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Financial Management Policy for Staff and Volunteers

NAME AND ADDRESS OF THE GURDWARA

Registered Charity Number XXXXX

The aim of this policy is to communicate the commitment of the trustees to the promotion of the Financial Management policy at NAME OF THE GURDWARA and the hereinafter referred to as the XXXX.

XXXX align their principles and code of conduct on religious matters in line with Rehat Maryada.

**1. Introduction**

1. Financial records will be kept so that XXXX can:

* Meet its legal and other obligations, e.g., Charities Acts, HMRC, Customs & Excise, Companies Act, and Common Law
* Enable the Executive Committee to have control of the XXXX’s finances
* Enable the XXXX to meet contractual obligations and the requirements of funding bodies

1. The XXXX will keep proper books of account, which will include:

* A spreadsheet analysing all the transactions in the XXXX 's bank account(s)
* A petty cash book if cash purchases are being made
* HMRC deduction spreadsheet will be undertaken by XXXX to reclaim Gift Aid

1. The financial year for XXXX will end on 31 March
2. Accounts will be drawn up after each financial year within six months of the end of the year and presented to the next annual general meeting (AGM).
3. A paper comparing actual income, and expenditure with bank statement should be presented to the executive committee every three months, and on their approval displayed on the notice board.
4. The executive committee will appoint an appropriately qualified auditor to audit the accounts for presentation to the next AGM.

**2. Bank**

2.1 XXXX will bank with XXXX bank at its XXXX branch, where the accounts will be held in the name of NAME OF THE GURDWARA. The following accounts will be maintained: current and any other accounts as agreed and approved by the XXXX executive committee.

2.2 The bank mandate will be the treasurer and other committee members or trustees who will always be approved and minuted by the executive committee, as will all changes to it.

2.3 XXXX will require the bank to provide statements every month and these will be reconciled with the XXXX accounts spreadsheet every month and the Treasurer will spot any errors. The main reconciliation should be done at least every quarter and a nominated executive member should sign the reconciled records.

2.4 XXXX will not use any other bank or financial institution or use overdraft facilities or invest speculatively unless authorised, approved and minuted by the executive committee.

2.5 If there is more than one account, each bank account held should have its income and expenditure recorded in accounting records and should be reconciled to the bank statements at least once a quarter.

2.6 Bank/Building society accounts should always be in the name of the XXXX and not in the name of one of the trustees, staff or volunteers.

2.6 Financial protection for deposits. The Financial Services Compensation Scheme (FSCS) is the compensation fund of last resort for customers of authorised financial services firms. If a bank becomes insolvent or ceases trading the FSCS is able to pay compensation to its customers. For the latest information see <http://www.fscs.org.uk/what-we-cover/eligibility-rules/compensation-limits/>. Keeping this information in mind XXXX will use another Bank or Building Society to protect its funds in the unlikely event of a Bank failing.

**3. Receipts (income)**

3.1Many of the receipts are in cash and need to be reconciled weekly and including with the receipts issued to the Sangat and income received for special events and functions. Where income is cash based this reconciliation can be difficult but this needs to be done on a regular basis. Income is probably the most sensitive area because so much is in cash.

3.2 The aim is to demonstrate that XXXX has received all the income to which it is entitled and that it is all reasonably evidenced and if required a forensic audit can be done at any time.

3.3 All monies received will be recorded promptly in the receipt book and banked without delay. The XXXX will maintain files of documentation i.e. letters from funding bodies to back this up. Cash received should be kept in a safe and the key held by Treasurer and nominated person. In order to move away from cash and cheque receipts SGSSC should consider payments online which are reconciled to the receipts issued for functions/donations etc. Again this will need to be done keeping in view the audit requirements.

3.4 All monies collected should be banked in their entirety (and not used in part to pay expenses). The banking should be done promptly.

3.5 Membership records and payments received should be retained in a separate receipt book and reconciled to receipts.

**4. Payments (expenditure)**

The overall aim is that expenditure by the XXXX is valid, accurately recorded, spent only for purposes within the charity’s objects (i.e. charitable purposes) and only spent on the purpose for which it was given.

4.1 The treasurer will be responsible for holding the cheque book (unused and partly used cheque books), which should be kept under lock and key.

4.2 Blank cheques will **never** be signed.

4.3 Whenever possible, the same person should not be responsible for ordering, processing and checking invoices as well as raising cheque requisitions, signing cheques and payments. If this happens at all then another committee members should be requested to countersign the receipt books.

4.4 Cheques greater than the value of £3000.00 will require the approval of the management committee. Signatories to cheques, which are greater than £3000.00, must be different to those requesting purchase of items unless this has been agreed by the managing committee.

4.5 The relevant payee's name will always be inscribed on the cheque before signature, the cheque stub win always be filled in.

4.6 No cheques will be signed without original documentation. Large cash payments should be avoided.

4.7 Money will only be spent to meet conditions and requirements of the funding bodies and in pursuance of the objectives of the constitution.

* 1. The Treasurer or the nominated committee member with (in either case) or any other committee member shall not approve expenditure of more than £1000.00 nor an overspend, this should only be done after management committee approval
  2. The treasurer can set up a direct debit especially for utility companies. The bills coming from the utility companies will be cross checked for accuracy.
  3. Where third party documentation is not available (such as ‘gift’ payments) an internal cash receipt book should normally be used detailing the reason for the payment. This should then be ‘receipted’ by the individual receiving the funds signing the form to confirm their receipt of the monies. The cash receipt should be counter signed by another management committee member.

1. **Payment documentation**
   1. Every payment out of the XXXX bank amounts will be supported by an original invoice. That original will be filed and kept under lock. The person who signs the cheque should ensure that the XXXX cheque requisition slip is fully completed. This includes the following:

* Cheque number
* Date cheque drawn
* Amount of cheque

5.2 The only exceptions to cheques not being supported by an original invoice would be for such items as advanced booking fees for a future course, VAT, etc. Here a cheque requisition form will be used and a photocopy of the cheque kept.

* 1. Wages and salaries: There will be a clear trail to show the authority and reason for payment. Every payment will have a cheque requisition slip showing who has authorised the payment and what it was for i.e. salary, temporary work, HMRC, etc. All employees will be paid within the PAYE, National Insurance rules. The treasurer will process XXXX salaries or accountants appointed by them.

5.4 All staff appointments will be authorised by the management committee, minuting the dates and salary level. Similarly, all changes in hours and other payments such as overtime. etc., will be, authorised by the management committee or nominated person.

5.5 Petty cash will always be maintained on the system where by the treasurer or a nominated person is trusted with a float as agreed by the management committee. When that is more or less expended, a cheque will be drawn for sufficient bringing up the float to the agreed sum currently agreed to £1000.00. The cash expenditure being supported by signed receipts i.e. a complete set of expenditure vouchers and when possible receipts, totalling the amount spent. The expenditure will be analysed in the petty cash book. This will be regularly signed by a committee member.

5.6. Expenses/Allowances: XXXX will, if asked, reimburse expenditure paid for personally by staff, volunteers providing:

* Fares are evidenced by tickets (where possible)
* Original receipts evidence other expenditure
* Car mileage is based on local authority scales

**6. Cheque signatures and cash cards**

6.1 Each cheque will be signed by at least two people.

6.2 Hole in the wall type cash debit cards will be used to do normal day to day business but the purchase receipts or any transactions will be signed by another committee member.

6.3 Cheques are used less frequently now, as most of the retailers on line ones and at shops accept card payment as opposed to cheque payment. In this case the controls need to be enforced to ensure no collusion and there are strictly 2 authorisers i.e. the receipts are counter signed.

**7. Other undertakings**

7.1 XXXX **does not accept liability** for any financial commitment unless properly authorised. Any orders placed or undertakings given, the financial consequences of which are, *prima facie*, likely to exceed in total £3000.00 must be authorised and minutes taken by the management committee. (This covers such items as the new service contracts, office equipment purchase and hire)

7.2 **All fund raising** and grant applications undertaken on behalf of XXXX will be done in the name of the organisation with prior approval of the management committee or in urgent situations the approval of the Chairperson who will provide full details to the next management committee.

7.3 **Remuneration or benefits to Trustees**: Trustees should be aware that under UK charity law and principles, remuneration and benefits to Trustees are only permitted in very narrow circumstances. In most cases, specific legal authority is needed. “Benefit” includes any property, goods, or services which have a monetary value. This principle does not forbid the reimbursement of reasonable out of pocket expenses, nor expenses incurred as a necessary part of fulfilling the trustees functions in the charity. ‘Expenses’ does not include a payment to a person for their time in acting as a trustee. In this context the rules apply not only to the Trustees themselves but also their spouses, close relatives, business partners or sometimes others closely connected to them or their businesses.

7.4 **Gift Aid tax recoveries**: A major source of additional income for XXXX is the tax relief under the Gift Aid scheme. There is very useful and comprehensive guidance on how to use and run a Gift Aid scheme on the HM Revenue and Customs website (www.hmrc.gov.uk). Key aspects that need to be stressed are as follows

* time needs to be invested in explaining the scheme to members and visitors to XXXX premises.
* treasurers and nominated persons need to learn how to use the scheme properly and making claims correctly and on time.
* a lack of evidence supporting the claim. This happens when the gifts that are claimed as ‘Gift Aided’ cannot be traced back to the income of XXXX accounting records. This can occur when the ‘offering records’ do not have enough detail, or cannot be agreed to what is in the XXXX accounting records.
* gift Aid records and receipts need to be retained in good order so that the return to Inland Revenue can be completed accurately. These records need to be reconciled half yearly.
* It is important XXXX treasurer understands how the Gift Aid scheme operates and to use it properly. It is a very useful source of extra funds.
* If in doubt professional advice should be sought.

**8. Confidentiality**

8.1 The confidentiality of employees’ financial circumstances will be respected at all times.

8.2 Committee members, volunteers and employees will at all times act in the best interest of the XXXX and if they experience a conflict of interest they will not divulge sensitive information.

**9. Other rules**

9.1 The executive committee will consider the level of reserves that is prudent for the XXXX to have at its first meeting after the AGM. Consideration will be given to redundancy liabilities, lease agreements and any other significant factors that should be taken into account were the XXXX to close.

9.2. The XXXX will adhere to good practice in relation to its finances at all times, e.g. when relevant it will set up and maintain a fixed met register stating the date of purchase, cost, serial numbers and normal location of the asset(s). If it holds stocks of goods e.g. books etc., of significant value, it will maintain proper records.

9.3. These controls will be regularly reviewed at the management committee meetings. Other areas: Giving of Donations in money or in kind to other organisations should be authorised by the Executive Committee meeting.

9.4 Membership records and payments received should be retained in a separate book and reconciled to receipts. Cheques are used less frequently now – as most of the retailers on line ones and at shops accept card payment as opposed to cheque payment. In this case the controls need to be enforced to ensure no collusion and there are strictly 2 authorisers i.e. the receipts are counter signed. Gift Aid records and receipts need to be retained in good order so that the return to Inland Revenue can be completed. These records need to be reconciled half yearly.

9.5 Duties of charity trustees:Charity Commission guidance states that trustees’ obligations are to comply with any relevant legislation and to fulfil certain duties: For trustees of charities, the duty of prudence means that they must:

* Ensure that the charity is and will remain solvent;
* Use charitable funds and assets wisely, and only to further the purposes and interests of the charity;
* Avoid undertaking activities that might place the charity’s property, funds, assets or reputation at undue risk;
* Take special care when investing the funds of the charity or borrowing funds for the charity to use.

9.6 In addition, trustees have a common law duty of care which means that they must:

* Exercise reasonable care and skill as trustees, using personal knowledge and experience to ensure that the charity is well-run and efficient.
* Consider getting external advice on all matters where there may be a material risk to the charity, or where the trustees may be in breach of their duties.

9.7 Who can sue trustees? Like many organisations, foundations could be liable to legal action under contract law or employment law in relation to staff, as well as in relation to health and safety regulations and other statutory frameworks.

But in relation to their duties specifically as trustees, only the Attorney General or the Charity Commission may take action against board members for breach of trust. This would be a civil action where, for example, a trustee who gained unjustifiably from their position would have to repay to the charity any private profit they made.

9.8. These controls will be regularly reviewed at the management committee meetings. Other areas: Giving of Donations in money or in kind to other organisations should be authorised by the Executive Committee meeting.

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**CONTACT DETAILS**

Name of the Gurdwara / Organisation

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