GOVERNANCE FACTSHEET – THE BASICS

Financial procedures – Before you start

- **What is the purpose of financial policies and procedures?**

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What is the purpose of financial policies and procedures?

The Charity Commission's guidance [Charity finances: trustee essentials (CC25)](#) opens with the sentence:

Good management of a charity's finances and other assets enables it to succeed in delivering its charitable aims

The purpose of creating a set of finance policies and procedures is to provide the framework to help you to do that, so that you don't have to waste time making small routine decisions on finance and can focus on your real work.

There is no off-the-shelf manual, what matters is to have a set of policies and procedures that work for your organisation. Written best practice procedures may appear to offer control but will be useless without communication, acceptance and leading by example – therefore you need to create procedures that will match the culture of your organisation and that everyone can adhere to easily.

The template and guidance give you a head start, with wording to adapt, along with questions to ask yourselves so you can shape sections according to your need and values.

How will the manual be used?

You should be aiming to create a manual that people refer to as a matter of course, not something that the trustees approve which then gathers virtual dust till its next review date.

Although some parts are setting out principles, you will also be including practical information, eg about authorities for expenditure and claiming expenses, and staff need to know that there are clear rules and where to find them.

Making the manual a working document takes some effort and good communications. You need to ensure that discussion of the manual is included as part of your induction process. If you have finance staff, they have a role in supporting other staff to understand their responsibilities and find

*Adapted from NCVO webpage - last reviewed 29 April 2022

their way round the procedures. They also have to appreciate that while it is their priority, it won't be the same for the operational staff, and that's probably as it should be.

You will need to decide how much detail you want. There is a balance to be struck between the trustees discharging their responsibility and the staff being able to get on with the day to day. You also don't want something too unwieldy, but this is much simpler when it doesn't have to be on paper.

The policies and the framework of key procedures should be included in your manual and approved by the trustees but you might want a set of appendices for issues that relate to finance or that don't need approval such as:

- organisation chart

- flowcharts of processes such as purchasing, payments

- workplan of regular finance tasks (eg payroll, bank reconciliation, management accounts).

How will you put it together?

Gather existing policies, procedures and practice

You may already have a series of documents that just need editing and bringing together in one place. Or there may be excellent practice on the ground that has not been written down.

Once you have collected all your material together with this template the task will feel much less intimidating.

Break it down

Even with a template, putting together a financial policies and procedures manual can be a time-consuming project; there are a lot of processes to be reviewed and documented, and decisions to be taken.

You might want to tackle it in sections, starting with areas you are concerned about, or where particular queries come up regularly.

If you aren't sure where to start, working through the Charity Commission's internal financial controls for charities checklist should give you some pointers. Many independent examiners require trustees to confirm they have reviewed it annually.

You may want to give different members of your team responsibility for particular sections.

Get the team involved

Procedures are best developed with input from the people who are going to be most involved in carrying them out, because they have the knowledge of how things will work. Another benefit of this is that it helps with future compliance when people feel some ownership.

You can use the templates as discussion documents, asking yourselves some basic questions like:

- who should do this?

- who should be able to authorise this?

- how often do we want to look at this?

- how much would be reasonable for our organisation?

…and documenting your answers (being clear that the trustees will have final approval). It may feel as though what you end up with is a bit obvious, but it won't be to someone new in the organisation.

Make the manual user-friendly

The policies should be precise and clear, using plain language. It is easy to get stuck in policy speak and jargon, especially dealing with finance, but there is no need. You might find it useful to get someone independent to read each section through, checking it can be understood.

Include a glossary if you are using technical terms.

Other sources of advice

- [Internal financial controls for charities (CC8)](#) is an important guide for trustees. The checklist referred to above picks out key points.

- [Charity finances: trustee essentials (CC25)](#)

- [General advice on creating policies and procedures](#) on Knowhow

Use of the template – available for members only

https://www.ncvo.org.uk/help-and-guidance/governance/financial-procedures-manual/templates/

The template has been drawn up for an organisation [ORG] with a [board of trustees], including a [treasurer]; paid staff, including a [chief executive], someone else with responsibility for dealing with finance [finance officer] and [volunteers]. In most cases what matters is that the functions are carried out and that someone is identified as responsible for them, so you can amend the procedures to fit your situation. It is good practice to spread responsibility for finance in order that no one person has too much control, leaving the organisation more open to error or fraud.