

Holding, moving and receiving charitable funds safely

Holding, moving and receiving funds for your VCS organisation can be an onerous task. This bite size resource will look at a few key points on how to keep your organisation funds safe.

Most organisations will need funds to be able to continue their day to day activities. Within the VCS it is important that funds are not only secure but are used and logged responsibly. The most responsible way to hold and transfer charity funds is by utilising a bank account. This is not only a safe and insured (to an extent) way of holding funds, but allows an external transaction record to be kept. However, it is not always possible to make every monetary transaction directly by a bank account. There are some cases when alternative methods are used for monetary purposes. This is the area that the bite size resource will investigate.

Whose responsibility is it to oversee a charities funds?

It is a Trustees legal duty to act prudently in safeguarding a charity funds and assets.

The Trustee must ensure they use reasonable care and skill to ensure funds are used in the intended manner and without having any undue foreseeable associated risk. The funds must also be traceable and accountable in line with internal and external reporting regulation thus helping in public trust and confidence in the charity.

What methods of holding, moving and receiving fund will fall outside of the usual banking methods?

– Foreign currency exchange

When transactions cross the UK boarder there are exchange rates to consider. The current rate may pose a cost to your organisation. The Trustee using due diligence must ensure before making the transaction; if there will be any risk posed to the financial position when exchange rates are considered. Also it is important to ensure the institution used to make the transfer is registered with the appropriate agencies (e.g. the FCA or HMRC). When planning future activities ensure any applicable effects on finances are considered.

– Donations outside of the UK

Donations may be anonymous or from a known source. Either way when receiving large donations, it is important to be assured the origin is not one inappropriate e.g. an illegal / money laundering source. Therefore, when receiving large donations from abroad try to insist on a bank transfer to prove the origin, this will mean funds go through an international bank clearing system. This will also help to prove the funds have reached the required destination and are more transparent when reporting.

Should an overseas donation be seen as not having reasonable systems in place to prove arrival at destination, then the Finance Act 2010 states that the transfer would be classed as non-charitable and as such taxable to HMRC.

– Cash

Transactions made in cash are sometimes a last resort, this may be e.g. when working with a country where there is conflict and no banking systems are in place. It is still the Trustee's role to minimise any risk associated with moving sums of cash, be it to the money itself or to the person carrying the funds, albeit the risk would be high should thousands of euros be carried in personal luggage. Regulatory frameworks need to be considered when moving cash sums. E.g. there is a 10,000-euro limit on funds that can be carried in cash over the UK border. This must be declared to HMRC.

To help keep cash secure it is recommended that:

- Cash payments are small denomination.

- Petty cash should be the only form of paying out cash to be able to keep proper logs.
- Petty cash and records should be kept secure.
- Authorisation of petty cash payments should be by a different person to the one maintaining the petty cash.
- An independent person to the one maintaining the petty cash should do regular spot checks of the float.
- All receipts and records should be kept safe to prove legitimate use of petty cash.

– Couriers

Courier use is not without risk. Trustees need to be aware of the risks to the charity and their personal liability before choosing to use a courier. Cash couriers are one of the ways that funds are smuggled for laundering or terrorist offences under the guise of charitable purpose, so reasonable steps should be put in place when using a courier. At the least this should include it in writing:

- The amount and what currency of cash is used.
- The destination the currency should arrive and to whom.
- When the funds should arrive by.
- Agreement should be signed before funds are moved.

Remember, cash couriers are not required to register with HMRC as a Money Service Business. As Trustees it is important to be as diligent as possible to safeguard funds even against a cash courier.

– Intermediaries

Organisations that act as a link and move funds outside a formal banking system are known as intermediaries. Some examples are; Money Service Business, cash courier, payment services, other charities or NGOs. The Trustee must use due diligence and ensure adequate systems are in place when moving and receiving funds. Measures such as practical ideas of not transferring funds until confirmation of a subsequent transfer is complete will help to identify any issues and also keep full track and verification of transfers. Also have in place policy and management procedures including full records kept and authorisation procedures to ensure safe transfer and receipt of funds.

Diligence of the Trustee can be shown in the following steps:

- Having proof in place to show an intermediary is the best course of action, including benefits.
- Do a risk assessment and have management in place to safeguard and control funds, including any particular political consideration.
- Address the relevant regulations.
- Ensure home country and any included external country laws are considered.
- When using informal systems to transfer money internationally, ensure any licensing or registration is followed where applicable; as advised by the Financial Action Task Force.

If you would like to know more about the best practice in moving, holding and receiving funds safely for your organisation please visit the Gov.UK guidance: Charities: holding, moving and receiving funds safely, here <https://www.gov.uk/government/publications/charities-holding-moving-and-receiving-funds-safely>

