
CC8-Internal Financial Controls for Charities (Version 05/01)

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What is this guidance about and who needs to read it?

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1. This guidance sets out the basic internal financial controls which trustees need to consider. It is expressed in terms appropriate for small charities which are not companies. The same principles apply to smaller charitable companies. This guidance can also form a framework for larger charities to consider their controls.

2. This guidance does not aim to be an exhaustive list of controls and we recognise that not all the controls mentioned will be applicable in every type of charity. We recommend that every trustee reads this guidance in conjunction with our guidance **Responsibilities of Charity Trustees (CC3)** and **The Hallmarks of a Well-run Charity (CC60)**.

3. It is the fundamental duty of all charity trustees to protect the property of their charity and to secure its application for the objects of the charity. In order to discharge this duty it is essential that there are adequate internal financial controls over the charity's assets and their use. This guidance has been produced to help trustees secure the protection of property under their charge, to advise them of the best practices to employ, and to assist in promoting greater professionalism in charity management. This advice has been based firstly on our experience of charities and the most common ways in which they run into difficulties, and secondly on the actual experience of those running charities.

4. Controls are a necessary feature of any well-run organisation. Because of the special characteristics of the charitable sector, they play an essential part in helping to show potential donors and beneficiaries that a charity's property is safeguarded, and that its management is efficient. A prime objective of this guidance is to promote the ability of charities to improve their safeguards, and thereby promote the effectiveness of, and confidence in, the charitable sector as a whole.

5. The guidance given here does not remove the need for trustees to seek appropriate professional advice where this is required. This publication cannot hope to cover every eventuality and there may well be instances where trustees may need to approach us for further guidance. Our central telephone number and the address for each office can be found on the inside front cover of this publication.

Meaning of words and expressions used

6. In this guidance:

Budget means an estimate of future incoming funds, expenditure and other applications of funds for a particular accounting period.

Trustees means charity trustees. Charity trustees are the people who, under the charity's governing document, are responsible for "the general control and management of the administration of a charity" (section 97 of the Charities Act 1993). You would, therefore, be a trustee if you are:

- the trustee of a charitable trust or of a charity founded by someone's will; or
- the director of a charitable company; or
- a member of the management or executive committee of a charitable association.

Current assets includes cash, bank and building society deposits, consumable stocks, trading stocks, debtors and prepayments or any other amounts receivable in the short term.

Fixed assets includes land, buildings, vehicles and equipment and investments held on a continuing basis.

Governing document means any document which sets out the charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, conveyance, will, memorandum and articles of association, Royal Charter or Scheme of the Commissioners.

Independent examiner means a person independent of the trustees who is reasonably believed to have the requisite ability and practical experience to carry out a competent examination of the charity's accounts.

Auditor means a person eligible under section 25 of the Companies Act 1989 to audit the accounts of companies (ie a registered auditor), or, in the case of an audit which is required by the governing document of a charity rather than by the Charities Act 1993 or the Companies Act 1985, a person qualified to conduct the audit.

Must is used to refer to actions that trustees, or their agents or employees, are obliged to take by law.

Recommend or **advise** are used where we are suggesting to the trustees actions which we consider to be good practice but which do not represent a legal requirement.

Are controls really necessary for charities?

7. It is sometimes argued by trustees that charities should not be required to put positive systems of control into place because they are able to operate on trust alone. While this may be the

ideal situation, it is not realistic. Charities are unusual organisations in that they are managed for the beneficiaries of that charity, rather than for the benefit of shareholders/members. It is advisable therefore that trustees be able to show to both donors and beneficiaries that the property is safe. Without the ability to show that checks and controls have been implemented it would not be possible to offer that security.

8. It is important to remember that while the vast majority of people are honest, all organisations need to take steps to avoid putting people in situations where they might be tempted to defraud. Also, if a charity fails to issue proper guidelines, individuals may, out of ignorance, act in a way which damages the reputation of the charity (eg by not separating charity funds from their own).

9. Experience has shown that the implementation of internal financial controls is something which is welcomed by all concerned. The controls act to protect the interests of the beneficiaries of the charity, its employees, and indeed the trustees themselves (who are thereby protected from any charge of neglecting their duty of protecting the charity's funds).

10. The fundamental responsibility for control of the charity's activities and funds is that of the trustees themselves. It is therefore crucial that where the trustees administer the charity personally, they will need proper segregation of duties among themselves, so that no one trustee is over-burdened or is given too much authority. However, where the trustees delegate administrative duties to staff or agents, additional controls then become necessary in order to ensure the delegated duties are being properly discharged.

11. Before discussing the various controls which we expect to be in place, trustees may like to be reminded of their duties with regard to charity accounts.

- The trustees of all charities are under a duty to ensure that the charity keeps proper books and records, and that annual accounts are prepared. In many cases, the trustees must also prepare an annual report. The report and accounts should conform to any relevant requirements and recommendations, particularly Part VI of the Charities Act 1993, the Charities (Accounts and Reports) Regulations 1995 and 2000 and Accounting and Reporting by Charities - Statement of Recommended Practice (SORP 2000), and in the case of charitable companies, Part VII of the Companies Act 1985. Please see our guidance **Charity Accounts 2001: The Framework (CC61)** for further details.
- Trustees must ensure that the accounts are subjected to external scrutiny, if that is required by legislation or by the charity's governing document. Again, please see **CC61** for further details of how this may affect your particular charity.
- Trustees need to formally approve the charity's annual report and accounts.
- We recommend that all trustees be provided with copies of the charity's report and accounts each year. New trustees ought to be given a copy of the latest accounts on appointment, together with other essential documents such as the governing document, and information about the charity's history.

The charity's organisational structure

12. All internal control systems need to be based on a recognised plan of the charity's structure which clearly shows:

- areas of responsibility;
- lines of authority; and
- lines of reporting.

13. A good control system will cover all of the individual elements of the charity's financial administration. If the size of the charity prevents any particular control being implemented, the trustees will have to ensure that compensatory controls are in place. In the case of smaller charities who may not find it possible, for instance, to segregate duties, the control function exercised by the trustee body becomes of even greater importance.

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 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.

19. Ultimately, therefore, it is the responsibility of the charity trustees to consider what is appropriate in the particular circumstances of their charity. They ought to bear in mind the need to look particularly critically at the areas of highest risk in their charity. For example, if most of the charity's income is received by post then we recommend that priority be given to ensuring strict controls in that area. However, lower priority areas ought not be neglected. Proper controls over gifts in kind and the way they are used is just as important as the control of money.

20. Advances in technology may be used to simplify many record-keeping and transaction processes. This does not remove the need for

sufficient controls to be put in place. It will, however, require that controls be adapted to meet the changes in practice which will occur.

Basic internal controls

Segregation of duties

21. One of the prime means of control is the separation of those responsibilities or duties which if combined would enable one person to record and process a complete transaction. If duties are segregated, this reduces significantly the scope for errors and oversights, as well as deliberate manipulation or abuse, and builds in additional checks. For example, if the person who records incoming cash is the same person who checks that cash paid in is recorded on the bank statements, it would not be easy to detect any dishonesty. Mistakes are more likely to go undetected if a person checks their own work. The principle of segregation is important with regard to both income and expenditure, and capital transactions. We appreciate that the degree of segregation of duties which can be achieved will vary according to the size and nature of the charity concerned.

Qualification of staff and advisers

22. We recommend that trustees ensure that where necessary they have access to independent professional advice. They need to also ensure that their staff and any volunteers are competent, properly trained and qualified for the tasks they have to perform. The relationship between the charity's trustees, accountant, and independent examiner or auditor ought, wherever possible, be one of ongoing dialogue, rather than simply an annual exchange of records and information. Any general or specific advice from the accountant, independent examiner or auditor must be brought to the attention of **all** of the trustees.

Budgetary controls

23. If the internal controls described in this guidance are put in place, trustees will have gone a long way to ensuring that they have taken good precautions to protect the charity's funds. However, in order to achieve full control over the charity's finances, it is necessary to work within an agreed budget and to undertake full financial planning. Proper and realistic estimates of expected income and expenditure need to be made for each financial year. We advise that regular reviews are made to ensure that the charity's budgets are not stretched beyond their limits.

24. Approval of the budgets and accounts can only be done after discussion at trustee meetings. The discussions need to be fully minuted. It is important that trustees understand the financial information which is given to them. They may, therefore, need to consider recruiting trustees with particular financial expertise, and in any event need to ensure that full explanations and training are provided for those who are not so familiar with financial matters.

25. In larger organisations some of the budgetary work could be delegated, but the trustees still have the overall responsibilities referred to in paragraphs 17 and 18.

26. Trustees are under a duty to take control of and to safeguard all funds to which the charity becomes entitled.

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:

Controls over incoming funds

- 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.

Public collections

28. In this respect, the aim of internal financial controls is to ensure that the charity has as much control as possible over what could be a widespread network of fund-raising efforts. It is also important to remember that trustees have to ensure that they operate according to the various statutory regulations which govern public collections. These regulations are made under the House-to-House Collections Act 1939 and the Police, Factories etc (Miscellaneous Provisions) Act 1916 (which regulates street collections). Our guidance **Charities and Fund-raising (CC20)** explains the legislative framework under which trustees must operate when raising funds from the public.

29. In addition to adhering to statutory requirements, we recommend that the following controls are in place:

- Collection boxes be individually numbered and documented control exercised over their allocation and return.
- All collecting boxes be sealed so that any opening prior to recording is readily apparent.
- Static collection boxes be regularly opened and contents counted in the presence of at least two people authorised by the trustees for this duty. (It is also a good idea to keep a diary showing not only where static collection boxes are situated, but also giving a history of their takings and the name of the person designated to empty them.)
- General public collections be counted in the presence of the collector and a receipt from a duplicate pad given to them.
- Dual control over the handling and recording of all money and other assets, as for the postal receipts.

30. Similar points arise for envelope collections which are authorised by a Home Office Exemption Certificate.

Fund-raising events

31. The responsibilities of the trustees here are similar to those for collections, ie to make sure that the charity is in control of the funds raised on its behalf so that it receives all the money to which it is entitled from such events.

32. We recommend that the following controls are in place:

- records be maintained for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred; and

- for all events for which there is ticket income or gate money:
 - (i) that tickets all be pre-numbered;
 - (ii) a record be kept of all persons who have been issued with tickets to sell, and of which ticket numbers have been allocated to each;
 - (iii) a record be kept of which tickets have been sold; and
 - (iv) a reconciliation be made of receipts against tickets sold.

33. Similar records need to be maintained for sponsored events.

34. Where external fund-raisers are engaged, care needs to be taken to comply with the requirements of Part II of the Charities Act 1992 (our guidance **Charities and Fund-raising (CC20)** gives further details).

The Gift Aid Scheme

35. Donations through the Gift Aid Scheme are increasingly encouraged by trustees as a tax-efficient way of raising funds. This is an important area as encouraging donors to give in a tax-efficient way is good financial management. It is important that accurate records are maintained in order to ensure that the charity receives all that is due to it from both the donor and the Inland Revenue, and that all money due is brought within the control of the charity without delay.

36. To ensure that the charity receives all the money to which it is entitled, we recommend that trustees:

- make regular checks against records to ensure that expected amounts have been received from the donor;
- make regular checks to ensure that in the case of Gift Aid donations from individuals all reclaimable tax has been obtained from the Inland Revenue (there is nothing for the charity to reclaim in the case of Gift Aid payments from companies); and
- are careful not to overclaim tax repayments - particular care needs to be taken to avoid making tax repayment claims in relation to Gift Aid payments which have not in fact been received from the donor.

37. For more information on the Gift Aid Scheme, please see Inland Revenue Guidance Note **Getting Britain Giving**, obtainable along with other advice and guidance by ringing 0151 472 6036/6037.

Banking and custody procedures

38. Care always needs to be taken to ensure that, once funds are received into the control of the charity, their continued security is maintained. Following the guidelines listed below will provide a basic level of protection for the charity's funds, but additional controls may be necessary depending on the individual circumstances of the charity.

- Incoming receipts be banked regularly and as soon as possible - at least weekly. Frequency of banking will depend on the amount of cash received. Keeping cash in a locked cash box is really only suitable for small amounts of money, say less than £100.
- Cash or cheques be placed in a safe or locked cash box if they cannot be banked on the day of receipt. The keys to any safe

or cash box should be held by a nominated officer. We advise that they are signed for whenever they are used. We recommend that insurance cover is obtained to cover cash held in the safe or cash box up to a specified limit.

- All incoming money be banked gross - no amounts be held back for “feeding” petty cash. Without banking incoming money intact it is impossible to trace particular receipts into the charity.
- Charities have a written statement of policy and practice covering banking and custody procedures, which is available to all trustees and staff.
- It is important that the money of the charity is kept quite separate from any individual’s personal money. For example, charity treasurers should not use their own bank accounts for the charity’s finances.
- We recommend that trustees consider the safety of getting money to the bank, eg two people might be required if the amounts are large, particularly if significant sums of cash are involved. Insurance cover needs to be considered to cover cash in transit.
- Controls are also maintained over receipt books issued by the charity - both in terms of accounting for all receipts issued, and for stocks of receipt books.

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 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.

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.

Controls over expenditure

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.

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- 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 (see paragraph 38).
- All claims for replenishment of the cash float should be backed up by supporting documentation and signed by the cashier.

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- 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.

Wages and salaries

48. This is often a major item of charity expenditure, and therefore warrants particular care to avoid any misuse of funds. Trustees need to ensure that the charity is not exposed to additional liabilities by a breach of statutory regulations, for example through failing to deduct and account for PAYE. We recommend that:

- Personnel records be kept for each member of staff separately from the pay records. Checks of one against the other be made in order to prevent the payment of fictitious employees. Actual physical checks of an employee's existence are carried out on a random basis. These checks may not be necessary if the charity is small with a few employees. Trustees need however to ensure that they are fully aware of the staff employed by the charity and that appointments have been properly authorised; also that salary payments have been properly authorised and paid in accordance with that authorisation. Trustees need to satisfy themselves that staff are actually carrying out the duties for which payment has been authorised.

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- Where (if absolutely necessary) payments are made in cash, these be paid out by someone other than the person making up the payroll, with the employee signing as evidence of receipt.
 - Trustees need to ensure that employees have a proper contract of employment and that individuals are not incorrectly classified as self-employed. Guidance may be sought from the Inland Revenue in any case of doubt. Trustees ought to avoid, at all costs, failing to deduct and account for PAYE and national insurance contributions, as they may be unable to recover the over-payment from the employee, and have to meet the Revenue's claims themselves. In such a case they would not normally be able to indemnify themselves out of the charity's assets.
 - Proper procedures be in force for payment of expenses to trustees, employees, and volunteers. Systems need to be in force to ensure that costs have been necessarily incurred in the course of carrying out the charity's business. We recommend reimbursement needs to be a straight payment of actual cost incurred rather than round sum payments. Evidence should also be produced of the actual costs incurred, eg bills or receipts. Where this would cause a considerable administrative burden, charities may wish to consider whether this requirement may be waived for very small sums. If the charity employs a system where travel costs are paid at a mileage rate then they ought to ensure that this does not run the risk of incurring any tax or national insurance liability for the charity or its trustees. Advice on tax and national insurance matters can be obtained from the Inland Revenue.

49. We also recommend that procedures be in place to ensure that control systems are not threatened when a member of staff is absent or leaves.

Checks on expenditure records

50. As with controls over incoming funds it is essential to check regularly that records of funds applied are being accurately maintained. Similarly we recommend that random spot checks are made to verify that:

- records of payments made agree with cheque stubs, paid invoices or other authorisations and are in accordance with budgets;
- cheques have been presented for payment by the bank or building society as shown by the statement; and
- standing orders and direct debit payments are in accordance with valid instructions given to the bank or building society.

51. These checks need to be made by someone other than the person concerned with the original recording of the transactions. Care also needs to be taken to verify that payments are made out of the correct fund wherever the charity administers restricted funds of any kind, eg a special appeal fund or an endowed fund.

Controls over assets

52. As well as ensuring that they have control over the charity's incoming and outgoing funds, trustees also have the duty of ensuring the safe keeping of the charity's assets so that they can be effectively used to promote the charity's objects.

Fixed assets for use by the charity

53. This term includes such items as land, buildings, vehicles, fixtures and fittings, and equipment (eg computers and the data contained in them, fax machines) which are used in the charity's activities. We recommend that the following guidelines be observed:

- A list of fixed assets be held and updated regularly. This needs to include all assets donated for continuing use by the charity.
- All fixed assets be checked at regular intervals to ensure they remain in good repair and of use to the charity.
- Trustees give due consideration to the need for insuring assets, and to the extent of cover which is appropriate.
- The use made of fixed assets be reviewed annually to ensure they are put to best use and effectively serve the interests of the charity.

Investments

54. Investments (including stocks, shares, land and buildings) are normally held in order to generate income for the charity and to protect its capital. It is therefore vital to make sure that they are safeguarded. New powers and duties relating to investments have been introduced by the Trustee Act 2000, and in order that trustees comply with these we recommend that the advice given below be observed:

- The trustees ensure that full records are kept of all investments held (including details of all those sold or purchased) by the charity, and that these are kept in a secure place.

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- The formulation of an investment policy is the responsibility of trustees. The detailed implementation of that policy is often delegated to investment professionals, but the trustees, by insisting on the supply of suitable reports or otherwise, must ensure that their policy is being implemented. This will also allow them to review properly the performance of their investments.
 - Trustees need normally to take professional advice before selecting or disposing of investments.
 - Where statements of investment performance are sent to a nominated trustee they need to be inspected at regular intervals by the trustee body as a whole.
 - Controls be put in place to ensure that all dividends or interest payments due are promptly received and all purchases and sales of investments are properly authorised and accounted for.
 - Wherever possible, investments need to be diversified so as to ensure that the failure of one investment does not have a major impact on the charity. Trustees have a general legal duty to have regard to the need for diversification of investments of the trust in so far as is appropriate to the circumstances of the trust.

55. Further information may be found in our guidance **Investment of Charitable Funds: The Effects of the Trustee Act 2000** (available on our website), which itself will be replaced by a revised version of our guidance **CC14 (Investment of Charitable Funds: Basic Principles)** early in 2002.

Bank or building society deposits

56. In the case of bank or building society deposits, we recommend that:

- A record (other than the passbooks) of all bank and building society deposits be held in a safe place.
- Regular bank reconciliations take place, and if carried out by delegated employees, the trustees need to ensure that this is being done. (If employees are delegated to undertake bank reconciliations we recommend that they are not the same people who maintain the cash book records.) Any discrepancy should be fully explored and resolved.
- Instructions to open or close deposit accounts be authorised by the whole trustee body, or if delegated to a finance subcommittee or finance officer, the trustees be kept informed of all developments.
- Accounts are not be allowed to remain dormant.
- Statements be sent to a nominated trustee and made available for inspection by any trustee.

Conclusion

57. If, after reading this guidance, trustees feel that they need further guidance, more specifically aimed at their individual circumstances, we recommend they contact one of our offices. The address of each office together with our central telephone number are given on the inside front cover of this publication.

Further Reference

For further information you may find it useful to refer to the following Charity Commission publications:

- CC3 Responsibilities of Charity Trustees
- CC3(a) Responsibilities of Charity Trustees: A Summary
- CC12 Managing Financial Difficulties and Insolvency in Charities
- CC19 Charities' Reserves
- CC20 Charities and Fund-raising
- CC60 The Hallmarks of a Well-run Charity

Mae nifer o'n taflenni ar gael yn Gymraeg erbyn hyn. Cewch y wybodaeth ddiweddaraf gan yr Uned Gyhoeddiadau yn ein swyddfa yn Taunton (Ffôn 01823 345182).

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Also available:

Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2000)

CC66 - SORP 2000: Example Reports and Accounts

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- CC62 Charities SORP 2000: What has changed
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