered charity, it produces a Trustees annual report.

The Board of Trustees will make sure that the content of the report and the format of the accounts meet the requirements of the Charity Commission.

When a new Trustee is appointed, they will be given copies of:

- The latest accounts
- The latest management accounts
- u3a York's governing document
- The Commission's guidance on [public benefit](#) and [The essential trustee: what you need to know, what you need to do \(CC3\) Charity reporting and accounting: the essentials](#). This explains the accounting and reporting duties of Trustees and what each type of charity is required to do.

### 3c) Embedding internal financial control

The Board of Trustees and volunteers will follow u3a York's internal financial controls.

The Board of Trustees will lead by example. Its members will follow all controls to help embed a culture of financial responsibility.

The Board of Trustees and volunteers will be trained in u3a York's financial controls. This will include training on:

- Procedures to identify and report known or suspected financial crime or abuse;
- How to raise concerns about the conduct of Trustees, senior volunteers, and other volunteers.

The Board of Trustees of u3a York will make sure that financial controls cannot be overridden by anyone.

### 3d) Monitoring financial performance

u3a York's financial performance will be monitored on a regular basis.

The Treasurer will prepare reports:

- Comparing performance against financial policies, such as income reserve levels or investment performance;
- Monitoring u3a York's financial performance against a budget.

The u3a York Treasurer, with the support of the Board of Trustees and senior volunteers, will prepare a budget using realistic estimates of income and expenditure for each:

- Area of u3a York's activities;
- Financial year.

The Board of Trustees will approve the budget at the first meeting of the financial year.

All Board of Trustees members and senior volunteers will be provided with regular financial information. This will explain any significant over- or under-performance of income and expenditure plans.

### 3e) Reviewing and monitoring internal financial controls.

The Board of Trustees will regularly review its financial controls to make sure they are still suitable. The Board of Trustees will do this at least once a year and always:

- After a significant financial loss or narrowly avoided significant financial issue;
- Before or after a significant change in how u3a York operates, for example, in relation to a new structure or increased funding.

Monitoring helps make sure that:

- All controls, including the basic ones such as bank and other reconciliations, are carried out;
- Everyone involved (volunteers and trustees) is aware of and follows u3a York's policies and processes, for example if they suspect there is a problem;
- u3a York complies with its authorisation and approval procedures.

The Board of Trustees will make sure that records are kept of the reviews and how it has responded to any issues it has found.

The Board of Trustees will take immediate action if any review finds that anyone has misused u3a York's funds.

The Board of Trustees will also consider any new risks, for example resulting from changes to the way we operate, or from new threats, such as new types of fraud.

### 3f) Splitting financial duties between people.

The Board of Trustees will make sure that more than one person is involved in all financial transactions. This means having a different person authorising a transaction from the person who made it.

The Board of Trustees will make sure that duties are split amongst the Trustees. This makes sure that one Trustee is not overburdened or exercises sole responsibility.

### 3g) Recording and reporting incidents

The Board of Trustees will make sure that a record is kept of any incidents of financial crime, abuse, or breakdown of u3a York's financial controls.

The Board of Trustees will also make sure that it reports incidents to other bodies depending on the type and level of the incident:

- All types of fraud to [Action Fraud](#);
- Tax fraud to [HMRC](#);
- Any incident involving financial services, such as investments, insurance or pensions, to the [Financial Conduct Authority](#);
- Data breaches to the [Information Commissioner's Office \(ICO\)](#).

The Board of Trustees will also make sure that any serious incidents are reported to the [Charity Commission](#). For example, a significant or potential loss to u3a York's money or assets.

## 4. Operational risks

### 4a) Risks of fraud and cybercrime

Fraud poses a serious risk to u3a York's assets, including its data.

u3a York, like most charities, stores information online. This can include personal details of members, volunteers, and suppliers.

The loss of personal or financial data could expose u3a York and others to the risk of theft, fraud, and loss.

The Board of Trustees will make sure that the u3a York has suitable policies in place which cover:

- Access, use, storage, and processing of electronic data;
- The use of computers and data storage, such as cloud storage and memory cards;
- Handling of breach detection, investigation, and reporting procedures.

The Board of Trustees will make sure that it has suitable software to protect against viruses and hacking.

Members of the Board of Trustees will be expected to read [Protect your charity from fraud and cybercrime](#) for details on how u3a York can manage these risks.

### 4b) Risks of corruption and bribery

The Board of Trustees will make sure that it has transparent policies on bribery and corruption.

The Board of Trustees will make sure that it complies with the UK General Data Protection Regulations' and procedures to protect against bribery and corruption. These will include:

- Maintaining a register of interests for Trustees and senior management volunteers to identify any [conflict of interest](#);
- Having a policy on accepting hospitality;
- Keeping a record of when hospitality is accepted.

## 5. Internal financial controls for banking

### 5a) Bank and building society accounts

The Board of Trustees will ensure that it has a bank or building society account. This helps u3a York protect the charities money and enables u3a York to operate in a secure way. The Board of Trustees will make sure that all its accounts are in the name of u3a York and that the Treasurer has access to all the Accounts. This will match the name of u3a York as written on our governing document.

The Board of Trustees will make sure that the opening or closing of accounts is authorised by the Board of Trustees.

The Board of Trustees will make sure that:

- A list of u3a York's accounts is kept;
- Accounts no longer in use are closed;
- The costs and benefits of u3a York's accounts are optimal, checking that any charges and interest rates are competitive;
- u3a York's bank or building society is regulated by the Prudential Regulation Authority. This will be checked using the [Financial Services Register](#) on the Financial Conduct Authority's website;
- Duties are split to prevent any single person from being able to control u3a York funds exclusively;
- There is proper approval for bank transfers and payments;
- Accounting records and bank statements are compared each month to make sure they reconcile;
- A second person reviews reconciliations to identify any discrepancies;
- u3a York bank accounts are not used for any individuals', or third parties', private use.

A bank mandate will set out who at u3a York is authorised to manage u3a York's bank accounts. The Board of Trustees will make sure that:

- A clear record of who is named on u3a York's bank mandates is kept;
- The bank mandates are reviewed, at least annually.
- The bank/ building society is told of changes to Trustees.
- Dual authorisation is required to set up or change any bank mandate.
- The bank or building society must get authorisation from named people at u3a York for any request to change u3a York's account details.

- Where it is unavoidable that the named people are involved in reconciling bank statements or collecting income, additional controls will be introduced to minimise the risk of misappropriation and to detect errors.
- The Board of Trustees will use guidance from the Charity Commission [Charities: holding, moving and receiving funds safely](#) for more detail on managing money.

## 5b) Online banking

The Board of Trustees will make sure that u3a York will use a dual-authorisation system for bank or building society accounts.

Users will not be permitted to share their security details with one another. There are additional protections that can reduce the risk. For example, only allowing payments into previously authorised accounts.

The members of the Board of Trustees will make sure that the u3a York:

- Keeps details of all online banking transactions;
- Keeps statements as part of the accounting records;
- Checks that all recipients are known and trustworthy, as far as practicable;
- Keeps all devices with access to online banking facilities secure;
- Keeps all devices up to date with anti-virus, spyware, and security system software;
- Keeps all passwords and PINs secure;
- Changes passwords periodically and following changes in authorised staff and Trustees;
- Provides training in online security to all people who use its computer systems.

The members of the Board of Trustees will make sure that they will take appropriate care, such as not responding to emails or telephone calls asking for personal security details. u3a York will keep up to date with advice from u3a York's bank or building society about using online banking safely.

The Board of Trustees will use guidance from the [National Cyber Security Centre](#) for advice on keeping u3a York protected online. u3a York will also follow guidance of [UK Finance](#) regarding online payments.

## 5c) Cash held in u3a York's bank or building society

Money held in u3a York's bank or building society accounts is sometimes called cash 'held on deposit'.

The Board of Trustees will make sure that:

- Monthly reconciliations for all accounts are prepared;
- A second person at u3a York reviews these reconciliations to identify any discrepancies;
- Direct Debits, standing orders and other transfers are correct;
- Any requirements from the bank or building society are followed;
- No account holds over £120,000.

u3a York accounts with banks and building societies are authorised by the Prudential Regulation Authority and will be protected by the [Financial Services Compensation Scheme](#) up to £120,000.

#### 5d) Banking cash and cheques

The Board of Trustees will make sure that, as far as practicable, that volunteers, Group Leaders and Treasurers:

- Records and banks cash and cheques promptly;
- Stores cash and cheques that have not yet been banked in a safe or a locked cash box;
- Banks funds 'gross' (this means without deduction for costs or expenses);
- Periodically consider insurance cover for cash that u3a York holds.

## 6. Internal financial controls for income

### 6a) Income from donations

The Board of Trustees will have a policy on donations which includes:

- When and how donor checks are carried out;
- How the u3a York keeps records of donations;
- How to report and handle any suspicions about donations;
- Whether u3a York accepts donations of crypto assets and how these are handled;
- Checks for any potential money laundering.

The Board of Trustees will use the guidance [Acceptance, refusal and return: A practical guide to dealing with donations](#) by the Institute of Fundraising for more information on donations.

The members of the Board of Trustees will use the guidance [Due diligence, monitoring and verifying the end use of charitable funds](#) for more information.

### 6b) Donations from public collections and fundraising events

u3a York does not currently receive donations from public collections or fundraising events.

### 6c) Income and donations received by post.

The Board of Trustees will make sure that income received in the post will be:

- Held securely;
- Opened promptly;
- Accurately recorded.

If u3a York intends to, or expects to, receive donations through the post, whenever possible the Board of Trustees will make sure that:

- Post is opened in the presence of a second person;
- Post-opening responsibilities are rotated between volunteers.

If only one individual can open the post, then the u3a will use other controls. For example, compare the levels of donations u3a York received from similar appeals or time periods.

#### 6d) Claiming Gift Aid on donations.

u3a York can claim Gift Aid on many donations from individuals.

The Board of Trustees will make sure that the [HMRC's guidance](#) on how to claim is followed.

The Board of Trustees will make sure that the u3a York receives the due gift aid payments.

#### 6e) Donations of cryptoassets.

u3a York does not accept Cryptoassets because of the many risks associated with them.

## 7. Income from trading

u3a York does not currently do any trading.

## 8. Income from legacies

There can be a long delay between being told of a legacy and receiving it.

The Board of Trustees will make sure that u3a York:

- Keeps a record of all expected legacies;
- Keeps a record of all related correspondence;
- Regularly review progress on collecting outstanding legacies;
- Make sure that any items or property left to u3a York are held securely, valued and, if appropriate, sold so that u3a York can use the income.

## 9. Internal financial controls for expenditure

### 9a) Expenditure on goods and services

The Board of Trustees will make sure that it has suitable controls to ensure that u3a York:

- Only buys things it needs and within budget;
- Only pays for goods or services it receives and at agreed prices;
- Gets value for money;
- Has clear, written authority limits for placing orders and approving payments;
- Only places orders within an agreed budget. Spending outside agreed budgets must be authorised by the Treasurer;

- Checks invoices against orders and the receipt of the goods or services ordered;
- Pay invoices on time and includes any relevant discounts;
- Make sure accounting records reconcile.

### 9b) By debit, credit, or charge cards

u3a York has the use of debit and credit cards and can, if required, introduce charge cards for expenditure.

The Board of Trustees will make sure that u3a York:

- Has a clear policy on who can be issued with a debit / credit card for a u3a York bank account and under what circumstances they can be used;
- Dual authorisation is required for all purchases or cash withdrawals;
- Authority limits are set in respect of debit / credit card payments.

The Board of Trustees will make sure that:

- Debit / credit cards are kept in a secure place;
- PIN numbers are secure;
- Authority limits are regularly reviewed;
- Payments are recorded in cash books, including the nature of the goods or services that have been received.
- Cardholders are issued with a copy of the card policy
- Monthly reconciliations are undertaken;
- Card statements are sent to a different person than the card holder;
- All receipts and invoices are matched with statements;
- Card use is regularly checked to make sure the charity's policies are followed:
- A second person at u3a York reviews these reconciliations to identify any discrepancies;
- Where the cardholder is no longer involved with the charity, all cards are returned to the u3a York Treasurer for destruction
- The card is cancelled or destroyed if the relevant payment card is:
  - Lost or stolen
  - The card holder is no longer involved with the charity
  - The authorisation of the card's use is withdrawn

### 9c) Mobile payment systems, such as Google Pay and Apple Pay

u3a York does not use Google Pay or Apple Pay.

### 9d) Payments by bank transfer, Bankers' Automated Clearing Services (BACS), Direct Debits and standing orders

Bank transfers and BACS payments are payments by electronic transfer directly into an account. But they are difficult to recall in the event of errors or fraud.

Most banks use Faster Payment System (FPS) for transfers between accounts in the UK. Each bank imposes its own limit on the maximum value of a transfer by FPS.

A Direct Debit is a regular payment set up by the organisation to which u3a York are paying. The organisation has the power to amend or cancel it.

A Standing Order is a regular payment which u3a York set up to pay other people or organisations, or to make transfers to u3a York's other bank accounts. u3a York can amend or cancel it when needed.

The Board of Trustees will ensure that:

- Only the Treasurer is empowered to set up these types of payments;
- dual authorisation to authorise BACS payment will be used
- documents are kept setting up payments as part of u3a York's accounting records;
- payments are monitored regularly;
- payments are cancelled when the u3a York stops using the goods or services.

u3a York does not currently make batch payments. These make multiple payments to different recipients at the same time using an accounts software package. Board of Trustees will make sure that if this changes, it will make sure that the payment files cannot be edited between being created and uploaded onto the online banking system.

#### 9e) Payments by cheque

The Board of Trustees will make sure that the u3a York:

- has a clear policy on who can sign cheques on behalf of u3a York;
- has two signatories on all cheques;
- Applies authority limits in respect of who can sign cheques

The Board of Trustees will make sure that:

- Cheque books are kept in a secure place;
- authority limits are regularly reviewed;
- The signing of blank cheques is prohibited;
- Payments are recorded in cash books, including the nature of the goods or services that have been received.

#### 9f) Payments in cash or by pre-loaded cash card

u3a York do not make payments by pre-loaded cash cards at the current time.

The Office and Groups may hold a petty cash float of up to £50 to cover incidental expenses supported by receipts.

Any cash held over £50 at any month end must be banked into the charity account.

The group leader / cashier should confirm the cash balance held at each month end together with an analysis of the cash spent in the month.

No cash payments over £50 can be made at any time without prior approval of a trustee.

## 9g) Paying wages and salaries

u3a York does not employ any staff.

## 9h) Payment or reimbursement of expenses

Expense payments are refunds of payments which a Trustee or volunteer has had to meet personally to carry out their duties for the u3a York.

u3a York has an Expenses Policy that sets out the rules of how it pays expenses. The policy includes how to make a claim and what evidence the claimant needs to submit.

The Board of Trustees will make sure that:

- All volunteers within u3a York know and understand the expenses policy;
- The expenses policy is included as part of any induction programme for new volunteers;
- Someone who is not the claimant authorises the payment and checks it for accuracy;
- Claims contain a self-declaration that the claim is accurate and incurred in connection with u3a York's business;
- Claims will be paid in a secure way, such as BACS transfer. For small amounts (less than £50) they may be made from Petty Cash;
- Any mileage rate for motor travel is within HMRC rates that do not result in a tax or national insurance liability for u3a York or the claimant.

The Board of Trustees will ensure that the [HMRC rules on Expenses and benefits for employers](#) are followed.

## 9i) Expenditure on grants

u3a York does not make grants.

## 9j) Internal financial controls for payments to related parties.

Related party transactions are defined in the [Statement of Recommended Practice \(SORP\)](#) and include payment to a Trustee or an organisation connected to a Trustee.

The Board of Trustees will make sure that where that person is a Trustee, or an organisation connected to a Trustee:

- It complies with any rules in u3a York's governing document about paying Trustees or paying people or organisations connected to Trustees;
- It is satisfied that it is in the charities best interests to make this type of payments. For example, u3a York will not use a company controlled by a Trustee to provide a service to u3a York simply because it is the easiest option;
- It will follow the Charity Commission's guidance on '[trustee expenses and payments](#)' and [managing conflicts of interest in a charity](#) before making such a payment.

## 10. Internal financial controls for assets and investments

### 10a) Tangible fixed assets

These include the following which are used during u3a York's activities:

- Fixtures and fittings;
- Equipment,

The Board of Trustees has a duty to make sure that u3a York's assets are safeguarded and that they are being used properly. The Board of Trustees will make sure that the assets are:

- Identified;
- Recorded in accounting records;
- Used for u3a York's purposes.

The Board of Trustees will make sure that the u3a York:

- Sets an amount at which small capital items should be included in the accounts as fixed assets;
- Has a register of all fixed assets that u3a York uses, including the cost, or value, of each asset, and has enough detail to enable each asset to be identified;
- Regularly inspect fixed assets to make sure that they still exist, are in good repair and are being used appropriately;
- Authorises the disposal or scrapping of fixed assets appropriately and records this in accounting records and in u3a York's fixed asset register;
- Regularly reviews u3a York's insurance cover to make sure it is adequate.

### 10b) Intangible fixed assets, such as intellectual property rights

u3a York may have assets which are not physical. These can include:

- Electronic data;
- Trademarks or logos;
- Software u3a York has developed.

For electronic data the Board of Trustees will:

- Maintain a record of all electronic databases, including personal data, which u3a York holds;
- Understand who can access it and how they do so;
- As far as practicable will make sure it is accurate;
- Keep it secure;
- Make sure that any personal data is held in compliance with GDPR requirements and other relevant legislation.

u3a York currently does not hold any intangible assets, if this changes the Board of Trustees will make sure that a record of all assets is maintained which includes:

- What form they take.
- Who exercises oversight.
- Arrangements for custody or protection.
- Any licensing or agreements for third parties to use them.

The Board of Trustees will also make sure that any decisions on the exploitation, creation, or disposal of intellectual property are authorised by the Board of Trustees.

## 11. Restricted funds and endowment funds

u3a York does not hold any restricted or endowment funds.

## 12. Investments

u3a York investments are currently limited to a high interest saving account.

The Board of Trustees will follow the Charity Commission guidance [Charities and investment matters: a guide for trustees \(CC14\)](#) to understand the legal duties that apply when making investments.

## 13. Internal financial controls for loans

### 13a) Making loans

u3a York does not make loans.

### 13b) Taking out loans, including loans from Trustees

u3a York currently does not have any loans, but before taking out a loan the Board of Trustees will make sure that:

- A formal recorded decision is taken to approve u3a York taking out the loan and the loan agreement.
- It is aware of its terms.
- u3a York can repay the loan according to the loan agreement and a plan is in place to do so.
- It has been considered that taking out the loan and the loan terms are in u3a York's best interests.

The Board of Trustees will make sure that the u3a York will keep clear records of:

- The amount borrowed.
- The terms of the loan and all relevant documentation.
- All repayments of interest and principal.
- Any charges and any missed repayments.
- All outstanding loans and the outstanding balance.

- Any loans secured or subject to bank covenants in u3a York's register of assets.

If a related party, such as a trustee, loans u3a York money the Board of Trustees will make sure that:

- the [conflict of interest](#) is properly managed.
- If an interest rate or other fee is charged, that rate is justifiable and follows any requirements in u3a York's governing document.
- u3a York's governing document includes rules about accepting an interest-bearing loan from a trustee.

## 14. Internal financial controls for hospitality, including gifts.

u3a York must be able to demonstrate that any hospitality given or received is justified and is not detrimental to either u3a York's beneficiaries or its reputation.

The Board of Trustees will consider:

- How it helps deliver u3a York's objectives
- Whether it is reasonable;
- Whether it gives rise to more than incidental personal benefit;
- Whether it poses any risks to u3a York's reputation, including whether it could be viewed by others as excessive or unnecessary.

u3a York will have a policy which:

- Sets out acceptable limits on hospitality;
- Prohibits accepting hospitality, which either is, or could be seen to be, a bribe, a corrupt payment or to secure preferential treatment;
- Requires records to be kept of hospitality given, accepted, or refused. This should also be noted on u3a York's Register of Interests if it relates to Trustees;
- Applies to all members;
- Is communicated and understood as far as practicable by members.

## 15. Internal audit functions and audit committees

u3a York does not have an internal audit function due to its small size and lack of complexity.

## 16. External audits

The law states which charities must have an external audit. This is a statutory audit completed by a statutory auditor.

u3a York does not require a statutory audit, however it is required to have its accounts signed by an independent examiner.

## 17. Internal financial controls checklist

The Board of Trustees will complete the Charity Commission's [internal controls checklist](#) once a year. This checklist provides a useful summary of what controls may be needed when reviewing u3a York's internal financial controls.

## 18 Roles and Responsibilities

The Board of Trustees and Volunteers are required to:

- Read, understand, and comply with this Internal Financial Control Policy;
- Avoid any activity that might lead to, or suggest, a breach of this policy;
- Immediately report any concerns to the Treasurer or Chair of the Board of Trustees.

## 19. Breach of the Policy

- Any breaches of this policy must be reported to the Treasurer or the Chair of the Board of Trustees;
- Any oversights will be dealt with on a case-by-case basis by the Treasurer;
- Consistent breaches of the policy by u3a York volunteers may be managed with recourse to u3a York's Disciplinary Procedures.

## 20. Training and Infrastructure

The Treasurer is responsible for any training required for the understanding and implementation of this policy.

## 21. Governance

The Treasurer is responsible for ensuring all volunteers are appropriately aware of this policy.

## 22. Policy Review

The Board of Trustees will review this policy, at least every three years, and/or when there is a change in UK law and/or best practice, or when an incident occurs that highlights a need for change – whichever occurs first.

## 23. Other Relevant Policies

- a. u3a York's Disciplinary Procedure
- b. u3a York's Expenses Policy & Procedure
- c. u3a York's Hospitality Policy & Procedure
- d. u3a York's Donations Policy & Procedure