

# Financial controls checklist

Guidance note

If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the SGA:  
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# Financial controls checklist

Maintaining oversight of an organisation's financial position and implementing effective controls over expenditure, financial transactions and access to funds and financial information is an essential part of both governance and management. For funded sports organisations, it is essential to ensure that public money is used appropriately and for the purposes it was awarded.

Members of the board and relevant members of staff and/or volunteers should be apprised of the organisation's policies relating to financial control. This will help to ensure that:

- individuals and the organisation collectively understand the real costs of major activities
- key areas of expenditure and the reasons for the expenditure are identified
- financial transactions are appropriate and are carried out by appropriate persons
- financial impropriety is mitigated against
- the organisation's resources are being deployed in accordance with the priorities set by the board, are aligned to the organisation's objectives and are within the terms of the governing document

Accurate financial information is needed to:

- facilitate good decision making
- facilitate the effective operation of the organisation's activities
- help manage cash flow
- monitor performance, costs and expenditure
- assist the correct management and use of the organisation's resources
- meet legal, regulatory and funding obligations regarding financial reporting

## General principles of financial control

- Everyone in the organisation should take financial controls seriously and follow the established procedures at all times.
- Segregation of duties is a key element of financial controls. No one person should have sole responsibility for the entirety of a transaction.
- No one person should have too influential a role in the day-to-day financial activities of the organisation.
- Delegation of particular financial activities and functions should be properly authorised and clearly documented. The limits of the authority of both individuals and groups (e.g. committees of the board) need to be clear and well understood.
- The use of any delegated authority in financial matters should be monitored. There should also be appropriate internal reporting to the board.
- For the smallest organisations, with few people available, the full range of normal segregation controls may not be practicable. If this is the case, the directors/trustees should find alternative mechanisms, such as the board periodically reviewing transaction reports and/or arranging periodic independent checks, to be undertaken by different people to those who are customarily involved in processing transactions.

## **Key areas – financial controls**

- Some of the key areas to address in the organisation's internal financial controls framework include:
  - custody and security of cash
  - processing, recording and application of funds received
  - banking transactions, including authorisation of cheques and other forms of funds transfers
  - authorisation of purchases and payments
  - payroll and other employee-related transactions (including tax, National Insurance and pension contributions)
  - processing of expense claims

Additionally, for organisations which are also charities, the framework should also:

- enable trustees to fulfil their responsibility to safeguard charitable funds and assets, ensure they are used for legitimate purposes and that they are used within the charity's own charitable purposes.
- receipt, recording and application of both general donations and restricted purpose donations, Gift Aid donations, declarations, records and claims

## **Internal financial records**

- Companies, including registered charities, are required by law to keep internal financial records which:
  - record and explain all transactions, including receipts and expenditures, and the reasons for those transactions
  - disclose the organisation's current financial position with reasonable accuracy
  - enable the board to ensure the annual accounts meet the applicable financial reporting standards
- These internal financial records should be kept for at least six years. Some records may need to be kept longer because of particular legal or regulatory requirements relevant to the specific organisation.

## **Management accounts**

- Good quality, accurate, management accounts are an essential financial management tool. Generally they are produced either monthly or quarterly.
- The management accounts should enable the board to:
  - monitor performance against budget
  - identify any key discrepancies in that performance

## **Expenses**

- The organisation should adopt a formal written expenses policy.
- The policy should establish clear parameters about what expenses can be refunded, in what circumstances and the restrictions that apply (e.g. standard mileage payment rates, caps on permitted travel and accommodation expenses).

- The policy should specify appropriate procedures to be followed to claim and verify expenses and the reasons for those expenses.
- It should also specify the procedures by which claims are verified and authorised for payment. Those procedures should include the following features:
  - a standard expense claim form
  - provision of evidence of the reasons for the expenditure and the amounts (including receipts and verification of any VAT paid)
  - any mileage payable should be within HMRC limits, so that tax and National Insurance issues will not arise
  - the claimant should play no part in verifying or authorising their own expenses (or those of anyone connected to them, such as a family member)
  - cash payments should be avoided, with BACS transfers or cheques used instead
  - adequate records should be kept to provide an audit trail
- The policy and associated procedures should apply to anyone making expense claims (including staff, board members and volunteers).
- It is best practice to avoid organisation expenses being paid personally by staff, directors/trustees and volunteers and then reclaimed. The organisation should pay its own expenses directly whenever possible.

### **International transactions**

- There are particular risks of loss or misappropriation when funds and other assets are moved between different territories.
- Verification of the correct end use of funds transmitted overseas is essential.
- Where possible it is best to move funds through formal banking systems. If alternative financial systems are to be used careful consideration must be given to what additional measures are needed to ensure security of transfer, verification of delivery and the verification of end use of those funds.

### **Serious incident reporting**

- Where incidents or fraud or other financial crime are identified, or suspected, the organisation should act immediately to minimise the risks of serious and irrecoverable losses and to protect its reputation and good standing.
- Consideration should always be given to:
  - informing the police or other investigatory authorities (in some circumstances this is an absolute legal duty for the directors/trustees and others in, or connected with, the organisation)
  - making a serious incident report to appropriate regulator(s) and/or relevant sports council(s)

**Procedure**

- Document internal financial procedures and controls.
- Provide guidance to staff and any volunteers involved in relevant activities.
- Provide appropriate training for new staff and new volunteers.
- Address the training needs of board members in relation to financial management of the organisation.

**Filing requirements**

- Note the filing obligations relating to annual accounts and annual reporting under company and/or charity law.

Date of approval

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Date of next review

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