

# Internal Financial Controls Policy and Procedures

**Policy Approved By:** Board of Trustees

**Date Approved:** Jan 2026

**Next Review Date:** Jan 2027

**Responsible Officer:** Treasurer

## 1. Introduction

UMCUK is a registered Charitable Incorporated Organisation (CIO) (Charity Number: 1115442) that relies on donations, fundraising, and volunteers to advance its charitable purposes, including community welfare, education, and health initiatives. Effective financial controls are essential to safeguard assets, ensure accurate accounting, and maintain donor trust.

This policy establishes robust controls, including consolidation of funds, dual signatories, and audits. It complies with Charity Commission guidance (CC8: Internal Financial Controls for Charities), which requires charities to implement proportionate controls to prevent fraud and errors, and our Constitution (Articles 4.2(h) on bank accounts/investments, 15 on accounting, and 21 on fundraising oversight). The elected Treasurer must be a signatory on all charity-related accounts with full oversight, as resolved by the Executive.

## 2. Purpose

The purpose of this policy is to:

- Provide a framework for managing financial transactions, records, and assets to prevent irregularities and ensure compliance with Charities Act 2011.
- Implement controls like dual authorizations and reconciliations to address report findings on weak oversight and parallel structures.
- Promote transparency, accountability, and value for money in all financial activities, protecting charitable funds for beneficiaries.
- Mitigate risks such as fraud, errors, or unauthorized access, enabling timely detection and reporting of serious incidents.
- Support the report's call for "strong management of assets and resources" (Section VIII.2.2) through clear procedures and oversight.

## 3. Scope and Definitions

This policy applies to all UMCUK trustees, volunteers, staff, sub-committees (e.g., Finance Sub-Committee per Article 10(2)), and divisional activities involving finances. It covers bank accounts, payments, receipts, budgeting, and reporting.

- **Financial Controls:** Procedures to ensure accuracy, authorization, and security of financial activities.
- **Dual Signatories:** Requirement for two authorized individuals (including the Treasurer) to approve transactions.
- **Reconciliation:** Regular matching of records (e.g., bank statements to ledgers).
- **Parallel Accounts:** Unauthorized separate accounts, prohibited to prevent fragmentation (as in report).
- **Serious Incident:** Financial issues like fraud or significant loss, reportable to the Charity Commission.

Exclusions: Minor expenses under £20 (handled via Expenses Policy cash reimbursements).

## 4. Procedures

### Bank Accounts and Signatories

- All accounts must be in UMCUK's name, with the Treasurer as a mandatory signatory for oversight and accounting (per Executive resolution).
- Dual signatories required for all transactions over £500; no single-person approvals.
- Prohibit parallel or unauthorized accounts; all funds consolidated under Treasurer/EC oversight.
- Review signatories annually or upon role changes; notify bank immediately.

### Receipts and Income Management

- All income (e.g., donations, fundraising) recorded promptly in ledgers; banked within 7 days.
- Issue receipts for donations over £50; use secure methods (e.g., bank transfers) for large sums.
- Reconcile income monthly against records; investigate discrepancies.

### Payments and Expenditures

- All payments and financial commitments must be properly authorised to ensure transparency, prevent unauthorised spending, and comply with Charity Commission guidance on internal financial controls (CC8).
- **Threshold and Approval Levels** (applied per single transaction or commitment):
  - Under £500: Approved by the Treasurer or pre-agreed mandate / terms.
  - £500 and above: Require a minuted Executive Committee resolution prior to commitment or payment.
- **Recurring or Split Payments:**
  - Any attempt to split a payment, create multiple smaller transactions, or set up recurring commitments with the intention of avoiding the £500 threshold will be treated as one single commitment. Such cases require Executive Committee approval.
- The Treasurer will review all expenditures monthly to identify any patterns that may indicate circumvention of the policy and report findings to the Executive Committee.
- All payments must be made by bank transfer or cheque (with dual authorisation where required). Cash payments are limited to £100 maximum.
- Invoices must be verified against goods/services received before payment.
- Payments to trustees or volunteers are only permitted as reimbursements under the Expenses Policy.

## Budgeting and Financial Planning

- Annual budget prepared by Treasurer, approved by Board; monitor variances quarterly.
- Link to Reserves Policy for contingency planning.

## Record-Keeping and Reconciliation

- Maintain accurate, up-to-date records per SORP (Statement of Recommended Practice) and Article 15.
- Monthly bank reconciliations by Treasurer, reviewed by another trustee.
- Half-Yearly Reporting: All accounting officers (e.g., divisional Treasurers per Article 12) must submit detailed financial reports (including income, expenditure, and balances) to the central Treasurer (Exec) every 6 months (e.g., by June 30 and December 31). Reports will be reviewed for consolidation and discrepancies escalated to the Board. This ensures ongoing oversight and alignment with annual accounts (Article 15).

## Fraud Prevention and Detection

- Segregate duties (e.g., no single person handles receipts and payments).
- Regular spot-checks on transactions; report suspicions as serious incidents.

## Friday Mosque Collections

- All collections must be counted immediately after the event by at least two independent individuals (e.g., a trustee/volunteer and a sub-committee member), with amounts recorded and signed by both on a standard form.
- Funds must be securely stored and banked into the UMCUK account within 5 working days. Reconcile against attendance estimates or prior collections; discrepancies must be reported to the Treasurer immediately.

## 5. Responsibilities

- **All Involved:** Report concerns; adhere to controls; declare conflicts (Article 5.5).
- **Treasurer:** Oversee all accounts as signatory; perform reconciliations; prepare reports.
- **Finance Sub-Committee:** Assist in monitoring; ensure no parallel operations.
- **General Secretary:** Maintain records; coordinate approvals.
- **Trustees/Board:** Approve budgets/payments; review reports; monitor implementation and ensure compliance.

## 6. Monitoring and Review

- **Logging:** Maintain a financial transactions log; flag anomalies.
- **Quarterly Review:** Board assesses controls, variances, and risks.
- **Annual Review:** Update policy based on audits/report lessons; include in Annual Report.
- **Training:** Induction on controls for all handling finances.
- **Annual Internal Audits:** Coordinated by the Finance Sub-Committee/s (Article 10(2)), all UMCUK-related accounts (including divisional/Twale) must undergo an internal audit annually, reviewing transactions, reconciliations, and compliance. The audit report will be presented to the Board and included in the Annual Report for submission by October. External independent examination will be sought if income exceeds Commission thresholds or as needed for high-risk areas.

## 7. Related Policies

- This policy links to: Financial Reserves (planning), Procurement (purchases), Expenses (reimbursements), Risk Management (financial risks), Complaints (escalations), and Constitution (Articles 4.2(h), 15). Breaches may invoke disciplinary actions (Article 10(1)).

This policy will be reviewed annually or sooner if needed. Amendments require Board approval and Charity Commission notification if material (Article 13). It is available on the UMCUK website and upon request. For questions, contact the Treasurer.