

## Federation Treasurers Handbook – Appendix

### 1. Practical Financial Management

#### 1.1 Internal Financial Controls

The following table sets out some key control objectives and gives examples of the types of controls that should be implemented to ensure these are achieved.

Control Objective	Risks	Examples of control
<b>Completeness:</b> <ul style="list-style-type: none"> <li>- All income due is received</li> <li>- All payments due are made</li> <li>- All financial transactions are recorded in accounting records</li> </ul>	<ul style="list-style-type: none"> <li>- Failure to collect all income due</li> <li>- Penalties for late payment of suppliers</li> <li>- Incorrect accounting records</li> </ul>	<ul style="list-style-type: none"> <li>- Setting &amp; monitoring income and expenditure budgets and investigating variances</li> <li>- Defined processes &amp; responsibilities for authorising, coding and recording all transactions</li> <li>- Defined procedures to review and monitor debtors and creditors</li> <li>- Regular reconciliation of cash and bank accounts</li> </ul>
<b>Accuracy:</b> <ul style="list-style-type: none"> <li>- Processing of financial transactions is free from errors</li> <li>- Correct amount of income is collected</li> <li>- Payments made are for correct amount</li> <li>- VAT, PAYE, NIC, any other taxes are correctly accounted for</li> <li>- Transactions are accounted for under correct nominal codes</li> </ul>	<ul style="list-style-type: none"> <li>- Inaccurate accounting records</li> <li>- Queries and problems arising from incorrect invoices / incorrect payment amounts</li> <li>- Errors in payments to HMRC &amp; consequent penalties</li> </ul>	<ul style="list-style-type: none"> <li>- Clearly specified procedures for processing and recording transactions with segregation of duties where possible</li> <li>- More than one level of checking / authorisation to source documents</li> <li>- Use of control accounts for tax transactions with regular checks</li> <li>- Regular comparison of results against budget &amp; investigation of variances to highlight possible anomalies</li> </ul>
<b>Compliance:</b> <ul style="list-style-type: none"> <li>- Income and expenditure are within charity's powers</li> <li>- Financial transactions are within authorisation levels and budgets</li> </ul>	<ul style="list-style-type: none"> <li>- Breach of charity and/or tax rules governing income and expenditure</li> <li>- Unauthorised expenditure</li> <li>- Fundraising /sales activities outside charity's powers</li> </ul>	<ul style="list-style-type: none"> <li>- Defined authorisation levels; specimen signatures; checks for correct authorisation before processing</li> <li>- Two levels of authorisation for payments by BACs or on-line banking</li> </ul>

<ul style="list-style-type: none"> <li>- Restricted fund income &amp; expenditure is in accordance with restrictions</li> </ul>	<ul style="list-style-type: none"> <li>- Failure to manage charity's resources and achieve budgets due to uncontrolled income and spending &amp; consequent financial problems</li> <li>- Failure to meet funders' requirements in respect of restricted funds</li> </ul> <p>Fraud resulting in loss of resources and reputation damage</p>	<ul style="list-style-type: none"> <li>- Trustee approval of budgets and income / fundraising proposals</li> <li>- Clear procedures for recording restricted fund transactions</li> <li>- Regular comparison of results against budget</li> </ul> <p>Reconciliation of bank / control accounts</p>
<p><b>Protection of Assets:</b></p> <ul style="list-style-type: none"> <li>- Physical and monetary assets are held securely</li> </ul> <p>Scope for fraud / theft is restricted</p>	<p>Loss of assets due to theft or fraud</p>	<ul style="list-style-type: none"> <li>- Assets recorded in up-to-date asset register with periodic checks</li> <li>- Agreed signatories &amp; authorisation levels; more than one signature required on bank accounts / investment accounts</li> <li>- Two people to agree &amp; record cash &amp; cheque receipts</li> <li>- Physical security measures</li> </ul> <p>Controls over access to on-line records</p>

## 1.2 Financial Procedures

The level of detail and complexity of the procedures will depend on the size of the federation. The following table shows the main areas that procedures should cover.

### FINANCE PROCEDURES CONTENT

#### Trustees' financial responsibilities

- Approving and controlling the budget
- Monitoring financial performance
- Reserves policy
- Conflicts of interest
- Staff financial responsibilities and authorities
- Insurance

#### Income

- Cheque receipts
- BACS
- Cash receipts
- Invoicing

- Grants
- Pricing policies

#### Expenditure

- Ordering goods and services
- Authorising contracts
- Purchase invoices
- Payment procedures and authorisations
- Paying salaries
- Use of credit cards
- Petty cash
- VAT
- Automated payment

#### Control of financial assets

- Banking arrangements and signatories
- Investment policy and management
- Bank account reconciliation
- Stock control
- Payroll control

#### Control of physical assets

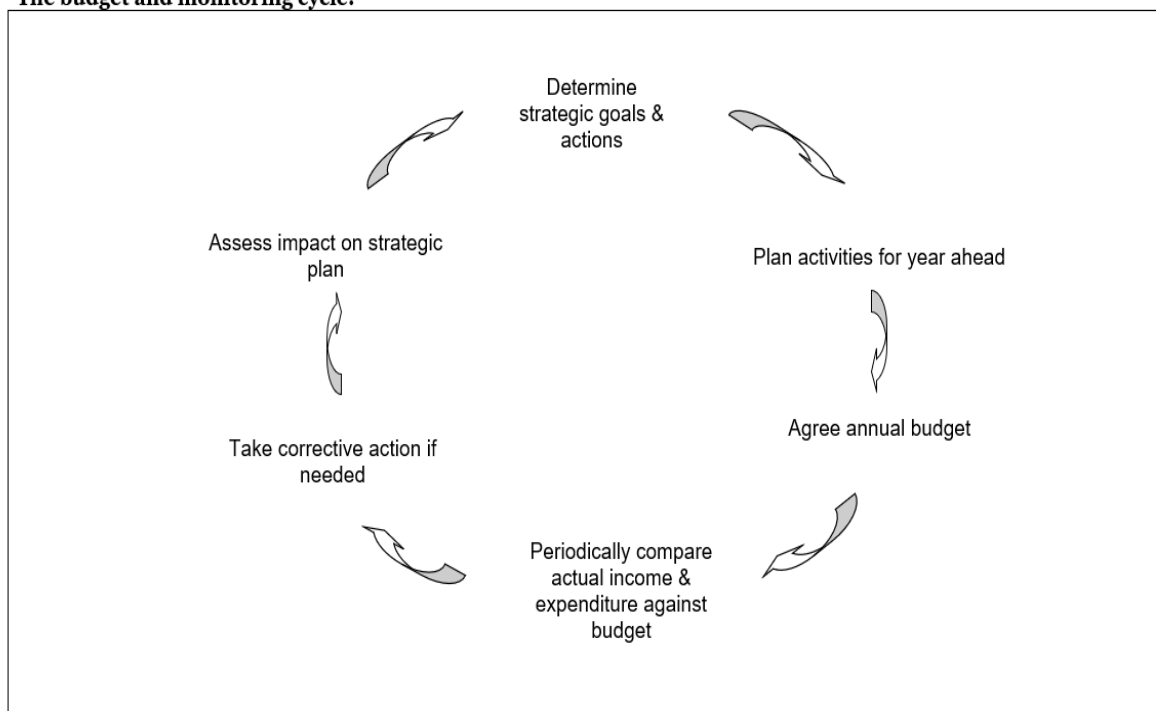
- Buildings
- Computer equipment, software and data
- Other equipment, fixtures & fittings

### 1.3 Preparing an Annual Budget

Example of a plan to produce the annual budget

Action	Suggested Timescale
Board of Trustees to agree significant criteria for the budget	6 months before start of budget year
Agree responsibilities for each area of the budget; estimate income and expenditure within each area; compile information from all areas to produce a first draft budget	4-6 months before start of budget year
Review of first draft by Board of Trustees; decisions about any changes required	4 months before start of budget year
Review and refine budget items, taking account of any significant developments in current year; further interim review by trustees if necessary	1-4 months before start of budget year
Final draft reviewed and approved by Board of Trustees	1 month before start of budget year

#### The budget and monitoring cycle:



## 1.4. Risk Management

### 1.4.1 Example format for a Risk Register

Risk Area	Impact	Likelihood	Control procedure	Responsibility
A description of each risk identified in this risk area	H/M/L	H/M/L	The controls in place to manage the impact of the risk Further actions to be taken	The person or persons responsible for the control procedures and actions

### 1.4.2 Risk Review Guidance

It is helpful to start a review of risks by identifying main areas of risk, for example, these might include:

- Governance
- Staff
- Operational
- Financial
- Property
- Reputational

1. The next step is to consider potential risks within each area and rate them in terms of impact – how serious the consequences would be, and likelihood - the chances of the risk occurring. Clearly risks with high impact and high likelihood are the most serious. Risk with low impact and low likelihood may require no further action.

2. You should then consider what actions can be taken to control the risk; these can include measures that reduce the likelihood of the risk occurring, such as a preventive internal control, or measures that reduce the severity of the impact such as insurance or other contingency plans. The cost and difficulty of any control actions needs to be taken into account and be in proportion to the potential consequences.

## 2. Annual accounts

### 2.1 Examples of receipts & payments vs accruals basis

#### Example 1

*The federation is running a training course in October and course fees are due in September. The federation's financial year ends on 30 September.*

Receipts & payments basis: Receipts of course fees are included in the income for the year ending 30 September.

Accruals basis: Receipts of course fees are matched to the year in which the training takes place. They are therefore included in the income for the year commencing 01 October. In the accounts for the year ending 30 September, they are shown in the balance sheet as deferred income and carried forward to the next year's income.

#### Example 2

*The federation purchases a new computer for £2,000. They expect to replace computers every 5 years.*

Receipts & payments basis: The total cost of the computer is shown in the expenditure for the year. The computer is listed in the statement of assets and liabilities.

Accruals basis: The computer is a capital item. The cost of the computer is not included in total expenditure for the year; instead, the cost is spread over 5 years, and a depreciation cost of £400 is included in total expenditure for this year and each of the next four years. The net book value of the computer at the end of the current year is £1,600 and is included in the tangible asset value in the Balance Sheet.

### 2.2 Accruals accounts checklist example

	<p><b>Do the accounts include a Statement of Financial Activities –SOFA?</b></p> <p><i>If federation is incorporated, this should be headed: 'Statement of Financial Activities incorporating Income &amp; Expenditure Account'</i></p>	
	<p><b>Does SOFA contain columns for different types of funds?</b></p> <p><i>Fund types include unrestricted, restricted, endowment. Your federation will not necessarily have all three types. If more than one type the SOFA should include</i></p>	

	<i>columns for each different types of fund with a totals column for current year; also, a total of all funds for previous year.</i>	
	<b>Is information shown under the following required headings?</b>	
<b>3a</b>	<b>Incoming resources</b> <b>Incoming resources from generated funds</b> <ul style="list-style-type: none"> <li>a) Voluntary income</li> <li>b) Activities for generating funds</li> </ul> <b>Incoming resources from charitable activities</b> <b>Other incoming resources</b> <i>SORP format requires analysis using the above headings; however small charities below the audit threshold may choose alternative categories to suit their circumstances.</i>	
<b>3b</b>	<b>Resources expended</b> <b>Costs of generating funds</b> <ul style="list-style-type: none"> <li>a) Costs of generating voluntary income</li> <li>b) Fundraising trading: cost of goods sold &amp; other costs</li> </ul> <b>Investment management costs</b> <b>Charitable Activities</b> <b>Governance Costs</b> <b>Other resources expended</b> <i>SORP format requires analysis using the following headings; however small charities below the audit threshold may choose alternative categories to suit their circumstances.</i>	
<b>3c</b>	<b>Transfers between funds -if any</b> <i>E.g. transfers from restricted to unrestricted funds</i>	
<b>3d</b>	<b>Other recognised gains /losses -if any</b> <i>E.g. realised or unrealised gains or losses on investments</i>	
<b>3e</b>	<b>Reconciliation of funds</b> <i>Net movement in funds + total funds brought forward = total funds carried forward.</i>	
	<b>Do the accounts include a balance sheet?</b>	

## 2.3 Receipts & payments accounts checklist

<b>1.</b>	<b>Does R&amp;P account contain columns for different types of funds?</b> <i>Fund types include unrestricted, restricted, endowment. Your federation will not necessarily have all three types. If more than one type of the SOFA should include columns for each different types of funds with a totals column for current year; also, a total of all funds for previous year.</i>	
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<b>2.</b>	<b>Is information shown under the following required headings?</b>	
<b>2a</b>	<b>Receipts</b> <i>May be analysed under sub-headings in any way the federation wishes. A separate sub-heading is recommended for sales of assets and investments.</i>	
<b>2b</b>	<b>Payments</b> <i>May be analysed under sub-headings in any way the federation wishes. A separate sub-heading is recommended for purchases of assets and investments.</i>	
<b>2c</b>	<b>Transfers between funds</b> <i>E.g. transfers from restricted to unrestricted funds</i>	
<b>2d</b>	<b>Cash funds at year end</b> <i>Cash funds brought forward plus movements in funds this year = cash funds at year end.</i>	
<b>3.</b>	<b>Do accounts include a statement of assets and liabilities at the year end?</b> <i>Includes tangible assets, investments, cash/ bank balances, debtors, creditors or other material liabilities that need to be met from funds</i>	

## 2.4 Trustees' Annual Report checklist

For a smaller charity (not subject to a statutory audit)

<b>Required content</b>		
Reference and administrative information	The name of the charity	
	Any other name by which a charity makes itself known	
	The charity registration number	
	The company registration number (for CLGs)	
	The names of the charity's trustees or trustee(s) for the charity on the date the report was approved	
	The names of any other person who served as a charity trustee in the financial year	
Structure Governance and Management	The nature of the governing document and how the charity is (or its trustees are) constituted	
	The methods for the recruitment and appointment of new trustees	
Public Benefit statement	Confirmation that the trustees have paid due regard to the Charity Commission's guidance on public benefit in deciding what activities the charity will undertake	
Objectives and Activities	A summary of the objects of the charity as set out in its governing document	
	Summary of main activities undertaken in relation to these objects	
Achievements and Performance	A summary of the main achievements of the charity during the year	
	Policy on reserves	

Financial Review		
	Details of any fund materially in deficit, the circumstances giving rise to the deficit and steps being taken to eliminate the deficit	
Funds held as Custodian Trustee (if any)	Description of any assets held in this capacity	
	The name and objects of the charity (or charities) on whose behalf the assets are held and how this activity falls within their own objects	
	Details of the arrangements for safe custody and segregation of such assets from the charity's own assets	

## 2.5 Reporting to the Charity Commission

[Charity overview](#)  
[What, who, how, where](#)  
[Governance](#)  
[Trustees](#)  
[Financial history](#)  
[Accounts and annual returns](#)  
[Governing document](#)  
[Contact information](#)

**Activities - how the charity spends its money**

The activities organised by this charity are consistent with upholding the objects of the Women's Institute charity of which the main purpose is to enable women who are associated with rural life, including arts, crafts and sciences, to improve and develop conditions of rural life, to advance their education in citizenship, in public questions both national and international, in music, drama and o

**Income and expenditure**

Data for financial year ending 31 March 2024

**Total income: £89,546**

**Total expenditure: £89,019**

**People**



8 Trustee(s)

24 Volunteer(s)

## 3. TAX and VAT (UK based charities)

### 3.1 VAT status of income table

Type of income	VAT status	Notes
Membership subscriptions (Federation share)	Standard-rated	Individual federations may be able to reach agreement with their local HMRC office about treating part of the subscription as zero-rated or exempt if the subscription income is used to provide zero rated services (e.g. printed matter) or exempt services (e.g. training).
Membership subscriptions (NFWI share)	Outside the scope	The federation is acting as Agent for the collection of this income – it does not form part of the federation's own income.
Other income handled on behalf of another organisation	Outside the scope	Again, the federation is acting as Agent if the income is given to the federation simply to pass on to another organisation.



Training fees	Exempt	Provision of education by an eligible body is exempt from VAT. HMRC define education as 'a course, class or lesson of instruction in any subject'. Federations qualify as eligible bodies provided that any profit made from exempt educational supplies is used for the continuance of those activities.
Sports and physical recreation – entrance fees	Exempt	A full list of exempt sports is given in VAT notice 701/45  Generally sedentary activities such as Scrabble and Bridge are defined as social activities not sports, and are standard rated.
Social events – entrance fees	Standard-rated	Unless these can be classified as fundraising events (see below).
Fundraising events – admission fees and other income	Exempt	The purpose of organising the event must be to raise funds, and this should be made clear when advertising the event. All income at the event is exempt including entry fees, sponsorship, catering.  There is a limit of 15 of the same events in one location per financial year, e.g. repeat performances of a show. Small scale events such as coffee mornings are excluded from this number.
Donations	Outside the scope	Note that donors must not receive a benefit in return for the donation; if they do then this constitutes payment for a service and is standard rated.
Statutory grants	Outside the scope	Provided that services are not supplied directly to the statutory body, e.g. training for its staff, or where the statutory body is effectively contracting out services it would otherwise provide – these would constitute standard-rated services.
Sponsorship	May be outside the scope or standard- rated	If the sponsor receives no benefit in return, then this constitutes a donation and is outside the scope. However, if the sponsor receives a service such as advertising or promotion then this is standard rated <u>unless</u> the sponsorship is for a fundraising event (see above). If a company's logo is reproduced on posters, leaflets, etc then this is likely to be seen as a sale of advertising. A simple acknowledgment in the annual report or the small print on the back of a publication would not be seen as a taxable supply.
Rental income for premises	Exempt	Provided the property is not 'opted to tax'

Service charges linked to supply of premises, e.g. insurance, rates, light & power	Exempt	Provided these are the responsibility of the federation and recharged to tenants i.e. bills are in federation's name.
Hire of facilities for events	Exempt	Except facilities provided primarily for a supply of catering by the same provider are standard rated, e.g. a wedding reception
Catering services	Standard-rated	
Postage charges	Standard-rated	
Photocopying charges	Standard-rated	
Sale of printed matter	Zero-rated	Applies where purpose is to convey information, e.g. books, magazines, newsletters. Electronic publications are standard- rated
Sale of stationery	Standard-rated	Applies to items that contain areas for completion e.g. stationery, diaries, cards
Sale of goods purchased for resale	Standard rated	Except goods that normally zero-rated, e.g. Books and publications, many foodstuffs such as jam.
Sale of donated goods	Exempt	
Adverts in federation publications or enclosures with mailings	Standard-rated	
Raffle tickets & lotteries	Exempt	Defined as payment for obtaining a chance to win a prize.
Competitions	Standard-rated	A competition is generally where some merit or skill is involved in determining the outcome. Otherwise, it is a lottery
Investment / bank interest	Outside the scope	
Funds from closed WIs	Outside the scope	