Charity Internal Financial Control Checklist - Review

Use this checklist to check your charity's internal finance controls against the legal requirements and good practice recommendations in Internal financial controls for charities (CC8).

You should review your charity's internal financial controls at least once a year.

Answer the checklist based on your knowledge of what actually happens in your charity, not what you expect to happen.

Each of the points on the checklist links to a section of the guidance which you should read for full details.

Not all the controls set out below are appropriate for all charities. Only use the sections relevant to your charity's activities.

You must always comply with legal requirements identified in the checklist which are relevant to your charity.

A 'yes' answer for good practice recommendations does not mean there is no scope for further improvement. A 'no' answer does not always indicate a problem. For example, you may not have a particular control because it would not be appropriate for your charity's size or activities. Or it may be a reasonable risk for your charity, given the cost of putting in place stronger internal controls.

GENERAL PRINCIPLES FOR ALL CHARITIES		
1 Understand the types of controls appropriate for your charity	**Yes**	**No**
Your charity's financial controls cover all aspects of how your charity handles money		
You seek professional advice where you are not sure what controls are appropriate for your charity		
2 Understand your charity's financial information	**Yes**	**No**
All trustees are given regular information about the financial performance of your charity		
You discuss the financial performance of your charity at each trustee meeting		
You have terms of reference for any finance sub-committee, or similar sub-groups of the trustee board		

If you have a finance sub-committee it reports to the full board of trustees in line with terms of reference		
3 Preparing accounts and reports	**Yes**	**No**
You keep appropriate accounting records of all transactions (legal requirement)		
The charity's accounts comply with the relevant legal requirements (legal requirement)		
You prepare an annual report (legal requirement) and accounts which are formally approved by trustees at an annual meeting		
You have appointed an auditor or independent examiner (legal requirement for charities with gross annual income of over £25,000)		
New trustees are given a copy of the latest accounts, relevant guidance and the charity's governing document		
You file the annual report and accounts with the Charity Commission on time (legal requirement if your charity's gross annual income exceeds £25,000 or you are a Charitable Incorporated Organisation (CIO) and you are not an exempt or excepted charity)		
You file your charity's annual return on time (legal requirement if your charity is a Charitable Incorporated Organisation (CIO) or has a gross annual income of over £10,000)		
4 Embedding internal financial controls	**Yes**	**No**
Controls are understood and followed by everyone within your charity		
Training is provided on your charity's financial controls and policies		
5 Monitoring financial performance	**Yes**	**No**
Budgets setting out income and expenditure are prepared and approved by the trustees		
Performance is measured against budgets at regular intervals and explanations are provided for any differences		
6 Reviewing and monitoring your internal financial controls	**Yes**	**No**
You carry out an annual review of your charity's internal financial controls		

You have considered whether you need to appoint an internal auditor or set up an audit committee		
7 Splitting financial duties between people	**Yes**	**No**
Financial duties are split between people to provide 'double check' on all transactions		
8 Recording and reporting incidents	**Yes**	**No**
Your charity has procedures for recording incidents and reporting suspicions internally, to the Commission and to other relevant bodies which are well-known and working		
OPERATIONAL RISKS	**Yes**	**No**
Trustees and staff know why the charity is at risk from financial crime and abuse and know of typical examples of potentially fraudulent activities		
Your charity has appropriate policies in place which could include an anti-bribery policy, policies on the acceptance of hospitality, the acceptance of donations and a register of interests		
Your charity has policies and controls for access to and storage of data which complies with the General Data Protection Regulation (GDPR)		
Your charity's electronic equipment and online systems are appropriately protected		
INTERNAL FINANCIAL CONTROLS FOR BANKING		
Bank and building society accounts	**Yes**	**No**
You have a bank or building society account in the name of your charity		
You have a list of your charity's bank and building society accounts, which is regularly reviewed		
You carry out regular reconciliations between your accounting records and bank statements		
Instructions to open or close accounts are properly authorised and reported to trustees		
You check there are no unused accounts		
You monitor accounts to ensure there is no third-party use		

You regularly review the costs, benefits and risks of your charity's current and deposit accounts		
The bank mandate requires at least two signatories		
Online banking	**Yes**	**No**
Your online banking system requires authorisation of transactions by two individuals		
All electronic devices, such as laptops, phones and tablets, are kept secure with up-to-date anti-virus and spyware software and a personal firewall		
Trustees, staff and volunteers understand the need to ensure that the charity's security details (including the password and PIN) are not compromised		
PINs and passwords are regularly changed		
Your charity maintains a list of people who are approved to have access to the PIN and password		
Your charity keeps an audit trail of electronic banking transactions		
Cash held in your charity's bank or building society account	**Yes**	**No**
You carry out regular reconciliations		
You regularly check direct debits, standing orders and other transfers		
Banking cash and cheques	**Yes**	**No**
Cash and cheques are banked promptly and (before then) stored safely		
Your charity has insurance to cover the contents of the safe or cash box and cash in transit		
Funds are banked without deduction of expenses		
Alternative banking methods	**Yes**	**No**
You have policies in place that define when alternative banking methods may be used		
You limit alternative banking methods to essential transfers where regulated banking systems cannot be used		

Your charity keeps an audit trail of alternative banking transactions		
Your charity ensures that the same authorisation procedures for payments in the regulated banking system are used for alternative banking transactions		
INCOME		
Income from donations	**Yes**	**No**
Your charity regularly checks that all eligible tax repayments are obtained		
Your charity has procedures to identify 'tainted charity donations'		
Donations received from public collections and fundraising events	**Yes**	**No**
Public collections are undertaken in line with the rules set out in our guidance [link to CC20] (legal requirement)		
Your charity complies with Part II of the Charities Act 1992 where professional fundraisers are engaged (legal requirement)		
Collection boxes are numbered and their allocation and return recorded		
Collection boxes are sealed before use		
Collection boxes are regularly opened and counted by the charity and you keep a record of their locations and history of takings		
Collections are counted in the presence of the collector and a receipt given to them		
Two people are involved in counting and recording the income		
Cash is banked as soon as possible and without deduction of expenses		
Records are maintained for each fundraising event		
For ticket incomes:		
Tickets are pre-numbered		
Records are kept of who is in charge of which tickets to sell, and which ticket numbers they have been allocated		

Records are kept of which tickets are sold and unsold tickets are collected		
Reconciliations are made of money received against tickets sold		
Income and donations received online and by card readers	**Yes**	**No**
Card readers are kept securely		
You reconcile the transaction history with income in your charity's bank account		
You comply with the Payment Card Industry standards		
Income and donations received by post	**Yes**	**No**
Post is held securely before it is opened		
Post is opened in the presence of 2 people		
Claiming Gift Aid on donations	**Yes**	**No**
Your charity maximises of its use of Gift Aid and its use of Gift Aid is lawful		
Your charity keeps the records required by HMRC for Gift Aid claims (legal requirement)		
Donations of cryptoassets	**Yes**	**No**
You understand the risks of holding or accepting cryptoassets and have the expertise to manage them		
You have a policy on holding or accepting cryptoassets		
Your crypto wallet is compliant with UK regulations and registered with the Financial Conduct Authority		
You regularly review the benefits of holding or accepting cryptoassets against the risk		
Income from trading that the charity undertakes	**Yes**	**No**
You have a pricing policy for the goods and services supplied		
You have invoicing procedures for goods and services supplied		
You review outstanding debts and collection procedures		
You have procedures to reconcile amounts invoiced and cash received to outstanding invoices		
Income from legacies	**Yes**	**No**

Your charity identifies and monitors the receipt of legacies and records legacies correctly in accounts		
INTERNAL FINANCIAL CONTROLS FOR EXPENDITURE		
Expenditure on goods and services	**Yes**	**No**
You have a policy on the authorising of expenditure		
Invoices received are checked against orders, and the receipt of the goods or services ordered is checked		
Payments by debit, credit or charge cards	**Yes**	**No**
You have a policy for the use of payment cards, including the criteria for their issue, spending limits and security		
Those who have a card has a copy of the payment card policy		
Cards are cancelled and destroyed where necessary, such as when cards are lost		
All card expenditure is supported by receipts and invoices and recorded in the accounting records		
Card statements are sent to a different person than the card holder and checked against supporting records and invoices		
You review your card use policy and check periodically that users follow it		
Mobile payment services, such as Google Pay and Apple Pay	**Yes**	**No**
You have the same controls as above for debit, credit or charge cards		
Payments by bank transfer, Bankers' Automated Clearing Services (BACS), Direct Debits and standing orders	**Yes**	**No**
Only named individuals are authorised to set up these types of payments		
You use a dual authorisation system for bank transfers and BACS payments		
You monitor the arrangements to ensure that automatic payment arrangements are cancelled where required		
Payments by cheque	**Yes**	**No**

Your charity follows any requirements in your governing document about who can sign cheques		
There is a prohibition on signing blank cheques		
Cheque books are kept in a secure place with access only by nominated persons		
You regularly review that authority limits are appropriate		
All cheque expenditure is recorded in the cash book and noted with the relevant cheque number, nature of payment and payee		
Cheques are only signed with documentary evidence of the nature of the payment, for example, an invoice		
Payments in cash or by pre-loaded cash card	**Yes**	**No**
You ensure that cash payments (and any use of pre-loaded cash card) are minimal		
All payments by cash are made from a cash float and not from incoming cash		
Supporting documentation is authorised by someone other than the person maintaining the petty cash or the person making the payments		
Details of all payments are entered in a petty cash book		
Regular independent checks are made of the petty cash float and records		
Paying wages and salaries	**Yes**	**No**
Any required statutory deductions (such as tax and National Insurance) are paid to HMRC and pension contributions to the provider (legal requirement)		
PAYE records are maintained as required by HMRC (legal requirement)		
You comply with minimum wage legislation (legal requirement)		
Any other deductions from salaries are only made where they are required or authorised (legal requirement)		
End-of-year returns (P60 and P11Ds) are completed and filed with HMRC by the deadline (legal requirement)		

You meet any required pension scheme arrangements (legal requirement)		
All employees have contracts of employment		
Personnel records are kept and held separately from wages records		
Salary levels are properly authorised and recorded		
You have a system for notifying and authorising changes such as starters and leavers, changes of hours and other payroll changes		
Payments are made by bank transfer or BACS		
Payment or reimbursement of expenses	**Yes**	**No**
You have an expenses policy that all trustees, staff and volunteers know and understand and your checks show the policy is implemented		
Expense claims include a self-declaration that the claim is accurate and incurred in connection with the business of the charity		
Expense claims are dual-authorised and do not involve the person making the claim		
Expenses are paid in a secure way		
Mileage rates for travel are in accordance with HMRC approved rates		
Expenditure on grants	**Yes**	**No**
You have a grant-making policy		
Your procedures for checking that grants are spent in line with the terms you set are followed		
Internal financial controls for payments to related parties	**Yes**	**No**
Any payments to trustees or people/organisations connected to trustees are authorised. Where there are rules in your charity's governing document about payments to trustees, these are followed		
You follow the rules set out in our guidance on trustee expenses and payments and managing conflicts of interest in a charity		
Internal financial controls for assets and investments		
Tangible fixed assets	**Yes**	**No**

You regularly maintain a comprehensive fixed asset register		
Assets are regularly inspected to make sure they are in good repair and are of use to the charity		
You have considered your charity's insurance cover		
You review the use of fixed assets annually to make sure they are put to best use and serve your charity's interests		
Intangible fixed assets	**Yes**	**No**
You keep a record of all the intangible fixed assets your charity holds		
You hold electronic data securely and in line with GDPR requirements and any other relevant legislation		
Restricted funds and endowment funds	**Yes**	**No**
Your controls make sure restricted funds can only be spent on their specific purposes		
Your charity complies with the law in relation to any permanent endowment it holds		
Your charity accounts reflect any separate restricted or endowment funds it holds		
Investments	**Yes**	**No**
You have read and understand your trustee duties when investing charity funds		
Internal financial controls for loans	**Yes**	**No**
You authorise any loans taken out or made by the charity usually at trustee level		
Loans made by your charity are at commercial terms		
Loans taken out by the charity are at the best terms it can get, and it is in the charity's interest to secure the loan		
You keep a record of the terms of any loan including security or bank covenants, and all repayments		
Where a loan is made to a related party you manage conflicts of interest appropriately (legal requirement)		

Where a loan is made to a related party you comply with any rules in your charity's governing document about this, and you manage conflicts of interest appropriately (legal requirement)		
Where your charity is taking out a loan, you have a repayment plan in place		
You take advice about the terms offered in a loan from a related party if appropriate		
Internal financial controls for hospitality, including gifts	**Yes**	**No**
You have a clear policy that sets out when hospitality can be given and received		
You keep a record of hospitality given, received or refused		
All trustees, staff and volunteers understand and follow the hospitality policy		
Internal audit functions and audit committees	**Yes**	**No**
Internal auditors consult the internal audit international professional practices framework		
You have clear and agreed terms of reference for your internal audit committee		
You have an external audit if your charity must have one		
You have an internal audit committee if your charity is required to have an external audit		