

An Rialálaí
Carthanas

Charities
Regulator

Internal Financial Controls Guidelines for Charities

Last updated 14 June, 2017



Last updated 14 June, 2017

This guidance document is subject to periodic review and updating. Please refer to the Charities Regulator's website www.charitiesregulator.ie for the most up-to-date version of this document.

Contents

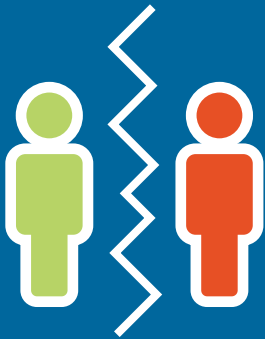
About the Charities Regulator	5
Introduction	6
1. Income	
1.1.1 Income (including cash & cheques) received by post or other means of delivery	8
1.1.2 Income from public collections	10
1.1.3 Income from events	11
1.1.4 Trading based income	12
1.1.5 Grant income	13
1.1.6 Gifts and donations	14
1.1.7 Other income	14
1.1.8 Income recognition and reporting	15
2. Expenditure	
2.1.1 Expenditure (purchase and payments)	17
2.1.2 Wages and salaries	18
2.1.3 Travel and subsistence expenses	20
2.1.4 Debit card/credit card payments	22
3. Banking (including payments and loans)	
3.1.1 Banking and cash	23
3.1.2 Cheque payments	25
3.1.3 Direct debits, standing orders and automated payments	26
3.1.4 Cash payments	27
3.1.5 Banking and payment procedures: restricted or endowment funds	28
3.1.6 Loans	29
4. Assets and Investments	
4.1.1 Fixed assets	30
4.1.2 Stock	32
4.1.3 Investments	32
5. Monitoring Arrangements	
5.1.1 Monitoring arrangements	33
6. Additional References	35



SYSTEM OF
**CONTROL/
MONITORING**



KEEPING
MAINTAINING
RECORDS



SEGREGATION
OF **DUTIES**



PREVENT AND
DETECT **FRAUD**



SAFEGUARDING
ASSETS



DEFINE ROLE/
DOCUMENT
POLICIES

About the Charities Regulator

The Charities Regulatory Authority ('Charities Regulator') was established in October 2014, as Ireland's statutory independent authority for the regulation and protection of charitable organisations. Its general functions under the Charities Act 2009 ('Act') are to:

- ▶ increase public **trust and confidence** in the management and administration of charitable trusts and charitable organisations;
- ▶ promote **compliance** by charity trustees with their duties in the control and management of charitable trusts and charitable organisations;
- ▶ promote the **effective use of the property** of charitable trusts or charitable organisations;
- ▶ ensure the **accountability** of charitable organisations to donors and beneficiaries of charitable gifts, and the public;
- ▶ promote understanding of the requirement that charitable purposes confer a **public benefit**;
- ▶ establish and maintain a **register of charitable organisations**;
- ▶ ensure and monitor **compliance** by charitable organisations with the Act;
- ▶ carry out **investigations** in accordance with the Act;
- ▶ encourage and facilitate the **better administration and management** of charitable organisations by the provision of information or advice, including in particular by way of issuing (or, as it considers appropriate, approving) guidelines, codes of conduct, and model constitutional documents;
- ▶ carry on such activities or **publish** such **information** (including statistical information) concerning charitable organisations and charitable trusts as it considers appropriate, **provide information** (including statistical information) or **advice**, or make proposals, to the Minister on matters relating to the functions of the Regulator.

Introduction

These Guidelines are issued by the Charities Regulator under section 14 (1) (i) of the Charities Act 2009, to encourage and facilitate the better administration and management of charitable organisations. The Charities Regulator expects charity trustees to have appropriate internal financial controls in place which protect their charity's reputation and encourages public trust and confidence in their charity.

This document is intended to provide support for trustees of small to medium sized charities on developing and implementing internal financial controls within their charity. While the guidelines may also be applicable to larger charities, trustees may need to seek professional advice on appropriate controls in more complex areas. For example, the guidance is not intended to specifically address charities working internationally, overseas aid activities or branches, sustainability objectives (including reserves management), financial abuse (including money laundering risks) or the applicable legal and other requirements relating to charity reporting and accounting.

As trustees are responsible for the overall system of internal control, the onus is on trustees to decide which controls are appropriate to the size, scale and complexity of their charity. Trustees may decide to delegate these tasks to specific trustees (acting on their behalf) or members of staff. Whatever approach is taken, ultimately, trustees are collectively responsible and trustees should design and implement financial controls so that they are proportionate to the charity's activities. This includes due consideration of any conditions or requirements detailed within specific grant funding agreements.

The Charities Regulator expects charity trustees to be able to explain and justify their approach to internal financial controls where there is any departure from the good practice set out in these guidelines.

Internal financial control activities assist charity trustees to:

- ▶ safeguard the charity's assets;
- ▶ administer the charity's financial affairs in a way that proactively identifies and manages risk;
- ▶ help prevent and detect potential fraudulent activity; and
- ▶ monitor and act upon financial reporting, by ensuring that proper books of account are maintained so that timely and relevant financial information can be obtained.

By their nature, internal financial controls reduce, but do not eliminate, the risk of loss. Examples of loss may occur due to human or system error, breach or override of controls, theft and fraud or other events. However, internal controls help trustees prevent and/or detect the risk of any such loss events in a more timely manner. Internal financial controls should also be designed and implemented to help maximise value for money objectives on behalf of the charity.

Practical examples of internal financial controls include:

- ▶ documented financial policies and procedures;
- ▶ clearly defined roles and responsibilities;
- ▶ segregation of duties;
- ▶ reconciliation of transactions;
- ▶ approval hierarchies;
- ▶ financial reporting; and
- ▶ audit trail maintenance and reporting.

The guidance is split into five sections as follows:

- ▶ Income
- ▶ Expenditure
- ▶ Banking (including payments and loans)
- ▶ Assets and investments
- ▶ Monitoring arrangements

Each section includes key control questions, which are intended to serve as a guide for charity trustees and management to develop and implement best practice internal financial controls within their charity.

1 Income

1.1. What controls should be in place for income?

Charities principally derive their income from fundraising activities, grant funding, “trading activities” (for example, charity shops), donations, legacies and other income. Regardless of the type or source of income, the internal financial controls for income should provide assurance that all income received is:

- ▶ maintained in a secure location;
- ▶ accurately counted and reconciled;
- ▶ banked in a timely manner;
- ▶ accurately recorded in the charity’s accounting system; and
- ▶ regularly checked to ensure accounting records are accurately maintained.

The key control questions below are intended to serve as a guide for charity trustees and management to develop and implement best practice income management controls within their charity. Where weaknesses are noted, the charity’s trustees and management should seek to enhance their internal financial controls in order to align them against best practice and legal requirements (for example, legal obligations or grant funding arrangements).

1.1.1. Income (including cash and cheques) received by post or other means of delivery

Income received by post or other means of delivery	Yes / No / N/A	Comment / Action Required?
a) Are income management procedures adequately documented, communicated and approved by trustees, including consideration of segregation of duties?		
b) Does the charity keep unopened mail or delivery in a secure location?		
c) Is incoming post or delivery opened in the presence of two people?		
d) Are all incoming cheques and cash immediately recorded, including by date, funder/donor (where known), and value?		
e) Are receipts/acknowledgements issued for all cash/cheques received (i.e. where known)?		

Income received by post or other means of delivery	Yes / No / N/A	Comment / Action Required?
f) Are incoming cash and cheque receipts banked promptly?		
g) Are funds banked without deduction of expenses?		
h) Where feasible, is there rotation of the staff involved in the receipting and recording of cash and cheques?		
i) Are regular, independent reconciliations performed to ensure cash and cheque income records agree with the bank paying-in books and statements?		
j) Are checks made by someone other than the person who made the entry in the accounting records?		
k) Is adequate insurance held to cover the contents of any safe or cash box held on the charity's premises and cash in transit?		
l) Are secure arrangements in place regarding key(s) or access code(s) for safes or cashboxes used to temporarily hold cash or cheques on the premises overnight?		

1.1.2. Income from public collections

Public collections	Yes / No / N/A	Comment / Action Required?
a) Are public collections undertaken in accordance with legal requirements, including obtaining the necessary permits?		
b) Are collection boxes individually numbered and details recorded of whom the box was issued to?		
c) Are all collection boxes sealed with locks or security seals so that it is apparent if they have been opened before they are returned?		
d) Are the staff responsible for custody of the keys to the boxes separated from the staff assigned to collect donations?		
e) Are collections counted in the presence of the collector and a receipt given to him/her? Alternatively, for larger collection events, are two unrelated people involved in counting and recording the income?		
f) Is cash banked as soon as possible and without deduction of expenses?		
g) Are regular, independent reconciliations performed to ensure that public collection income records agree with the bank paying-in books and statements?		
h) Does the charity engage with professional fundraisers for collection activities? If so, are agreements/contracts put in place which clearly state the obligations of both the charity and the professional fundraiser?		

1.1.3. Income from events

Events, including ticket income	Yes / No / N/A	Comment / Action Required?
a) Is a master schedule or record of events maintained by the charity, including details of timing, event title, pricing (for ticketed events), total amount collected or received (ticketed events), total amount lodged, date of lodgement and lodgement reference number(s)?		
b) Are all event tickets pre-numbered?		
c) Are detailed records kept of all persons allocated tickets to sell, and which ticket numbers they have been allocated?		
d) Are records kept of which tickets were sold and unsold?		
e) Are receipts issued for all monies returned?		
f) Is there adequate segregation of duties in place for the issuing of tickets, counting of monies returned, recording of tickets returned, and the recording and lodging of monies?		
g) Is an independent reconciliation performed between ticket records, money returned and money lodged for each individual event?		

1.1.4. Trading based income

Trading income (either trading to advance the charity's objects or non-charitable trading):	Yes / No / N/A	Comment / Action Required?
a) Does the charity have a pricing policy for the goods and services supplied?		
b) Does the charity have invoicing procedures for the goods and services supplied?		
c) Does the charity review outstanding debts and collection procedures?		
d) Is the charity in receipt of trading income from the sale of goods through a charity shop?		
e) Are there procedures in place to reconcile cash and electronic point of sale (EPOS) receipts to till records (such as "Z" reads and other reports produced from the till / EPOS system)?		
f) Are income reconciliations performed at the end of a person's shift where they have been involved in the receipt of income?		
g) Are daily income totals reconciled and lodged to the bank on a timely basis?		
h) Are floats issued to persons/employees operating tills and are these floats signed in and out by both the issuer and employee?		
i) Are discrepancies (if any) between actual cash on hand and cash per the till records investigated and are adequate explanations obtained and recorded?		
j) Where applicable, is the charity registered for VAT in respect of trading income and are regular VAT returns submitted to Revenue to ensure the charity is tax compliant? ¹		

¹ See <http://www.revenue.ie/en/tax-professionals/tdm/value-added-tax/part02-accountable-persons/vat-and-charities/accountable-persons-charities.pdf> for additional guidance

1.1.5. Grant income

Grantee Checklist	Yes / No / N/A	Comment / Action Required?
a) Is a master record of grants maintained by the charity (including details of funder, total grant amount, timing of payments, date received/receivable and related bank account used to receive the grant income)?		
b) Are grant agreements, which contain terms and conditions of funding, signed by both the charity and the funder?		
c) Are banking arrangements set up to ensure that the receipt of income is easily identifiable and is in line with the stated funding arrangements?		
d) Is all grant income appropriately classified in the accounting system so that it is appropriately reported upon at year end (including in accordance with any stated conditions within funding agreements)?		
e) Is an independent reconciliation performed between grant income records, grant income received and the bank paying-in books and statements?		

1.1.6. Gifts and Donations

Charitable Donation Scheme	Yes / No / N/A	Comment / Action Required?
a) Does the charity maximise the allowable tax relief on donations?		
b) Are the applicable 'Enduring Certificates (CHY3 Cert)' or 'Annual Certificates (CHY4 Cert)' obtained from donors?		
c) Are regular checks made to ensure all eligible tax repayments are obtained?		
d) Does the charity keep the records of the eligible tax repayments claimed?		

1.1.7. Other Income

Other Income	Yes / No / N/A	Comment / Action Required?
a) Is a master record of other income maintained by the charity (including details of source of income, total amount, timing of payments, date received/receivable and related bank account used to receive the other income)?		
b) Are banking arrangements set up to ensure that the receipt of other income is easily identifiable and is in line with the stated funding arrangements?		
c) Is all other income appropriately classified in the accounting system so that it is appropriately reported upon at year end (including in accordance with any stated conditions within funding agreements)?		
d) Does the charity have written agreements with funders, detailing the nature and purpose of the other income, which are signed by both the charity and the funder?		
e) Does the charity identify and monitor the receipt of large legacy incomes and ensure that they are correctly included in the accounts?		

1.1.8. Income Recognition and Reporting

Income Recognition – Statement of Recommended Practice (SORP)	Yes / No / N/A	Comment / Action Required?
a) Does the charity identify and report upon income in line with its stated income recognition policy and generally accepted accounting principles (including best practice financial reporting where adopted) ² ?		
b) Does the charity adequately identify, distinguish and report upon unrestricted, restricted & designated income to enable adequate reporting upon both income and reserves?		

2 Charity SORP

2 Expenditure

2.1. What controls should be in place for expenditure?

The internal financial controls for expenditure should provide assurance that -

- ▶ all expenditure is authorised and a valid expense of the charity;
- ▶ goods or services ordered have actually been received;
- ▶ expenditure is paid from funds within approved budgets;
- ▶ payments are made by authorised approval levels; and
- ▶ all expenditure is –
 - ▷ supported by sufficient documentation to verify the expenditure;
 - ▷ accurately recorded in the charity’s accounting system; and
 - ▷ regularly checked to ensure accounting records are accurately maintained.

The key control questions below are intended to serve as a guide for charity trustees and management to develop and implement best practice expenditure management controls within their charity.

Where weaknesses are noted, the charity’s trustees and management should seek to enhance the internal financial controls in order to align them with any legal requirements and best practice guidance.

2.1.1. General expenditure (Purchase and Payments)

Expenditure (Purchase and Payments)	Yes / No / N/A	Comment / Action Required?
a) Are purchase to payment procedures adequately documented, communicated and approved by trustees (including consideration of end-to-end segregation of duties)?		
b) Do purchasing procedures (or policies) include adequate consideration of value for money principles (for example, obtaining quotations and tendering procedures)?		
c) Are approval limits in place for certain values of expenditure?		
d) Is there a purchase order system in place?		
e) Are purchase invoices date-stamped when received?		
f) Are purchase invoices checked for accuracy, including a comparison against original orders (and, where applicable, records of goods received)?		
g) Once approved, are invoices marked as approved by the budget holder or responsible person and posted to the relevant nominal ledger code?		
h) Are payment runs prepared on a scheduled basis and subject to independent review and authorisation?		
i) Are dual signatories required to approve all invoice payments?		
j) Are regular checks made to ensure there are no discrepancies between the payments made and the original invoice or payment records?		
k) Are regular checks made to ensure that expenditure records are accurate and agree with bank statements?		

Expenditure (Purchase and Payments)	Yes / No / N/A	Comment / Action Required?
l) Are checks performed by someone other than the person who made the entry in the accounting records?		
m) Are supplier reconciliations carried out regularly?		
n) Are budgets versus actual expenditure monitored on a regular basis with appropriate follow up and understanding of any material variances?		
o) Do the statutory accounts adequately disclose details of expenditure (including disclosure of any related party transactions) in accordance with generally accepted accounting principles?		

2.1.2. Wages and Salaries

Wages and Salaries	Yes / No / N/A	Comment / Action Required?
a) Are payroll procedures adequately documented, communicated and approved by trustees (including consideration of end-to-end segregation of duties)?		
b) Are salary levels properly authorised and recorded?		
c) Are contracts of employment in place for all individuals who are processed by the charity's payroll?		
d) Are personnel records maintained for all individuals who are processed via the charity payroll? Are these records held separately from wages records?		
e) Does the charity process its payroll using a software package?		
f) Is there a system of authorisation for recording and notifying starters and leavers, changes to gross pay or any other payroll changes (including any deductions or pension arrangements)?		

Wages and Salaries	Yes / No / N/A	Comment / Action Required?
g) Are statutory tax deductions (PAYE, USC and PRSI) made from wages and salaries and regularly forwarded to Revenue?		
h) Are independent checks performed on all payroll processing, including payroll reports?		
i) Is there segregation of duties between the payroll preparer and the person authorising the payroll payment ?		
j) Are dual signatories required to approve the payroll payment?		
k) Are payslips provided in a secure manner to all employees in receipt of wages/ salaries?		
l) Are the end-of-year returns completed and filed with Revenue in a timely manner?		
m) Do the statutory accounts adequately disclose details of wages and salaries (including consideration of any related party payments and/or other benefits) in accordance with generally accepted accounting principles?		
n) Are checks performed to ensure that any such payments are in accordance with the constitution of the charity and/or the conditions of taxable status?		

2.1.3. Travel and Subsistence Expenses

	Yes / No / N/A	Comment / Action Required?
<p>a) Does the charity have a written policy in place, approved by the trustees, which covers the following minimum items:</p> <ul style="list-style-type: none"> - Who is entitled to claim expenses; - What expenses may be eligible for payment; - The timeframe for submission of expenses; - Any rates or limits on payments, for example, subsistence allowances or mileage rates; - The procedure for submitting expense claims, including requirements for the use of standardised claim forms; - What supporting documentation is required to validate expense claims submitted, for example, receipts; - Any insurance requirements, for example, motor insurance; - Authorisation levels; - Methods of payment, excluding the use of any cash payments; - Responsibility for processing claims and what records must be maintained; - Frequency of review of the policy. 		
b) Is the policy communicated to all trustees, staff and volunteers?		
c) Is the policy regularly updated by the charity and approved by the trustees?		
d) Are travel and subsistence costs incurred in line with budgeted expenditure and subject to pre-approval where necessary?		

	Yes / No / N/A	Comment / Action Required?
e) Are expenses reimbursed only where the individual incurred the expense in the course of carrying out the charity's business?		
f) Are standardised expense claim forms used by the charity, which record ³ the following: <ul style="list-style-type: none"> - Name and address of the director or employee; - Date of the journey/expense; - Reason for the journey/expense; - Amount claimed; - Kilometres involved; - Starting point, destination and finishing point of the journey; - Basis for the reimbursement of travel and subsistence expenses, for example, where a worker needs an overnight stay away from home <p>Note: all records must be kept for six years after the end of the tax year to which the records relate.</p>		
g) Where actual expenses are reimbursed, does the charity maintain all receipts?		
h) If the charity pays mileage and subsistence rates for travel, are the rates in accordance with Revenue approved rates?		
i) Does the expense claim include a self-declaration that the claim is accurate and incurred on the business of the charity?		
j) Are all expense claims subject to independent checks and approval, including any CEO and/or trustee expenses?		
k) Are dual signatories required to approve all such payments?		

³ See <http://www.revenue.ie/en/employing-people/employee-expenses/travel-and-subsistence/index.aspx> for additional guidance.

2.1.4. Debit Card / Credit Card Payments

Debit Card / Credit Card Payments	Yes / No / N/A	Comment / Action Required?
a) Does the charity have debit cards/credit cards in use?		
b) Does the charity have a policy for the use of payment cards, including criteria for their issue, spending limits and security?		
c) Does the charity communicate the policy for the use of cards to all trustees and staff using them?		
d) Are cards cancelled when the holder ceases to work for the charity?		
e) Are travel and subsistence costs incurred in line with budgeted expenditure and subject to pre-approval where necessary?		
f) Is all card expenditure supported by vouchers and invoices and recorded in the accounting records each time the card is used?		
g) Are card statements sent to the responsible charity department and independently checked against supporting records and invoices?		
h) Is expenditure incurred by way of debit/ credit cards subject to adequate levels of financial monitoring and reporting?		
i) Is the cardholder's use of the card independently reviewed on a periodic basis to confirm its use is consistent with the policy?		

3 Banking

(including payments and loans)

3.1. What controls should be in place for banking (including payments and loans)?

The internal financial controls for banking should provide assurance that:

- ▶ bank accounts and cash are secure;
- ▶ cash in transit is insured;
- ▶ bank accounts and cash are accurately counted and reconciled;
- ▶ bank accounts and cash are accurately recorded in the charity's accounting system; and
- ▶ bank accounts and cash are used solely for the charity's stated purpose.

The key control questions below are intended to serve as a guide for charity trustees and management to develop and implement best practice banking controls within their charity.

Where weaknesses are noted, the charity's trustees and management should seek to enhance the internal financial controls in order to align them against any legal requirements and best practice guidance.

3.1.1. Banking and Cash

Controls over Banking and Cash	Yes / No / N/A	Comment / Action Required?
a) Are bank and cash procedures adequately documented, communicated and approved by trustees (including consideration of end-to-end segregation of duties)?		
b) Do procedures clearly state who is authorised to open or close bank accounts on behalf of the charity?		
c) Are instructions to open or close accounts properly authorised and reported to trustees?		
d) Are checks made to ensure there are no dormant accounts?		

Controls over Banking and Cash	Yes / No / N/A	Comment / Action Required?
e) Are the accounts monitored to ensure there is no third party use?		
f) Do the trustees regularly review the costs, benefits and risks of their current and deposit accounts?		
g) Are incoming receipts banked promptly?		
h) Is cash which is held onsite at the charity's premises kept in a safe/cash box?		
i) Is all cash in the safe arranged by denomination, appropriately sealed, and the amount labelled on each bundle?		
j) Is insurance held to cover the contents of the safe or cash box and cash in transit to the bank?		
k) Does the total cash count reconcile with the recorded total in the cashbook, the cash journal and in the daily cash position register?		
l) Are funds banked without deduction of expenses?		
m) Are bank reconciliations prepared at least monthly for all accounts?		
n) Is there a second reviewer of the bank reconciliations?		
o) Are discrepancies in bank reconciliations recorded and subsequently resolved?		
p) Are direct debits, standing orders, transfers and cheque payments reviewed on at least a monthly basis for correctness?		
q) Are trustees provided with regular financial reporting and updates on the available cash balance of the charity?		

Controls over Banking and Cash	Yes / No / N/A	Comment / Action Required?
r) Is a list maintained of all bank accounts held by the charity?		
s) Are updated bank mandates maintained of all bank accounts and credit cards held?		

3.1.2. Cheque Payments

Cheque Payments	Yes / No / N/A	Comment / Action Required?
a) Is there a documented policy in place relating to cheque payments?		
b) Is there documented delegated authority in place about who can sign cheques on behalf of the charity?		
c) Do the delegated signatories agree to the bank mandate?		
d) Does the bank mandate require at least two signatories?		
e) Is there a practice in place to ensure blank cheques are not signed?		
f) Are cheque books etc. kept in a secure place with access restricted to nominated people?		
g) Are any monetary limits placed on an individual signing cheques, consistent with documented procedures?		
h) Is all cheque expenditure recorded in the cash book and noted with the relevant cheque number, nature of payment and payee?		
i) Is all cheque expenditure outstanding recorded in the bank reconciliations?		
j) Are cheques signed only with documentary evidence of the nature of the payment, e.g. invoice?		

3.1.3. Direct Debits, Standing Orders and automated payments

Direct Debits, Standing Orders and automated payments	Yes / No / N/A	Comment / Action Required?
a) Are procedures documented for all areas of online banking use and the use of direct debits, standing orders etc.?		
b) Is the online banking set up consistent with the documented procedures?		
c) Is online banking access restricted to those who require it?		
d) Is there a listing of everyone (trustees and staff) who have approved access to online banking and the authorisation of any electronic based payments?		
e) Is the principle of dual authorisation applied to all changes associated with electronic based payment processing (for example, changes to supplier bank account details, changes to direct debits, approval of actual payments)?		
f) 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?		
g) Are PCs and other ICT devices of the charity kept secure with up-to-date anti-virus and spyware software and a personal firewall?		
h) Are trustees and staff made aware of the need to ensure that the charity's security details (including the password and PIN, where used) are not compromised?		
i) Is the use of any PIN and password regularly changed, for example to mitigate the risks of compromising security when individuals leave the charity?		
j) Are online bank logins and passwords updated in a timely manner when individuals leave the charity?		

Direct Debits, Standing Orders and automated payments	Yes / No / N/A	Comment / Action Required?
k) Does the charity keep an audit trail of electronic banking transactions?		
l) Have those using online banking facilities been trained in their use?		

3.1.4. Cash Payments (if any)

Cash Payments	Yes / No / N/A	Comment / Action Required?
a) Is every effort made to prohibit and/or minimise cash payments?		
b) Where petty cash is maintained, is there a petty cash policy in place?		
c) Is petty cash stored in a safe location?		
d) Is there a designated authority in respect of who can access petty cash?		
e) Are all cash payments made from a petty cash float and not from incoming cash?		
f) Are receipts received and maintained for petty cash expenses?		
g) Is supporting documentation authorised by someone other than the person maintaining the petty cash or the person making the claim?		
h) Are regular petty cash reconciliations carried out?		
i) Are details of all payments entered in a petty cash book?		
j) Is there a designated authority in respect of who can top-up petty cash?		
k) Are regular independent checks made of the petty cash float and records held?		

3.1.5. Banking and payment procedures: Restricted or endowment funds

Restricted funds and endowment funds	Yes / No / N/A	Comment / Action Required?
a) Is the charity in receipt of restricted funds or endowment funds?		
b) Are procedures in place to ensure that any restrictions put on the use of funds, by the trustees, donors or through an appeal, are observed through banking and payment procedures?		
c) Are separate codes set up within the charity's financial system to ensure that restricted and/or endowment funds are clearly distinguishable for financial and statutory reporting purposes?		
d) Are any movements on such funds subject to the principle of minimum dual authorisation?		

3.1.6. Loans

Loans	Yes / No / N/A	Comment / Action Required?
a) Does the charity maintain a listing of all loan accounts in existence?		
b) Are all loan arrangements supported by written agreements?		
c) Does the charity maintain details of repayment plans in place to repay the principal and any interest due?		
d) Are all loan accounts subject to regular, independent reconciliation?		
e) Are all loan arrangements (including related party loans) subject to adequate levels of financial monitoring and reporting?		
f) Do the statutory accounts adequately disclose details of all loan arrangements, including any related party loans (for example, made to/from trustees, management of the charity)?		

4 Assets and Investments

4.1. What controls should be in place for Assets and Investments?

The internal financial controls for assets (primarily fixed assets and stock within this guidance) and investments should provide assurance that assets:

- ▶ can be identified;
- ▶ are secure;
- ▶ are adequately insured;
- ▶ are accurately counted and reconciled and recorded;
- ▶ are accurately recorded in the charity's accounting system; and
- ▶ are used solely for the charity's stated purpose.

The questions in the checklist below are designed to assist charity trustees, charity management and advisers evaluate processes against legal requirements and best practice recommendations.

Where weaknesses are noted, the charity's trustees and management should seek to enhance the internal financial controls in order to align them against any legal requirements and best practice guidance.

4.1.1. Fixed Assets

Controls over Fixed Assets	Yes / No / N/A	Comment / Action Required?
a) Is there a fixed asset policy in place?		
b) Is a comprehensive fixed asset register maintained and updated regularly for additions and disposals?		
c) Is the fixed asset register reconciled to the charity's accounts on a periodic basis?		
d) Is there a financial threshold in place for the capitalisation of expenditure as a fixed asset?		

Controls over Fixed Assets	Yes / No / N/A	Comment / Action Required?
e) Are fixed asset reviews carried out to check for existence and condition on a periodic basis?		
f) Where practicable, does the charity physically tag assets to assist in the tracking and overall management of fixed assets?		
g) Are fixed asset disposals subject to formal review and approval (including the secure disposal of any ICT equipment)?		
h) Are motor vehicles used and managed in accordance with Revenue guidelines (for example, use of pooled vehicles)?		
i) Is the use of fixed assets reviewed annually (to ensure they are put to best use and are serving the charity's interests)?		
j) Are adequate insurance arrangements in place for all types of fixed assets?		
k) Are fixed assets depreciated in accordance with the charity policy?		
l) Do the statutory accounts adequately disclose details of all asset classes held by the charity (including accounting policy, cost/valuation, depreciation, net book value and any related party considerations)?		

4.1.2. Stock

Controls over Stock	Yes / No / N/A	Comment / Action Required?
a) Is a list of stock maintained by the charity to record and identify stock values and location?		
b) Are goods received (including donated goods) subject to formal checks and recording?		
c) Where practicable, is there adequate segregation of duties between receiving, issuing, recording and safeguarding of stock?		
d) Are goods held in a secure location?		
e) Are periodic checks performed on the existence and condition of stock?		
f) Are material stocks subject to periodic and/or year-end stock counts and valuation across all location(s)?		

4.1.3. Investments

Investments	Yes / No / N/A	Comment / Action Required?
a) Does the charity have an approved investment policy?		
b) Where investments are held, are all investments supported by written agreements so that the title is clearly known?		
c) Is the performance of investments regularly reviewed?		
g) Is professional advice taken, where appropriate, on the selection or disposal of investments?		
e) Are all investment accounts appropriately accounted for, reconciled and independently reviewed for the purpose of financial and statutory year end reporting?		

5 Monitoring arrangements

In addition to considering controls aimed at managing the individual areas outlined above, trustees should develop and implement controls which provide them with assurance that there is a robust system for managing financial risk within the charity. Monitoring of financial activities is fundamental to this objective and also helps trustees meet an important part of their governance obligations on an ongoing basis.

5.1.1 Monitoring arrangements

Monitoring arrangements	Yes / No / N/A	Comment / Action Required?
a) Does the charity have an approved financial budget in place prior to each financial year?		
b) Do the trustees ⁴ receive financial reporting at each trustee meeting, which details the financial performance and position of the charity?		
c) Does the financial reporting information include reporting upon: <ul style="list-style-type: none"> - the latest management accounts; - a comparison of budget vs actual financial results; - explanations for variances between budgeted and actual financial results; and - details of cash movements, including closing bank, investment and loan balances. 		
d) Do the trustees carry out an annual review of internal financial controls?		

⁴ May be delegated to a Board sub-committee (for example, audit or finance) under specific terms of reference

Monitoring arrangements	Yes / No / N/A	Comment / Action Required?
e) Subject to size, scale and complexity, does the charity maintain an audit committee (under specific terms of reference) to manage the relationship with the external auditor?		
f) Subject to size, scale and complexity, does the charity have an internal audit function, which reports to the audit committee?		
g) Are the statutory accounts formally approved by the trustees at an annual meeting?		
h) Do the trustees file the annual report on time with the relevant bodies (including their annual reporting requirements to the Charities Regulator)?		

6 Additional References

Guidance documents:

A suite of guidance documents on a number of relevant topics for charities is currently being developed by the Charities Regulator. These guidance documents will be available on the Charities Regulator's website www.charitiesregulator.ie

Link to guidance re annual reporting requirements:

<https://www.charitiesregulatoryauthority.ie/en/CRA/Annual%20Reporting%20User%20Guide%2026%2008%202016.pdf/Files/Annual%20Reporting%20User%20Guide%2026%2008%202016.pdf>

Link to Revenue section for charities:

<http://www.revenue.ie/en/companies-and-charities/charities-and-sports-bodies/index.aspx>

Link to CRO/ODCE for reporting requirements for companies

<https://www.cro.ie/Annual-Return/Overview>
<http://www.odce.ie/en-gb/faq/annualfinancialstatements.aspx>

Link to legislation re collection permits

<http://www.irishstatutebook.ie/eli/1962/si/134/made/en/print>

Link to sorp.org:

<http://www.charitysorp.org/>



Document Reference
CE GLS 08.2.1 001 Rev 000

Charities Regulator
3 Georges Dock
IFSC
Dublin 1
D01 X5X0
Telephone: 01 633 1500

www.charitiesregulatoryauthority.ie

© Charities Regulator 2017