



# Internal financial controls for charities (CC8)

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# Session objectives

- Why update CC8?
- What's different about CC8?
- Key messages from CC8
- Examples when financial management goes wrong
- Questions

## Quick poll

What is your primary relationship with charities?

1. Professional advisor (auditor, accountant etc)
2. Chair
3. Treasurer (or 'finance trustee')
4. Another trustee
5. Other (e.g. employee)

# Why update CC8?

- First published in July 2012
- Different payment methods: Apple Pay
- Cyber fraud
- Crypto
- GDPR





# Why update CC8?

- So far in 2023, 9 of the 10 statutory inquiries into individual charities that have concluded included financial management concerns
- Financial concerns is one of the most common issues in compliance work



# Improving our guidance

- ✓ Plain English
- ✓ Clear and concise
- ✓ Shorter
- ✓ Easier to navigate
- ✓ Action-focused
- ✓ Remove duplication

# What's different about CC8?

- New style and structure
- Shorter
- Up to date (modern payment methods; crypto)
- Checklist

## Key messages from CC8

Internal financial controls are **essential checks and procedures** to help you:

- protect your charity's assets
- make informed decisions
- meet your legal duties

## Key messages from CC8

Mismanaging your charity's finances or assets can damage:

- your charity's financial viability, with consequences for how it delivers its services
- your staff and volunteers' morale
- your charity's reputation
- public trust and confidence in charities

## Key messages from CC8

- All trustees are responsible: not just the Treasurer or the Chair
- Lead by example: follow your charity's financial controls
- Comply with governing document requirements
- Adopt the right controls for your charity

## Key messages from CC8

Checking that your financial controls are working helps make sure:

- you have the controls that you need now (not 5 years ago)
- everyone (trustees, staff, volunteers) is following your own charity's procedures

# Monitoring financial performance

Having the right information to:

- help you understand how your charity is performing
- help you understand if and how your charity needs to make changes
- help you make strategic and operational decisions as trustees

# Monitoring financial performance



# Fraud and cybercrime

Be aware of information risks:

- financial information
- information relating to people / partners - including personal data:
  - beneficiaries
  - staff, volunteers, trustees
  - suppliers, partners

# Online banking

Use a dual-authorisation system

Make sure your charity keeps:

- details of all transactions
- devices with access to online facilities secure
- devices up to date with relevant (anti-virus) software
- all passwords and PINs secure

# Cryptoassets / cryptocurrency

What are they?

Are they risky?

Can charities use them?

# Risks

- Volatility in value
- Security
- Lack of regulatory protection
- Anonymity of donors
- Limited use
- Environmental issues

## Related party payments – Quick poll

These are all types of payments trustees could receive from a charity. Which require legal authority before the payment can be made?

1. For accountancy services the trustee is providing to the charity
2. To reimburse cost of buying train tickets for travelling to a trustee meeting
3. Repayment of a loan and interest that the trustee made to the charity
4. All of the above

## Related party payments

- Understand what they are
- Understand who/what is covered
- Must be in the charity's best interest
- Must have prior legal authority
- Manage conflicts of interest
- Record your decisions
- Report them properly

# Loans

- Must be in the charity's best interest
- Loans made must be repayable on commercial terms (unless furthering purpose)
- Loans received must be affordable and loan agreement in place
- Manage conflicts where they apply; obtain authority if applicable
- Record your decisions
- Disclose in accounts

# Checklist

- Helpful resource
- Linked to guidance
- A yes answer doesn't mean there isn't scope for improvement
- A no answer doesn't always indicate a problem
- Controls should be reviewed at least once a year

## External scrutiny

- Audit practice note 11 refers to CC8
- Independent Examiner – recommended to obtain details of internal financial controls
- Independent Examiner and Auditor duty to report to regulator - MOMS

## **Case study 1 - Fraud by a charity chair**

The chair of a charity defrauded the charity of over £35,000 over 4 years

The fraud was discovered following the appointment of new trustees who uncovered financial irregularities

New trustees discovered that there were no financial controls in place

## Case study 2 – Unauthorised trustee benefits

- An example where the charity sought to do the right thing
- Authority was applied for and given with regards an existing trustee, who was employed to carry out a specific role at the charity
- Then they resigned, from both the board and the paid role
- The trustees appointed another into the paid role – without authority

## Failings in controls

- Review controls / learn lessons
- Serious Incident Report?
- Report to action fraud?
- Report to other regulators?
- Report to law enforcement?
- Professional advice needed?

## Resources

- Trustee expenses and payments (CC11)
- Managing financial difficulties (CC12)
- [Charity governance, finance and resilience: 15 questions trustees should ask - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/charity-governance-finance-and-resilience-15-questions-trustees-should-ask)
- Charity Fraud Awareness Week 27 Nov – 1 Dec
- Trustees Week 6 - 10 Nov

# Questions

