



Financial Controls for Charities:

Payments by Cheque

Using cheques as a method of payments is diminishing with the widespread use of electronic payment. However, cheques do continue to be used and it remains important that payments are only made for expenditure which is properly authorised and incurred by the charity.

The following controls are recommended when making payments by cheque:

- ensure cheque books are kept in a secure place
- regularly review bank mandates and authority limits
- do not allow the signing of blank cheques
- ensure payments are promptly recorded in cash books including details of the cheque number, nature of the payment and the payee
- ensure that documentation is obtained to support the validity of the payment including relevant invoices and confirmation that the goods or services have been received

Electronic Payments

Increasingly charities are making payments electronically, using direct debits, standing order and BACS transfer. These are all safe ways of making payments provided that appropriate controls are in place. The controls should provide assurance that direct payments are only made for expenditure

properly authorised and incurred by the charity. Controls should ensure that payments are only made when authorised and that payments are accurately recorded in the accounting records.

BACS is a simple, secure and reliable service, which enables organisations of all sizes to make payments by electronic transfer directly into a bank or building society account. However, before setting up the system the charity should ensure that it has robust controls in place, because the nature of these payments makes it difficult to recall them before the payee's account is credited, in the event of errors or fraudulent transfers being discovered.

Banks have developed software that allows charities to provide for more than one person to authorise payments. Such dual-authority options (for example a facility for Unity Trust Bank's customers via Unity e-Payment) require two users to complete a BACS transaction. Charities should ask their own banking provider for details of their own similar dual-authority options.

Charities should ensure that only specifically authorised individuals are able to set up arrangements to make payments by direct debit, standing order or BACS. This authority should be limited to a small number of people with a list of authorised individuals drawn up and retained. The documents setting up the payments should be retained as part of the charity's accounting records. The payments should be monitored so that the charity can ensure that the arrangement is cancelled when the charity stops using the goods or services being supplied.

For further information/ individual support & advice, please contact:

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