

Cash Handling Procedures for Clubs

(Taken from an extract from Charity Commission guidance CC8)

Trustees' liabilities

14. No system of controls, however elaborate, can guarantee that a charity will be totally protected against abuse. Trustees often express concern about the extent of their personal liability in the event of any loss to the charity through misappropriation or misapplication of its funds. Having sufficiently rigorous controls provides not only protection for the charity property but also the best defence against a charge of failing to protect the charity's funds and thereby being in breach of trust. If funds are lost through trustees neglecting their duty of care they could be held personally liable to repay to the charity the funds lost. However, if reasonable controls are in place then trustees are unlikely to find themselves in the position of having to make good any such loss.

Delegation of financial duties to employees or other officers of the charity

15. Generally speaking, charity trustees have a duty to ensure that all property of the charity is brought under their joint control as soon as is reasonably practicable, and that it remains under their joint control, until it is applied for the purposes of the charity. This guidance is designed to explain how this duty might best be discharged in practice. But this does not mean that every single step has to be taken by the trustees themselves. Where a charity is of such a size that the trustees consider it impracticable for them to undertake personally some of the checks and controls mentioned in this guidance, they may consider the possibility of delegating certain of these tasks, say to specific key employees. Where the trustees make a conscious decision to delegate they are required to ensure that the delegation is authorised either by the charity's governing document, or by section 11 of the Trustee Act 2000.

16. The power of delegation on which trustees rely may impose conditions which need to be followed by the trustees when using the power, but, at the least, we would recommend that:

- the scope of the delegation is clearly laid down in writing and understood both by the trustees and by the delegate (it would be normal for delegated tasks and the limitations of delegated authority to be recorded in employees' job descriptions); and
- regular and effective reporting back of the use of delegated powers takes place.

17. Even where a control function has been properly delegated, trustees should ensure that systems and procedures are in place to enable them to check that the necessary controls are in force and functioning correctly. Trustees have a legal duty to exercise such care and skill as is reasonable in the circumstances when selecting a delegate, and when determining the terms on which the delegate is to act. They also:

- have a legal duty to review the arrangements under which the delegate acts, and how those arrangements are being put into effect; and
- must consider the need for:
 - giving the delegate directions as to the exercise of his or her functions;
 - revising the terms of the delegation; and
 - terminating the delegation.

18. Trustees have a duty to exercise such care and skill as is reasonable in the circumstances when discharging these review duties. If they fail to exercise reasonable care and skill when appointing delegates and reviewing their performance they may be personally liable for losses resulting to the charity from the acts of the delegate.

Postal receipts

27. It is important to take all possible action to bring all funds sent to the charity by post into its control as soon as possible. Circumstances will vary from one charity to another but the controls to be considered include the following:

- Incoming post being opened at the earliest opportunity and in the presence of two responsible people.
- All incoming cheques and cash need to be recorded immediately and entries verified by someone other than the person who has made the entry. (This is particularly important for cash.) It is appreciated that there may well be problems in this respect where charities have neither premises nor paid staff. In these circumstances, trustees ought to ensure that all donations are sent to a central point and that a book is kept to record receipt of all mail with money enclosed.
- Rotation of post-opening staff ought to be considered where practical.
- The security of unopened mail needs to be ensured.

Checks of income records

39. It is important that trustees make regular checks to ensure that records are being accurately maintained (so that money and other assets received can be traced through the accounting system), and that there are no discrepancies in the accounting records. This is an elementary control, which is often ignored. If performed regularly, it will serve as an early warning of anything going wrong. In larger charities some of these checks may be delegated to employees but the trustees still have the responsibilities referred to in [paragraphs 17 and 18](#). We recommend that frequent, random spot checks are made to ensure (as a minimum) that:

- records of cash and cheques received agree with bank paying-in slips;
- the paying-in slips equate with the bank statements, both in terms of amount banked and date of credit; and
- all transfers or other direct payments into the bank can be identified and verified against paperwork.

40. These checks should be made by someone other than the person concerned with the original recording of the transactions.

41. Care needs also to be taken to identify and administer separately any funds received where the donor has placed restrictions upon their use, and to ensure that they are only used in accordance with these restrictions.

42. Records need also to be checked to ensure that there has been no unauthorised credit extended (eg through an overdraft facility) and that the finances of the charity are not placed under any strain by credit which has been approved.

Controls over expenditure

43. It is important for trustees to bear in mind that they are responsible for all expenditure of charitable funds and have to account for how the charity's funds have been applied. The basic rules of proper record-keeping, segregation of duties, and safekeeping of valuables are all vital. In larger charities, some of the duties may be delegated to employees, but the trustees still have the responsibilities referred to in [paragraphs 17 and 18](#).

44. When making payments, we recommend that the following rules are followed.

- All expenditure and investment of charitable funds be properly authorised and it is essential that there is supporting documentation (eg itemised receipt, share certificate or invoice) for all items of expenditure.
- Instruments of payment (such as cheque book, building society passbook and bank mandate forms) need to be kept in safe custody, with access limited to nominated persons.
- The preparation of documentation for authorisation be undertaken by someone other than the persons authorising the payment.
- Charities have a written statement of policy and practice covering payment procedures, which is available to all trustees and staff. This would include instructions on who is authorised (and in what circumstances and up to what limit) to place orders or contracts, or to incur any liability on behalf of the charity.

Controls over purchases

45. Trustees have a responsibility to ensure that adequate checks are made to both confirm that purchases have been properly authorised, and that goods or services ordered have actually been received. We recommend that the following controls are in place (and are operated).

- Invoices received need to be checked against orders made.
- Records kept of orders placed but not yet carried out.
- The quality and quantity of goods supplied ought to be inspected in order to ensure they correspond with orders placed and those invoiced for. Services supplied need to be similarly checked.
- Regular stock taking be undertaken.
- Authorisation levels for the placing of orders to be documented.
- Payments only be made against original invoices.

Payment by cheque

46. Although payment by cheque is generally considered a safe method of payment, there are still basic controls which we recommend are exercised in order to prevent any misuse of charity funds (these are set out below). If any particular control is delegated to employees the trustees still have the responsibilities referred to in [paragraphs 17 and 18](#).

- Trustees must abide by any relevant clause in their governing document which specifies who are the people authorised to sign cheques. Employees cannot be allowed to sign cheques if the governing document only permits trustees' signatures.
- If there is no provision in the governing document which relates to the operation of bank accounts, the bank mandate must specify at least two trustees as signatories, unless the charity trustees can reasonably claim that some other regime must be followed as a matter of operational necessity. In the governing documents of larger charities there will often be explicit provision regarding the operation of banking accounts, but, if not, it may be reasonable for trustees to claim that it is operationally necessary for employees to be able to sign cheques, perhaps up to an agreed limit. One form of reporting back on the use of this delegated powers is for all payments made under delegated authority to be summarised regularly for inspection by the trustees.
- It is always advisable to have a 'pool' of people authorised to sign cheques which is greater in number than the minimum number of signatures required on the mandate. This can prevent a situation arising where insufficient signatories are available, eg during popular holiday periods. All people in the 'pool' must, of course, either be trustees or be otherwise qualified to sign cheques.
- Cheques made payable to a nominated signatory should not be signed by that person. This is another reason why it is important to have a 'pool' of mandated signatories.

- Close control should be exercised over access to the cheque books.
- It is preferable to avoid a situation where related trustees are able to sign cheques together.
- It is a dangerous breach of financial control over expenditure from charity funds if blank cheques are signed in advance. The practice of signing blank cheques would be regarded as neglecting the duty of care owed by trustees.
- The agreed limits (if any) for individual signatories be recorded in the bank mandate and circulated amongst the trustees.
- All cheque expenditures be recorded in the cash book and cross referenced to the cheque number, with the nature of the payment and the payee clearly identified.
- All cheque book stubs (or equivalent) be completed at the time of payment, and retained (they form part of the charity's accounting records).
- Regular spot checks be made of the expenditure records against primary documents such as invoices. No cheques be signed without a corresponding invoice, or other documentary evidence as to the nature of the payment. Expenditure be regularly summarised for inspection by the trustees with exceptionally large items highlighted.

Payment by cash

47. Dealing in cash represents an extra degree of risk, so a greater degree of care needs to be exercised. We recommend that:

- Every effort be made to reduce the need for cash payments to an absolute minimum.
- All cash payments be made from a cash float of a fixed amount which is regularly replenished from the bank or building society account and not by the retention of incoming money).
- All claims for replenishment of the cash float should be backed up by supporting documentation and signed by the cashier.
- The supporting documentation be authorised by someone other than the cashier or claimant.
- Regular spot checks of the petty cash float be made by an authorised person independent of the cashier. This involves counting the balance of cash in hand and reconciling the float by totalling the vouchers for amounts paid out and not yet reclaimed by the cashier.