Natural Habitat

Financial Management Policy

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1 Overview

In accordance with the requirements of the Charity Commission, a Trustee of a UK Charity has a legal duty to always manage their Charity's resources responsibly and act with reasonable care and skill when managing such resources. This includes adopting appropriate internal financial controls and mitigating the Charity against risks such as: fraud, bribery, corruption, money laundering and other serious crimes such as terrorism.

2 Purpose

The purpose of this Policy is to protect the Charity and its Trustees from financial mis-management and financial crimes. It provides guidelines for all matters related to financial management that must be adopted across the Charity by all Trustees and Employees.

3 Policy

3.1 Covered Individuals

All Trustees and Employees of the Charity are covered by this Policy.

3.2 Covered Transactions

This Policy covers any and all financial transactions made by the Charity and any of its Trustees and Employees.

3.3 Financial Year

The financial year of the Charity is from 1st April to 31st March each year.

3.4 Guiding Principles

The Charity's finances will be ruled by the need for the Charity's to fulfil its Charitable Purpose, as defined in the Charity's Constitution, and the following key principles:

- That the Charity is a not-for-profit organisation.
- That the Charity strives for effective and efficient impact;
- That the Charity strives for long-term financial sustainability;
- That the Charity will be transparent with our accounting;
- That the Charity will be secure when transacting;
- That the Charity will adopt a zero tolerance policy to financial crime.

To this purpose the Trustees and Employees of the Charity shall manage the financial and material resources of the Charity professionally and in adherence to financial management guidelines published by the UK Charity Commission[1].

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[1] Guidance Note: Charity finances - trustee essentials (CC25) published by the UK Charity Commission - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/602509/CC25.pdf

3.5 Internal Codes and Procedures

The Charity must produce a Financial Management Manual that will detail all financial controls, codes and procedures that all Trustees and Employees of the Charity must adhere to at all times when managing the Charity's resources, including any required segregation of duties. This manual will be compliant with guidance published by the UK Charity Commission in relation to financial management.[2] This financial manual must be reviewed and updated at least on an annual basis by the Trustees.

The Charity's financial manual will details all internal financial procedures and controls related to all types of income to the Charity and expenditure (procurement, payments and grants) from the Charity. The manual will also detail the Charity's banking and custody procedures in addition to codes related to asset registration and control.

3.6 Annual Budgets and Budget Monitoring

The Charity must produce an annual budget detailing expected income and anticipated expenditure of the Charity which must be approved by the Charity's Trustees at each AGM. All employees of the Charity must work in adherence with the approved budget and the financial performance of the Charity must be reported to the Trustees on a quarterly basis. Any significant variance (>10%) of actual financial performance against estimated performance must be discussed and the budget reviewed and reapproved accordingly.

3.7 Internal Audits

The Trustees withhold the right to appoint an independent internal auditor and/or set up an internal audit committee when considered appropriate and prudent to do so.

3.8 Information and Communication

The Charity will produce an internal set of accounts, based on standard accounting procedures, on a quarterly basis that will be reported to and approved by the Charity's Trustees.

The Charity's Trustees will commit to reviewing budgets and the financial performance of the Charity at each and every board meeting. Any significant findings will be communicated to Employees as required.

The Charity's Trustees will produce specific Terms of Reference that will help govern how the Board of Trustees will review and approve the annual budget and ongoing financial performance of the Charity.

The Charity's Trustees will have the final decision making powers within the Charity with regards to approval of annual budgets and budget amendments.

3.9 Accounting Requirements

The Charity will ensure that sufficient accounting records are kept of all financial transactions so that the annual accounts meet all legal requirements under UK law.

The Charity will produce a set of annual financial statements that must be reviewed and

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[2] Guidance Note: Internal financial controls for charities (CC8)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/585892/CC8_new.pdf

approved by the Trustees. The Trustees must appoint an independent external auditor to examine the financial statements and produce an audit statement prior to the annual accounts becoming final and public. The annual accounts and report will be compliant with the guidance provided by the UK Charity Commission.[3]

The Charity will ensure that the final audited accounts, audit report and annual return are filed on time with the UK Charity Commission i.e. submitted within 10 months of the end of financial year.

3.10 Unrestricted Reserves

The Charity will strive for financial sustainability and security and therefore withholds the right to accumulate a reasonable level of unrestricted reserves. Unrestricted reserves will not exceed 12 months of core operating costs. When the level of unrestricted reserves exceeds 12 months of core operating costs then the allocation of surplus will be decided by the Executive Director and subject to approval by the Board of Trustees.

3.11 Restricted Reserves

Restricted reserves are those reserves for which a grantor or donor has placed specific restrictions on their use – as most often determined by a donation or grant agreement.

The Trustees will ensure that adequate controls and procedures are in place to safe guard all restricted reserves and ensure that all such reserves are spent in accordance with the use specified in any associated donation or grant agreement.

3.12 Managing Risk of Financial Crimes

The Trustees will produce an anti-bribery and anti-corruption policy for the Charity that is compliant with the requirements of the Bribery Act 2010 and adheres to UK Charity Commission guidance on protecting charities from financial crimes.[4]

The Anti-Bribery and Anti-Corruption Policy must be in place before the Charity commences any financial transactions and before the Charity opens a bank account.

The Chairperson will ensure that all Trustees and Employees of the Charity have adequate policies, controls and software in place that will protect the storage of electronic information and data across the Charity from external interference.

The Chairperson will ensure that all Employees and Trustees are made aware of why the Charity may be at risk of financial crime and will be provided information on how to help identify the most common and typical fraudulent activities within the UK charitable sector.

It will be an obligation of all Employees and Trustees of the Charity to report suspicious financial activities internally and to the UK Charity Commission.

3.13 Managing Risk of Terrorism

The Trustees will ensure that the Charity is governed in compliance with Section 19 of the Terrorism Act 2000 (TACT). In doing so, the Trustee's will ensure that; 1) all Trustees and

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[3] Guidance Note: Charity reporting and accounting - the essentials (CC15b)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/434789/cc15b_Lowink.pdf

[4] Compliance Toolkit: Protecting Charities from Harm, Chapter 3 - Fraud and Financial Crime
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/654821/Chapter3.pdf

Employees of the Charity are made aware of the Charity's legal obligations under TACT and are trained and alert to the internal and external processes of how to report suspicions or beliefs regarding terrorist financing; 2) that all Trustees and Employees of the Charity will be obliged to report suspicions or beliefs regarding terrorist financing offences as soon as possible to the police and UK Charity Commission; and, 3) that the Charity will have in place clear mechanisms to ensure that any Charity office, employees or other partners based overseas can report such concerns promptly.

4 Policy Review and Amendments

The Charity reserves the right to change its Financial Management Policies from time to time and any changes shall become part of any agreement between any existing grantees and volunteers or employees of the Charity, in as far as such changes do not affect the statutory rights of any Grantees or volunteers or employees and all Grantees and volunteers and employees of the Charity are informed of such changes in writing, which could be delivered in person, by fax, by mail or through the use of electronic media.

The Charity are committed to reviewing our policy and good practice annually.

5 Adoption and Review

Policy created: February 2023; adopted in full September 2023

Next Trustee Review date: September 2024