

# **FINANCIAL MANAGEMENT AND INTERNAL CONTROLS**

Centre for Fathering

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# 1 INTRODUCTION

## 1.1 Purpose of Guide on Internal Controls

1.1.1 This guide is intended to outline good practice on internal controls. It is not intended to cover every single aspect of internal controls, but to raise awareness of the areas that need to be considered and put in place. Centre for Fathering (CFF) will regularly review and conduct periodic audit to tighten internal controls.

1.1.2 This guide also serves to help CFF's board members safeguard the property under their charge, advise on the best practices to implement and promote greater professionalism in the administration of CFF. It follows the good governance principles and best practices in key areas of governance and management set out in the Code of Governance, issued by The Charity Council.

## 1.2 Importance of Internal Controls

1.2.1 *What are internal controls?* Internal controls are series of procedures designed to promote and protect sound management practices, both general and financial. They also serve to demonstrate to potential donors and beneficiaries that a charitable organisation's assets are securely protected and that its management is efficient.

1.2.2 *Why are internal controls necessary?* All board members have the primary duty to safeguard the charity's property and secure its application for the objects of the charity. It is important to demonstrate to both donors and beneficiaries that the property is secure. It would not be possible to offer that security, if it is not evident that checks and controls are in place.

1.2.3 *How do internal controls help management?* Internal controls will assist management to ensure:

- a. Orderly conduct of activities,
- b. Adherence to management policies and authorisation,
- c. Safeguard of and restrictive access to assets,
- d. Reconciliation of accounts and spot checks to prevent and detect irregularities and discrepancies, and
- e. Accuracy and completeness of accounting records.

1.2.2 *What are the risks involved if internal controls are lacking?* CFF will face the risk of irregularities and fraudulent practices. While most people are assumed to be honest, CFF must take measures to avoid putting people in situations where they may be enticed to defraud. Failure to issue proper guidelines may also tarnish CFF's reputation due to ignorance of staff.

## 1.3 Effectiveness of Internal Controls

1.3.1 For internal controls to function well, it is necessary to have in place:

- a. Strong organisation structure,
- b. Regular management supervision, and
- c. Competent and honest staff.

1.3.2 The control environment should reflect management's overall attitude, awareness and action taken for matters regarding internal controls especially integrity and ethical values.

#### **1.4 Implementation of Internal Controls**

1.4.1 Creating an effective internal control system requires steps to be taken in many areas. The control activities to manage risk include:

- a. Authorisation controls,
- b. Financial reviews,
- c. Supporting documents,
- d. Reconciliation and checks to detect irregularities and variances,
- e. Physical security controls,
- f. Computer security controls,
- g. Segregation of duties,
- h. Management on conflicts of interest, and
- i. Control environment in awareness and education towards integrity and ethical values.

1.4.2 The general policies and procedures for common transactions covered in this guide include:

- a. Revenue and receipts,
- b. Purchases and payments,
- c. Investments,
- d. Human resource and payroll,
- e. Supplies, inventories and fixed assets, and
- f. Loan and donation.

1.4.3 This guide would only be effective if it is closely followed and the internal controls are carried out. An overview of an integrated control system is in **Annex A**. The Self-Checklist Form in **Annex B** is designed to evaluate the extent in which the internal control procedures set up in this guide have been carried out and complied with. It is a questionnaire where non-compliance needs to be explained. For non-compliance, it would be proper to review the internal control procedures and determine the follow-up action needed.

## **2 CLASSIFICATION OF CONTROL ACTIVITIES**

### **2.1 Policies and Procedures**

2.1.1 Internal controls involve the planning of a series of internal control policies and procedures to ensure:

- a. Transactions are carried out in accordance with management authorisation,
- b. Transactions are properly recorded,
- c. Access to assets are restricted to authorised persons, and
- d. Recorded assets are reconciled and compared with physical assets on a regular basis.

2.1.2 Policies and procedures should be formalised and clearly defined.

### **2.2 Authorisation Controls**

2.2.1 Board members should define the delegation of authority and limits of approval. The lack of clearly defined approving authorities would lead to unclear roles and responsibilities. This may result in inconsistencies, irregularities or fraudulent practices.

2.2.2 *Organisation Structure*: There should be a clear organisation structure with defined levels of delegated responsibility. This should be depicted on an approved organisation chart and communicated to all staff.

2.2.3 *Approving Authorities*: Policies on limits of authority and power to sign on behalf of the organisation by authorised persons should be set up, properly documented and approved by the board members. All transactions with financial impact should be authorised only by such persons with the delegated authority. The limits for these authorisations should be communicated to all staff in writing. For key decisions, board members should give the approval. This will ensure that transactions are in line with the charity's mission and purpose. Authorisation may be general or specific. For illustration purposes, specific authorisation is granted on a case-by-case basis e.g. non-routine transactions and routine transactions that exceed the limits provided by the general authorisation.

2.2.4 *Grievances and Disputes*: Differences between staff and supervisors on matters pertaining to authorising transactions should be communicated to management. This would serve the purpose of promoting self-checks.

### **2.3 Financial Review**

2.3.1 Regular financial review should be conducted. The lack of budgetary control and monthly financial statements may result in excessive purchases not being detected, inefficient usage of resources not being identified or irregularities not being detected.

2.3.2 *Annual Budget*: Board members should approve an annual budget to forecast both income and expenditures appropriate for CFF's corporate and programme plans.

2.3.3 *Financial Statements*: Board members should review the monthly financial reports prepared consisting of the Balance Sheet and Income and Expenditure Statements. Comparative budget figures should be presented, with analysis and explanations for significant variances.

2.3.4 *Audited Accounts*: Board members should meet the external auditors to review and discuss on the findings of any internal control flaws or unusual transactions uncovered by the external auditors before approving the audited financial statements.

2.3.5 *Annual Report*: CFF follows the provisions in the governing instrument and provide its stakeholders with an annual report, which includes the audited financial statements and present them at the Annual General Meeting, so that there is accountability to members.

## **2.4 Supporting Documents**

2.4.1 There are procedures in place to check for documentary evidence of the occurrence of transactions reflecting the price, nature and terms, before approval. This will ensure that payments are validated and wrongful payments are not made. The lack of supporting documentation may lead to falsification or fabrication of documents for wrongful gains. It may also lead to the preparation of misleading and inaccurate financial statements.

2.4.2 *Types of Supporting Documents*: Documentary evidence consists of source documents e.g. invoices, bills, receipts, quotations, contracts, agreements, statements, etc.

## **2.5 Reconciliation and Checks**

2.5.1 Reconciliation and checks of key operational and financial matters are done on a regular basis. This would:

- a. Reduce incidence of irregularities,
- b. Increase likelihood of detecting irregularities, and
- c. Ensure that all questionable or suspicious irregularities are properly investigated and reported accordingly.

2.5.2 *Bank Reconciliation*: Bank reconciliation involved an independent comparison of the balance of cash at bank recorded in the account with the balance of cash at bank shown on the bank statements received from the relevant bank. If possible, an independent staff, on a regular monthly basis should conduct the bank reconciliation. Any significant variances discovered or suspected involving unusual or questionable payments should be investigated and the findings reported accordingly.

2.5.3 *Surprise Checks*: If possible, an independent staff should conduct surprise checks on a regular basis on key functions or activities e.g. petty



cash float. Any significant discrepancies discovered or suspected involving unusual or questionable payments should be investigated and the findings reported accordingly.

## **2.6 Physical Security**

2.6.1 There are policies and procedures defined to secure the premises and documents. Roles and responsibilities of the staff involved should be clearly stated. Control of the access to physical assets would prevent theft or tampering of documents due to dishonest intention.

2.6.2 *Access Control to Premises, Stores, Documents and Records:* Measures for safekeeping of assets, documents and records would include fireproof safe and locked offices. Access to premises, stores, filing cabinets etc. are restricted to authorised staff only.

2.6.3 *Custodian of Keys:* Only staff designated to be the key bearers are allowed to hold keys to rooms, cabinets, safe, etc. Loss of keys should be reported and follow-up action taken accordingly.

## **2.7 Computer Security**

2.7.1 Computer security is important in view of wide use of computers for work processes. There are policy and procedure defined for computer security to prevent fraud and error. This would maintain security of the hardware and the information in the computer system. Review of the policy and procedure should be conducted regularly, e.g. every three years.

2.7.2 *Access Control to Computers:* Access to computers especially servers is limited to authorised staff only.

2.7.3 *Password Control:* Implement a two-level password authorisation to ensure only authorised staff could access the relevant systems. For example, the first level password allows employees to access the general systems while the second level password allows employees to access systems that are specific to the employee's area of responsibility.

2.7.4 *File and Data Security:* Computer data backup and recovery policy and procedure should be in place. to ensure file/data security, there should be safeguards in place such as anti-virus protection, transmission security, internet security, firewalls, etc.

## **2.8 Segregation of Duties**

2.8.1 Different staff should be designated to duties involving authorisation, execution, custody and recording functions, where possible. Segregation of duties reduces the risk of fraud and error and increases the element of check.

2.8.2 *Basic Rule:* The preparer should be different from the checker to prevent errors. In situation where staff strength is limited, the board members should be more involved in the checking of staff work and duties at regular intervals.

2.8.3 *Examples of Segregation of Duties:*

- a. Different staff should be assigned for ordering of goods and services, recording of transactions, signing of cheques and reconciliation of monthly bank statements.
- b. The same staff should not be given access to physical assets and also perform the duty of recording the related transactions. For example, staff who checks the inventory must not be the person who updates the stock record.

## **2.9 Management on Conflicts of Interest**

2.9.1 Board members, staff, volunteers and donors of CFF should act in the interest of the CFF and there should be no vested or personal interest or interest of third parties. The lack of management in conflicts of interest may lead to the engagement of dishonest or unethical acts and this would affect the public's confidence.

2.9.2 *Related Party Transactions:* CFF has a policy on conflicts of interest that require employees and board members to disclose any interest that they may have in companies doing business with the organisation. Nevertheless, any contract entered into with the related parties must be reviewed and approved by the board members and key officers not involved in the transactions.

2.9.3 *Annual Declaration:* Each board member and key officer makes an annual declaration on any possible conflicts of interests.

2.9.4 *Procurement Contracts:* Procurement of goods and services should be on an arm's length basis. CFF should not procure consulting services from a board member or a board member's relative on less attractive terms than could have been obtained from the open market.

## **2.10 Control Environment**

2.10.1 The control environment is the overall attitude, awareness and actions of management regarding internal controls with emphasis of integrity and ethical values. Weakness in control environment involving integrity and ethical values may lead to the engagement of dishonest or unethical acts.

2.10.2 *Continuous Training:* Continuing education is given to staff on the importance of accounting controls. The message for the staff is that fraud may occur where internal controls are absent, weak or loosely enforced. They should therefore adhere to these controls strictly.

2.10.3 *Report Wrongdoing*: There may be occasions where a senior staff or board member may override internal control procedures and argue for less formality in controls or staff may be exploited or abused. Under these circumstances, the staff should report to higher management accordingly. It is communicated to staff that each of them has the responsibility to report known or suspected wrongdoing to higher management. Under difficult circumstances, higher management may need to seek advice from the legal or audit professionals.

### **3 APPLICATION OF INTERNAL CONTROLS**

#### **3.1 Revenue and Receipts**

##### **3.1.1 Overview**

3.1.1.1 Policies and procedures applied to revenue and receipt transactions and functions are formalised below. The roles and responsibilities of the staff involved in different processes should be clearly defined. Doing so would minimise the risk of fraud, theft, manipulation of accounts and misappropriation in any charitable organisation. It would also protect the staff and/or volunteers from wrongful accusation of dishonesty and prevent temptation or fraudulent practices. It would also give assurance to the donors that their donations are properly accounted.

3.1.1.2 Revenue and receipt transactions and their related functions include:

- a. Postal receipts
- b. Cash receipts
- c. Donation boxes
- d. Banking
- e. Fund-raising event
- f. Relations with donors
- g. Relations with volunteers

##### **3.1.2 Postal Receipts**

3.1.2.1 Loss of incoming mails may go undetected. The lack of internal controls may lead to misappropriation of cash or cash not accounted for.

3.1.2.2 *Segregation of Duties*: The HR manager is in-charge of collecting letters from the mailbox every day. He/she will open the letters and any cash or cheques must be recorded before he/she passes the cash and cheques to the Accounts executive.

3.1.2.4 *Recording*: Incoming mail cheques and cash should be recorded immediately and be verified by someone other than the staff who perform the recording.

3.1.2.5 *Supporting Documents*: Mail register, letters and envelopes that contain the details of postal receipts should be filed properly for accounting and verification.

##### **3.1.3 Cash Receipts**

3.1.3.1 Major risk in cash handling is misappropriation before cash is recorded. Measures need to be put in place to minimise the handling of cash and misappropriation.

3.1.3.2 *Segregation of Duties*: Cash receipts should be counted and recorded by two staff, if possible.

3.1.3.3 *Physical Security*: Cash receipts should be counted in a secure environment and held in a secure place before banking-in. Access to the secure place should be restricted to authorised staff.

3.1.3.4 *Recording*: Cash receipts should be recorded. Deduction must not be made from cash received. All incoming money banked-in should be the gross amount and no amounts should be held back for settling petty cash or payment of other expenses.

3.1.3.5 *Supporting Documents*: Documentary proof of cash receipts should be filed properly for accounting and verification. They include:

- a. Receipt that is serially numbered should be issued to payee as acknowledgement of cash received.
- b. Cash counting form should be prepared at the point of counting for the purpose of subsequent reconciliation with banking-in documentation. This would ensure that all money collected have been banked-in.
- c. Bank-in slips for cash receipts recorded and banked in as evidence that the receipt transactions had actually taken place and being accounted.

### **3.1.4 Donation Boxes**

3.1.4.1 CFF may collect donations from donation boxes from time-to-time and therefore need to ensure proper records are maintained. Donation boxes placed at fundraising partners' premises should be recorded. The lack of controls in donation boxes may lead to:

- a. Donation boxes not accounted for i.e. missing boxes,
- b. Cash collections go undetected.

3.1.4.2 *Physical Security*: Donation boxes should be sealed and secured by locks so that any opening prior to recording is readily apparent. This is a requirement to prevent theft before collection and counting. Staff responsible for custody of the keys should be separated from the staff assigned to collect donations.

3.1.4.3 *Recording*: Donation boxes should be serially numbered and proper record should be maintained to evidence their allocation, location and return. History of takings for these boxes should be recorded.

3.1.4.4 *Collection*: Donation collections poured into a bag should be secured with a serially numbered seal and recorded by staff assigned to collect donations. This should be witnessed and acknowledged by the fundraising partner. A copy of the collection form should be given to the fundraising partner for record.

3.1.4.5 *Supporting Documents*: Documentary record of donation boxes and collections should be filed properly for accounting and verification. They include:

- a. Collection form that record donations collected and/or counted, duly signed by staff assigned to collect donations and fund-raising partners.
- b. Record of keys and donation boxes to be verified regularly.
- c. Record of seals and collections to be updated regularly.

### 3.1.5 Banking

3.1.5.1 Regular banking of incoming receipts is necessary to minimise the risk of cash handling.

3.1.5.2 *Prompt Banking*: Whenever possible, cash should be banked immediately. Where substantial sums are involved, cash should be banked in stages during an event and preferably by two staff. If cash cannot be banked immediately, money should be banked the following day if the amount is large e.g. more than \$2,000/-.

3.1.5.3 *Physical Security*: Safe custody of all valuables (cash and cheques) should be maintained at all times. Cash and cheques should not be left in an unattended environment. They should be kept in a safe or cash box under lock and key. Personal money should not be placed together with money belonging to the charity. A staff should be appointed and made responsible for holding the keys. If a safe, with key and combination, were used, it would tighten control to separate the key and safe combination custodian. Suitable bags for banking should be provided to staff on banking duty.

3.1.5.4 *Insurance*: Money insurance should be purchased for all valuables secured in office and money while in transit. Fidelity guarantee is also advised to cover losses suffered arising from act of fraud or dishonesty committed by staff.

3.1.5.5 *Reconciliation*: At the earliest possible date, effort should be made to reconcile the bank-in slips with the prepared list of income summary. Where practical, this should be undertaken by staff independent of counting and banking, to ensure that all money collected is banked -in. Bank reconciliation should be conducted on a monthly basis. Staff not involved in cash receipt and payment should perform the duties, if possible.

3.1.5.6 *Supporting Documents*: Documentary record should be filed properly. They include:

- a. Bank-in slip and Bank statement for cash and cheques banked in as evidence that the receipt transactions had actually taken place and being accounted.

- b. Bank reconciliation statement to account for the differences between the bank balances as recorded in the cashbook and bank statement.

### 3.1.6 Fund-Raising

3.1.6.1 CFF would ensure that proper records are maintained for the fund-raising activities. The lack of proper management of fund-raising event may lead to misuse/loss of donation tickets or merchandise issued or misappropriation of donations.

#### 3.1.6.2 *Planning:*

- a. For donation card or sale of donation ticket, it is good control to have them pre-numbered to account for tickets sold and those remaining unsold after the event. Records must be maintained on the name and particulars of the fund-raisers who help with the sale.
- b. For sale of merchandise, item description and quantity should be recorded in place of pre-numbered tickets.
- c. Pricing of donation tickets or merchandise should preferably be set at a round figure e.g. \$1, \$2, or \$5 for easy administration.
- d. Instructions on the issue and return of cash, donation card, unsold donation ticket and merchandise must be made clear to the fundraisers.

#### 3.1.6.3 *Execution:*

- a. Issue of donation cards/tickets or merchandise to the fund-raisers should be acknowledged with the name, signature and contact number.
- b. Return of donation cards or unsold donation tickets or merchandise by the fund-raisers should be reconciled with the money received against the donation tickets or merchandise sold. This should be acknowledged with the name, signature and contact number.
- c. Discrepancies uncovered must be investigated immediately. Custodian should make a police report for any missing or lost donation tickets.
- d. Accounts should be finalised for all issue and return of donation cards/tickets or merchandise and cash collections at the end of the event.

3.1.6.4 *Supporting Documents:* Documentary record should be filed properly. They include:

- a. Record of issue and return of donation cards/tickets/merchandise as evidence of the collections that had actually taken place and being accounted. This should be duly signed by fund-raising partners and staff assigned to collect donations.
- b. Donation cards or unsold tickets for verification and audit.

### **3.1.8 Relations with Donors**

3.1.8.1 CFF and its fund-raisers are accountable to our donors for donations received and should respect donors' confidentiality. Donors' confidence will be affected if there is lack of control in handling of donations or lapses in ensuring confidentiality of donors' particulars.

3.1.8.2 *Donation*: Donations should be sent to CFF's premises and not the fundraiser's home. Donations should be made payable to CFF and not to individuals.

3.1.8.3 *Donor's Particulars*: Donor to provide full name, NRIC/FIN number, address and contact number on prescribed form where possible. As CFF is a charity

with IPC status, donations with valid NRIC/FIN number will be reported to IRAS for tax deduction purpose.

3.1.8.4 *Donation Receipt*: Receipt that is serially numbered should be issued by a responsible person appointed by CFF.



### **3.1.9 Relations with Volunteers**

3.1.9.1 CFF and its fund-raisers should effectively manage and take care of their fund-raising volunteers. In order to reduce poor performance, errors or unauthorised transactions, the following internal and non-financial control procedures are recommended:

3.1.9.2 *Volunteer Assessment*: Assessment should be made on the knowledge, skills and interests of the volunteers to match them to the volunteering opportunities, where possible. For events where cash handling is required, it is important to identify suitable volunteers with competence and integrity on money matters. Clear instructions on cash handling and recording should be given to volunteers.

## **3.2 Purchasing and Payments**

### **3.2.1 Overview**

3.2.1.1 Policies and procedures applied to purchasing and payment transactions and functions should be formalised. The roles and responsibilities of the staff involved in different processes should be clearly defined. Doing so would minimise the risk of errors, misuse and fraudulent practices. It would protect the staff from wrongful accusations of dishonesty and prevent the temptation to commit fraud.

3.2.1.2 Purchasing and payment transactions and their related functions include:

- a. Purchasing,
- b. Payment,
- c. Bank Account, and
- d. Petty Cash.

### **3.2.2 Purchasing**

3.2.2.1 The board members should approve and ensure that internal controls with documented procedures are in place for purchasing. The principles of purchasing are to ensure transparency, fair competition and value for money.

3.2.2.2 *Authority Levels*: Authority levels for approving purchases should be incorporated in the purchasing policies and made available to all the staff. Purchases can only be made and approved in accordance to these authority levels defined:

For purchase less than \$3000: CEO

For purchase equal or more than \$3000-\$20000: Chairman/Finance Chairman

For purchase above \$20000: Board approval is required

3.2.2.3 *Quotation, Tender and Contract*: Purchases should be made in writing and supported by competitive quotations for amounts considered large by the charitable organisation.

- a. Guidelines should be set for verbal quotations, written quotations and tenders. This should be made available to staff.
- b. Quotations obtained after one year should not be used. Fresh quotations should be obtained. Quotations obtained from regular vendors should therefore be reviewed annually to ensure fair prices and quality.
- c. Maximum period for any contract should be kept for up to 3 years and unlimited period should not be allowed.

3.2.2.4 *Purchase/Service order*: The order form should contain description of goods and services, quantity, prices and the name of the supplier's name and address. Purchase order form should be pre-numbered and signed by authorised person. The original is sent to the supplier. Attention should be given to purchases orders that are not closed after the target delivery date.

3.2.2.5 *Goods/Service Received*: Staff receiving the goods and services should ensure goods delivered are according to the description and quantities stated in the order form. Damaged goods should be refused and returned to suppliers. Acceptance of goods/services should be indicated and signed on the delivery orders.

3.2.2.6 *Segregation of duties*: Staff handling purchasing and receiving of goods/services should be separate, where possible. to prevent staff from gaining access to goods improperly ordered.

3.2.2.7 *Supporting documents*: Documentary records to be filed include:

- a. Invitation for quotation,
- b. Quotations received,
- c. Tender notice,
- d. Tender submission,
- e. Purchase/service order,
- f. Delivery order, and
- g. Service report.

### **3.2.3 Payments**

3.2.3.1 The lack of controls in payments may lead to unauthorised payments or undetected wrongful payments. Payments are to be handled in such a manner to ensure:

- a. Expenses incurred are for authorised purposes,
- b. Payments are made on a timely basis and in accordance with the purchase orders and contracts, and
- c. Proper funds and accounts are charged and recorded.

3.2.3.2 *Processing of Invoices*: The item description, quantity and price in the supplier's invoice must be matched with the purchase/service order and delivery order or service report where applicable. Supplier's invoice should be processed for payment on due date in order to enjoy the discount (if any) allowed by supplier.

3.2.3.3 *Processing of Payment Vouchers*: The payment vouchers with the original invoices must be submitted for approval by the authoriser. Invoice computations and pricing should be verified before payment approval. Upon obtaining approval from the authorised cheque signatory, the processed payment vouchers and supporting documents must be stamped "PAID", with particulars of dates and payment mode, to prevent their re-submission for duplicate payment.

3.2.3.4 *Segregation of Duties*: Staff handling payments are to be separated to the extent possible with regard to:

- a. Initiation of purchase requisition,
- b. Approval of vouchers and invoices,
- c. Preparation of cheques and recording of payments, and
- d. Signing of cheques.

3.2.3.5 *Reconciliation of Accounts*: Monthly statement of accounts received from suppliers should be reconciled with the recorded account payable balances.

3.2.3.6 *Review of Expenditures*: Periodical review by management in comparing expenses incurred with the budget can provide an effective means of controlling expense, detecting errors and deviation from rules and policies.

3.2.3.7 *Proper Authorisation*: Payments are to be made by cheques, Inter-bank GIRO, telegraphic transfer or bank draft. Variations and amendments made should be approved and supported by authorised signatures.

## **3.2.4 Bank Accounts**

3.2.4.1 The lack of controls in management of bank accounts may result in fraudulent practices that include unauthorised payments.

3.2.4.2 *Proper Authorisation*: The opening and closing of bank accounts have to be authorised by the board members.

3.2.4.3 *Dormant Bank Account*: Checks should be conducted to ensure that there are no dormant bank accounts. The aim is to prevent unauthorised payments, which may be undetected.

3.2.4.4 *Bank Signatories*: The board members must appoint responsible officers as bank signatories. One of the signatories must be the Treasurer, who can delegate this role to another board member or staff by a board resolution. There should be at least two bank signatories for each payment. Bank signatories should be unrelated, if at all possible. The appointed bank signatories with their specimen signatures and their approval limits must be duly endorsed by the banks.

3.2.4.5 *Authorising Cheque Payments*: Bank signatories should ensure the following:

- a. Cheque payments are accompanied by properly approved suppliers' invoices and payment vouchers.

- b. Cheque payee's name and amount agree with the details on the invoice.
- c. Cheques to be signed must not be made payable to themselves.
- d. Cheque issued without payee's name should not be signed.
- e. Cash cheque should be limited only to the top up of petty cash float.

3.2.4.6 *Physical Security*: Specimen signatures of bank signatories and monthly bank statements issued by the banks should be kept in a secured place. Access to blank cheque books should be limited to authorised staff and they should be kept in a secured place.

3.2.4.7 *Segregation of duties*: There should be segregation of duties involving the mailing of cheques to reduce the risk of theft or alterations. Cheques are to be mailed by someone other than the person preparing them.

3.2.4.8 *Cheque Control*: There should be proper control of cheques.

a. Cheque Register should be used to record movement of blank cheque books stating the date, serial number and quantity of new cheque books from bank, cheque books issued and remaining balance on hand.

b. Cheque Stubs should be completed and recorded with the particulars at time of payment.

c. Unused Cheques should be secured by a responsible staff. They should be checked at regular intervals to account for all the cheques and tally with the records in the cheque register. Any discrepancy should be reported to management accordingly. Access to unused cheque books should be limited to authorised staff and they should be kept in a secured place.

d. Spoilt/Void cheques should be retained for audit purpose.

3.2.4.9 *Bank Reconciliation*: Bank reconciliation has to be carried out regularly. Checks are to be made between bank statement and records of receipts and payments in the accounts.

### **3.2.5 Petty Cash**

3.2.5.1 Policies and procedure on the management of petty cash float and the nature and limits on the expenses should be clearly defined. The lack of checks and controls may result in undetected misuse of funds or abuse of claims e.g. duplicated and fictitious claims.

3.2.5.2 *Petty Cash Fund*: This is established by transferring a specified amount of cash to a petty cash box. When cash is paid out from the petty cash fund, an authorised voucher and the receipt should be placed in the petty cash box in its place. Every effort should be made to minimise cash payments and the petty cash float should be kept low.

3.2.5.3 *Top Up of Petty Cash Fund*: When the cash runs low, the approved vouchers will be used as supporting documents to replenish the petty cash fund to its original float. Cheque should be issued for top up of petty cash

fund. The fund should not be mixed with other cash. Cash collections should not be used to top up the petty cash.

3.2.5.4 *Petty Cash Claim*: Payments for claims should be for small amounts. Claims should be submitted by way of petty cash vouchers and should be supported by original receipts. The petty cash vouchers and supporting documents should be approved by officer other than the petty cash holder or claimant. Upon payment, all supporting documents including petty cash vouchers and receipts should be stamped "PAID" in order to prevent their reuse.

3.2.5.5 *Petty Cash Holder*: The fund should be in the custody of a responsible staff for accountability. A petty cash record should be maintained to record all petty cash claims, payments and top up.

3.2.5.6 *Reconciliation*: The petty cash fund must be reconciled monthly to ascertain that the cash in the petty cash fund plus approved vouchers and receipts should always equal the petty cash fund.

3.2.5.7 *Surprise Check*: Surprise check should be conducted regularly by an independently staff not handling the petty cash. Any discrepancy should be reported to management accordingly.

3.2.5.8 *Physical Security*: The petty cash box should be kept in a secure place and not left unattended.

### **3.3      Investments**

#### **3.3.1      Overview**

3.3.1.1 Investments involve the ownership of the securities held by charities. These securities are usually capital guaranteed in the forms of bonds, unit trusts, listed shares, fixed deposits in financial institutions etc. They are held to generate income (dividends and interests).

3.3.1.2 The lack of control on investments may lead to accounts being manipulated and documents being fabricated, counterfeited or forged due to fraudulent practices for wrongful gains.

#### **3.3.2      Purchase and Sale of Investments**

3.3.2.1 The board should approve the purchase and sale or liquidation of all investments..

3.3.2.2 Cash withdrawals or transfer of fixed deposit to another bank account not belonging

to CFF should not be allowed. For fixed deposits maturing, the Finance Chairman should give standing instructions as to whether the fixed deposits should be

- a. Rolled over i.e. continue to remain as fixed deposits,
- b. Transferred to current account, or
- c. Withdrawn (completely or partially).

3.3.2.3 Purchase and sale of investments other than fixed deposits should be guided by competent professional advice. Investments purchased should be at low risk. Management should undertake performance reviews to detect poor investment performance. Board members are to oversee the short and long-term investments unless delegated to the Finance committee. Reporting on the investment performance and financial condition of the investment is to be submitted periodically.

3.3.2.4 *Safe Custody of Investment Documents:* Investment documents should be kept in a secured place. Access should be restricted to only authorised staff.

3.3.2.5 *Segregation of Duties:* Duties of recording of transactions and custody of the investment documents should be segregated.

3.3.2.6 *Inspection of Investment documents and Reconciliation of Accounts:* Management should undertake performance reviews on investments to detect any erroneous reporting. Periodically the investment documents should be independently inspected and tally against the recorded net investment balances. This is to ensure that the investments indeed exist as at the balance sheet date.

3.3.2.7 *Recording and Reporting:* Journal prepared to account for each movement in funds should be attached with original copy of the investment advice as far as possible. Full records must be kept for movement of investments. Records of investment income (dividends and interests), gains/losses, new purchases, sales, withdrawal, transfer and others must be reported accordingly. All the items must be accounted for and income due is promptly received. Full disclosure of net investment are properly identified and classified in the accounts and financial statements of the charitable organisation.

3.3.2.8 *Supporting documents:* Documentary records related to investments to be filed include:

- a. Investment mandate,
- b. Investment documents, and
- c. Authorisation of investment placements, and
- d. Standing instructions by board members.

## **3.4 Human Resource and Payroll**

### **3.4.1 Overview**

3.4.1.1 Human resource comprises of paid staff and volunteers. They form an important asset of the charitable organisation in enabling the smooth running of operations and programmes.

3.4.1.2 Policies and procedures on human resources should be formulated to clearly define roles, duties and responsibilities. They should cover transactions with related functions including screening, recruitment, performance appraisal, remuneration, reimbursement and payroll management. The formulated human resource policies should be approved by the board members.

### **3.4.2 Human Resource Management and Development**

3.4.2.1 Human resource policies and practices must ensure that the paid staff and volunteers possess the expected integrity, ethical values and competence. The lack of essential human resource policies and practices may lead to the recruitment of staff without the required competencies or are related parties that may lead to conflicts. The lack of clarity of roles and duties may lead to:

- a. Poor performance,
- b. Errors in work,
- c. Unauthorised transactions, or
- d. Unauthorised access to files and documents.

3.4.2.2 *Recruitment, Screening and Declaration:* Screening of prospective employees should include checks on candidate's employment and financial background. Candidates should be required to declare relationships (if any) with existing paid staff, volunteers and board members. Board members should be responsible and take part in the recruitment and appraisal of key senior staff.

3.4.2.3 *Employment Contract and Appraisal:* All staff should be recruited under a proper contract of employment. Annual appraisal should be conducted to assess the staff performance and this should be documented.

3.4.2.4 *Staff Training:* A staff handbook should be given to brief new staff on the charitable organisation's mission, purpose, structure, culture, roles and responsibilities, authorisation limits, ethics and the exercising of disciplinary action.

3.4.2.5 *Access to Confidential Records:* Confidential personnel records of all staff should be secured.

### **3.4.3 Payroll and Remuneration**

3.4.3.1 The lack of strict internal controls in payroll transactions may lead to unauthorised access to staff and payroll records resulting in:

- a. Leakage of confidential human resource data,
- b. Manipulation and fabrication of records for payments to fictitious employees, employees who have resigned, overtime not worked or higher manpower rates than authorised.

3.4.3.2 *Segregation of Duties:* Duties should be segregated in the payroll function for preparation and payments. Staff preparing the payroll should not be the same staff paying out the salaries. Cash payment for salaries should be avoided.

3.4.3.3 *Proper Authorisation:* Salary levels should be properly authorised and recorded. Any changes in salaries should be approved by an appropriate senior officer. Payroll changes including benefits should be recorded and distributed accurately and promptly.

3.4.3.4 *Verification:* Verification of attendance record is to be conducted by the supervisor. Payroll reports should be verified by a senior officer. Random physical checks could be done to ascertain the existence of employees in order to prevent payment of fictitious employees.

3.4.3.5 *Disclosure and Transparency:* Remuneration of the top 3 key executives whose annual remuneration falls within \$100,000 and subsequent band of \$50,000 should be disclosed. Remuneration (if any) for board members should also be disclosed.

3.4.3.6 *Supporting Documents:* Records to be maintained for verification include approval for recruitment of new staff and their salaries, changes in manpower rates, staff attendance, annual leave, medical leave, overtime, time-off, employment contract, etc.

## **3.5 Supplies, Inventories and Fixed Assets**

### **3.5.1 Overview**

3.5.1.1 Policies and procedures applied to supplies, inventories and fixed assets should be formalised. The roles and responsibilities of the staff involved in different processes should be clearly defined. Policies should be established on the fixed asset capitalisation limit, asset categorisation and the depreciation policy. Guidelines should be established on the treatment of supplies, inventories and fixed assets that are obsolete, expired or spoilt. This will safeguard and ensure consistency in accounting of supplies, inventories and fixed assets. The lack of internal controls may lead to:

- a. Unauthorised movement of these assets,
- b. Inaccurate or misleading recording and reporting, or
- c. Misappropriation of assets.



3.5.1.2 Supplies, inventories and fixed assets transactions and their related functions include:

- a. Requisition and issue of supplies, inventories and inventories
- b. Receipt of supplies, inventories and fixed assets
- c. Custody of supplies, inventories and fixed assets
- d. Transfer, disposal or loss of supplies, inventories and fixed assets

### **3.5.2 Requisition and Issue of Supplies, Inventories and Fixed Assets**

3.5.2.1 The lack of controls may lead to unauthorised requisition or movement of assets and this may lead to unaccounted, missing or misappropriation of assets.

3.5.2.2 *Segregation of Duties*: Staff requesting for the assets should not be the same staff in charge of the store or issue of supplies and inventories. If this is not possible, the supervisor or board member must be involved in checking the usage.

3.5.2.3 *Proper Authorisation*: Requisition of assets should be submitted and approved accordingly before they are issued.

3.5.2.4 *Supporting Documents*: Requisition and issue records should be maintained.

### **3.5.3 Receipt of Supplies, Inventories and Fixed Assets**

3.5.3.1 The lack of proper control may lead to failure to detect supplies, inventories and fixed assets not ordered or improperly ordered. This may facilitate the misappropriation of supplies, inventories and fixed assets received from the suppliers.

3.5.3.2 *Segregation of Duties*: Duties should be segregated for staff in charge of receiving purchases and those making requisitions. If this is not possible, the supervisor or board member must be more involved in checking the staff work.

3.5.3.3 *Verification*: Specific central points for receiving deliveries are to be determined and loading operations are to be supervised, if necessary. Staff handling receipt should check that delivery is according to specification in purchase order in terms of item description and quantity. Damaged items or items not according to delivery order should be refused and returned to suppliers.

3.5.3.4 *Acceptance*: Acceptance of deliveries received in good order should be indicated and signed on the delivery orders. For donation-in-kind received e.g. bags of rice, television set, receipts should be issued to the donors.

3.5.3.5 *Supporting Documents*: Purchase order, delivery orders and acknowledgement of donation-in-kind should be filed.

### **3.5.4 Custody of Supplies, Inventories and Fixed Assets**

3.5.4.1 The lack of control may lead to unauthorised access, usage or misappropriation of supplies, inventories and fixed assets.

3.5.4.2 *Storage and Access to Store:* There should be proper storage of supplies, inventories and fixed assets, locked in cabinets, storerooms or warehouses where appropriate. Access to stores must be limited to authorised staff. Stricter measures are to be taken for items having a high pilferage rate or of high value.

3.5.4.3 *Inventory Records:* Records should be kept and updated regularly to reflect the balance inventory on hand. The inventory records should capture the dollar value and quantity of the inventory.

3.5.4.4 *Fixed Asset Register:* Fixed asset register should be maintained. The fixed asset register should include the purchase date, description, model, serial number, quantity, dollar value, location, etc.

3.5.4.5 *Insurance Coverage:* The supplies, inventories and fixed assets could be safeguarded by arranging for adequate insurance coverage, where necessary.

3.5.4.6 *Periodical Physical Check:* Physical inspection should be done to check that assets are maintained in good condition and stored properly. Damaged and obsolete assets are to be physically segregated. Physical count of all assets should be conducted at regular intervals and this should be compared with the inventory records and fixed asset registers. Any significant discrepancies discovered should be investigated and reported accordingly.

3.5.4.7 *Annual Review:* Annual review on the usage of assets should be conducted to ensure that they are put to best use that serve the interest of the charitable organisation. Sub-optimal usage of assets results in inefficiency and wastage.

3.5.4.8 *Supporting Documents:* Documentary records such as inventory records and fixed asset register should be maintained and filed properly.

### **3.5.5 Transfer, Disposal or Loss of Assets**

3.5.5.1 *Proper Authorisation:* All transfer, disposal (sale, condemned, obsolete or redundant) or loss of assets should be submitted for approval by the supervisor or person appointed by the board members. Accounting records are to be updated after authorisation.

3.5.5.2 *Supporting Documents:* Approval to transfer or dispose assets and documents to evidence the actual transfer or disposal should be kept.

## **3.6 Loans and Donations**

### **3.6.1 Overview**

3.6.1.1 Policies and procedures applied to loans and donations must be in place to ensure the accountability and legitimacy of loans granted and administered by the charity.

### **3.6.2 Loans and Donations to External Parties**

3.6.2.1 *Proper Authorisation*: Formulated policies approved by the board members should be strictly adhered to.

3.6.2.2 *Supporting Documents*: Loans or donations approved and granted should be strictly administered according to the terms and conditions, fully disclosed, recorded and accounted for. Records of loans approved, disbursed and repayments should be maintained.

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### **3.6.4 Prohibited Loans**

3.6.4.1 Loans to staff and board member.

3.6.4.2 Loans, donations, grants not part of CFF's core charitable programmes

## 4 REFERENCES

### 4.1 Interpretation of Words and Expressions Used

4.1.1 **Board members:** Board members refer to the people who are responsible for the general control and management of the administration of a charity organisation. Hence a board member could be:

- a. Member of the Board, management or executive committee of a charitable association, or
- b. Director of a charitable company, or
- c. Board member of a charitable trust or of a charity founded by someone's "Will."

4.1.2 **Procedures:** Internal controls comprise of a series of procedures designed to ensure that specific objectives will be achieved.

4.1.3 **Transactions:** A transaction is the recording of an event, resulting in an accounting entry e.g. receipt transaction and purchase transaction.

4.1.4 **Functions:** Function is the processing of transactions by using documents and records. For example, the process of preparing purchase orders, receiving and storing of goods received are related functions and form part of the purchase transaction.

### 4.2 Code of Governance of Governance Issued by The Singapore Charity Council

4.2.1 The code of governance sets out principles and best practices in key areas of governance and management that charities are encouraged to adopt.

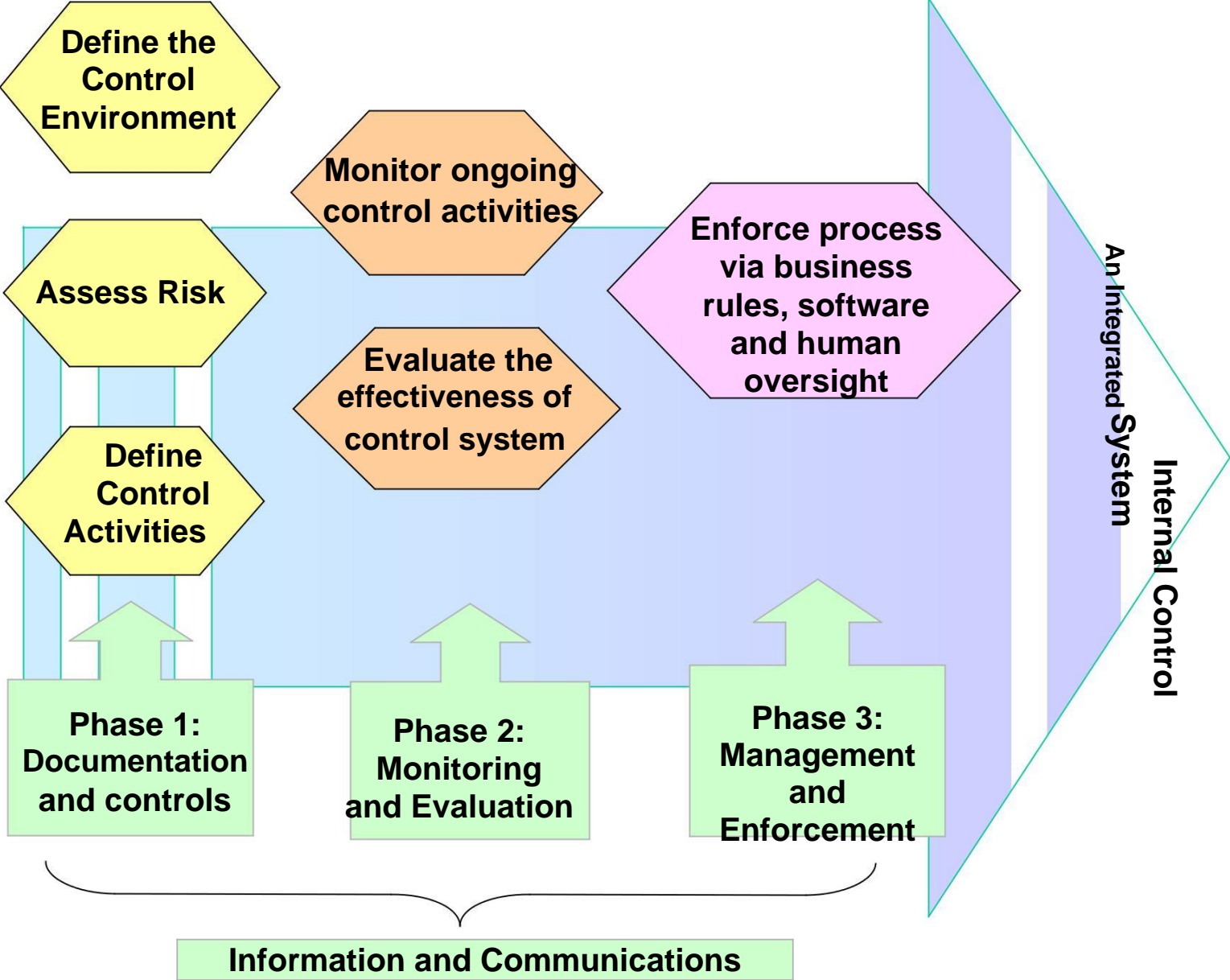
4.2.2 The publication is available via website:  
*<https://www.charities.gov.sg>*

### 4.3 Internal Financial Controls for Charities Issued by Charity Commission for England and Wales

4.3.1 The guidance sets out the basic internal financial controls that board members need to consider. It can also form a framework for larger charities to consider their controls.

4.3.2 The publication is available via website:  
*[www.charitycommission.gov.uk](http://www.charitycommission.gov.uk)*

Overview of An Integrated Control System



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## Internal Financial Controls Self Checklist for Charities in Singapore

### Notes on how to complete this form

The following series of questions are designed to help charitable organisation evaluate its performance against the guidelines suggested in this publication. It is advisable to review its performance annually and particularly whenever problems arise. If you tick "No" for any question you may need to re-evaluate your procedures and determine the follow up actions.

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
<b>2</b>	<b>INTERNAL CONTROL OVERVIEW</b>				
<b>2.2</b>	<b>Proper Authorisation</b>				
2.2.2	An organisation Chart should be in place.	Decisions are not taken in an accountable and transparent manner.			
2.2.3	Lines of authority and reporting should be laid down in writing and communicated to all staff.	Unclear roles and responsibilities may result in inconsistencies in operations.			
2.2.4	Alternative communication channel should be allowed to address grievances between staff and immediate supervisor, promoting self-checks.	Deterrence to whistle blowing in instances where irregularities have been observed.			
<b>2.3</b>	<b>Financial Review</b>				
2.3.2	Annual budgets should be prepared and approved by the board members to cover both income and expenditure.	Excessive purchases of goods and services may not be detected.			
2.3.3	Financial reports should be prepared and measured against budget at regular interval.	Areas of inefficient use of resources may not be identified.			

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
2.3.3	Board members should review the monthly Balance Sheet and Income and Expenditure Statement for any deviation.	Absence of the review of Balance Sheet and Income and Expenditure Statement may result in inaccurate or unauthorised transactions that go undetected.			
2.3.4	Board members should meet the auditor to discuss any internal control flaws or unusual transactions noted during the course of audit.				
2.3.5	Audited accounts should be approved by the board members before they are presented at the Annual General Meeting.				
<b>2.4</b>	<b>Supporting Documents</b>				
2.4.2	Original invoices, bills, quotations and other documents should be filed with payment vouchers and other journal vouchers to prevent fictitious transactions and to facilitate review.	Payments made for fictitious transactions. Financial statements and data may also be inaccurate and misleading. Inadequate audit trail for tasks performed.			
<b>2.5</b>	<b>Reconciliation and Checks</b>				
2.5.2	Bank reconciliation should be performed monthly for all bank accounts using original bank statements and reviewed by the immediate supervisor.	Risk of errors or unauthorised transactions may go undetected.			
2.5.3	Surprise checks should be conducted periodically on key operational and financial matters by an independent staff.				
<b>2.6</b>	<b>Physical Security</b>				
2.6.2	Access should be restricted to authorised staff only.	Lack of security may lead to theft or tampering of documents with dishonest intention.			
2.6.3	Only staff designated to be the key bearers are allowed to hold the keys. Loss of keys should be reported immediately.				
<b>2.7</b>	<b>Computer Security</b>				
2.7.2	Access to computers especially servers should be restricted to authorised staff only.	Unauthorised access to confidential data and accounting system.			



## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
2.7.3	Two-level password authorisation should be in place for authorised staff to access relevant systems.				
2.7.4	Computer data backup and recovery policies and procedures should be in place.	Loss of data during technology glitches e.g. hard-disk failure and power trip. Integrity and security of data may be compromised.			
2.7.4	All computers in use should be scanned periodically with anti-virus software that is updated at least weekly.				
2.7.4	All computers with Internet access should be protected with firewall at all times.				
<b>2.8</b>	<b>Segregation of Duties</b>				
2.8.2	There should be segregation of tasks, at least in key financial and operational matters, to provide automatic "double check".	Errors and unauthorised transactions may go undetected.			
<b>2.9</b>	<b>Management of Conflicts of Interest</b>				
2.9.2	A conflict of interest policy should be in place.	Failure to manage the purchases made from and the recruitment of parties related to Sub-Committees and staff, may result in the actual and/or perceived conflict of interest, affecting public's confidence.			
2.9.3	Each board member and key staff should declare yearly on any possible conflict of interests.				
2.9.4	Procurement should be made on an arm's length basis.				
<b>2.10</b>	<b>Control Environment</b>				
2.10.2	All staff and volunteers should be given proper training.	Compromise adherence to internal controls.			
2.10.3	Professional advice should be taken where appropriate.				
<b>3.1</b>	<b>REVENUE AND RECEIPTS</b>				
<b>3.1.1</b>	<b>Revenue and Receipts Overview</b>				
3.1.1.1	Policies and procedures on revenue and receipts should be formalised to clearly define roles and responsibilities of the staff involved.	Lack of clarity of roles and duties may lead to poor performance, errors and unauthorised transactions.			

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
<b>3.1.2</b>	<b>Postal Receipts</b>				
3.1.2.2	Incoming post should be opened in the presence of 2 designated staff.	Loss of incoming mails and cheques may go undetected.			
3.1.2.2	There should be periodic rotation of mail opening staff, where practical.				
3.1.2.3	Security of unopened mail should be ensured.				
3.1.2.4	All incoming cheques and cash should be recorded immediately.				
3.1.2.4	Staff other than the preparer should verify the entries.				
3.1.2.5	Supporting documents should be filed properly for accounting and verification.				
<b>3.1.3</b>	<b>Cash Receipts</b>				
3.1.3.1	Minimise cash handling as far as possible.	Lack of a clearly established policy and formalised delegation of authority may lead to misappropriation of cash collections.			
3.1.3.2	All cash receipts should be counted and recorded by two individuals.				
3.1.3.3	All cash receipts should be counted in a secure environment and held in a secure place before banking-in.				
3.1.3.4	Deductions must not be made from cash received. All incoming money should be banked at the gross amount.				
3.1.3.5	Supporting documents should be filed properly for accounting and verification.				
<b>3.1.4</b>	<b>Donation Boxes</b>				
3.1.4.2	All donation boxes should be sealed and secured by locks.	Risk of missing donation boxes and cash collections may go undetected.			
3.1.4.2	Staff responsible for custody of the keys should be separated from the staff assigned to collect donations.				

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.1.4.3	All donation boxes should be individually numbered and record kept of their allocation, location and return.				
3.1.4.4	History of takings should be recorded.				
3.1.4.4	Collections should be acknowledged by fund raising partner and a duplicate copy of collection form should be given to them.				
3.1.4.5	Supporting documents should be filed properly for accounting and verification.				
<b>3.1.5</b>	<b>Banking</b>				
3.1.5.2	Incoming receipts should be banked promptly and regularly.	Lack of a clearly established policy and formalised delegation of authority may lead to misappropriation of cash and cheque collections.			
3.1.5.3	Safe custody of all valuables held on premises should be ensured.				
3.1.5.3	Staff should be appointed and made responsible for holding the keys.				
3.1.5.4	Insurance is purchased to cover losses when money is lost while in transit or arise due to act of fraud or dishonesty committed by staff.				
3.1.5.5	Reconciliation of bank-in slips with the prepared list of income should be done to ensure that all money collected is bank in.				
<b>3.1.6</b>	<b>Fund Raising</b>				
3.1.6.2	Tickets should be pre-numbered.	Lack of controls and review may lead to misuse or loss of tickets or merchandise issued or misappropriation of donations.			
3.1.6.2	There should be maintenance of records on the details of the fund-raisers who have been allocated the tickets, the ticket number allocated and the tickets sold.				
3.1.6.3	Reconciliation should be performed on the money received against tickets sold.				
3.1.6.3	Police report should be made for any lost tickets.				

Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
<b>3.1.7</b>	<b>Shops</b>				
3.1.7.2	Staff should be adequately trained on the use of the cash register.	Risk of misappropriation of cash and goods.			
3.1.7.3	A cash register that prints a cash register roll should be used.				
3.1.7.3	Cash register should be positioned in a prominent part of the shop.				
3.1.7.4	Change should be given from the cash register and not from personal money.				
3.1.7.4	Checks should be in place for large denomination notes for counterfeit notes.				
3.1.7.5	Reconciliation of the cash register receipt roll with the cash in the cash register should be conducted at the end of each day.				
3.1.7.5	Differences (either from daily cash reconciliation or from spot checks) should be recorded along with explanations from the cashier.				
3.1.7.6	Regular independent check is conducted.				
3.1.7.7	Supporting documents should be filed properly for accounting and verification.				
<b>3.1.8</b>	<b>Relations with Donors</b>				
3.1.8.2	Donors should be informed to send cheques made payable to the charity organisation, not to a named individual.	Risk of misappropriation of donations may happen.			
3.1.8.2	Donations should be sent to the charity organisation's offices and not the fundraiser's home.				
3.1.8.3	Donor's particulars are captured correctly.				
3.1.8.4	Donation receipt is serially numbered and issued by a responsible person appointed by charity.				

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
<b>3.1.9</b>	<b>Relations with Volunteers</b>				
3.1.9.2	The competence and integrity of volunteers handling cash should be assessed.	Lack of clarity of roles and duties may lead to poor performance, errors or unauthorised transactions.			
3.1.9.2	All volunteers handling cash should be given clear instructions on cash handling and recording.	Misappropriation of funds.			
<b>3.2</b>	<b>PURCHASING AND PAYMENTS</b>				
<b>3.2.1</b>	<b>Purchasing and Payments Overview</b>				
3.2.1.1	Policies and procedures on purchasing and payments should be formalised to clearly define roles and responsibilities of the staff involved.	Lack of clarity of roles and duties may result in errors, misuse or fraudulent practices.			
<b>3.2.2</b>	<b>Purchasing</b>				
3.2.2.2	Authority levels for approving purchases should be incorporated in the policies and communicated to all staff.	Lack of accountability and uniformity in the authorisation of expenses.			
3.2.2.2	Purchases have to be approved according to authority levels set for placing orders.				
3.2.2.3	Purchases should be made after comparing at least 3 competitive quotations where applicable i.e. for amounts considered large by the organisation.	Purchases may not be made at competitive prices and not of accepted quality.			
3.2.2.3	Prices and services offered by regular vendor should be reviewed yearly to ensure that the regular vendors are not over-charging or under-delivering.				
3.2.2.3	Guidelines should be established on verbal quotes, written quotes and tenders.				
3.2.2.3	Quotations should not be used after 1 year and fresh quotations to be re-obtained after 1 year.				

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.2.2.3	The maximum contractual period for any contract is 3 years. Unlimited contractual period is not allowed.				
3.2.2.4	Records should be maintained on the orders that are placed but not yet carried out.				
3.2.2.5	Acceptance of goods/services is properly acknowledged.				
3.2.2.6	Separate staff handling purchasing and receiving of goods/services.				
3.2.2.7	Supporting documents should be filed properly for accounting and verification.				
<b>3.2.3</b>	<b>Payments</b>				
3.2.3.2	The quality and quantity of goods in the Invoices are to be matched with purchase orders and receiving reports before approval for payment.	Lack of controls and review may lead to unauthorised payments or undetected wrongly payments.			
3.2.3.2	Invoices should be paid promptly as far as possible, so as to take advantage of the discounts.				
3.2.3.3	Payments should only be made with original invoices or certified true copy of the invoices.				
3.2.3.3	Invoice computations and pricing should be verified before payment approval.				
3.2.3.3	Staff should invalidate the payment vouchers and supporting documents as "PAID" and indicate the payment date and payment mode.				
3.2.3.4	Preparation of payments should be undertaken by someone other than the authorising officer.				
3.2.3.5	Supplier account statements should be compared with account payable balances monthly.				

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.2.3.6	Periodical review by management to control expenses, detect errors and deviation from rules and policies.				
3.2.3.7	There should be additional controls provided by having counter signatures for Inter-bank GIRO and cheque payments.				
<b>3.2.4</b>	<b>Bank Accounts</b>				
3.2.4.2	Instructions to open or close accounts should be properly authorised and/or reported to the board members.	Lack of a clearly established policy and formalised delegation of authority may result in fraudulent practices that include unauthorised payments.			
3.2.4.3	Checks should be made to ensure that there are no dormant accounts.				
3.2.4.4	Policies and procedures should be implemented to govern the signing of cheques and there should be strict adherence to these procedures.				
3.2.4.4	There should be at least 2 signatories on the bank mandate.				
3.2.4.4	Bank signatories should be unrelated, if at all possible.				
3.2.4.4	Monetary limits on each bank signatory should be formalised and communicated to the relevant staff.				
3.2.4.5	Bank signatories should only sign cheques after reviewing the documentary evidence and the validity of the payment.				
3.2.4.5	Bank signatories should not sign a cheque made payable to themselves.				
3.2.4.5	Bank signatories should not sign blank cheques.				
3.2.4.5	Issuance of cash cheques should only be limited to the replenishment of cash float.				
3.2.4.6	Specimen signatures of bank signatories and monthly bank statements should be kept in a secured place.				

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.2.4.6	Access to unused cheque should be limited to authorised staff and kept in a secured place.				
3.2.4.7	Cheques mailed by someone other than the person preparing them.				
3.2.4.8	All cheque payment details, including void cheques, should be recorded in a register of issued cheques.				
3.2.4.8	All cheque stubs should be completed at time of payment.				
3.2.4.8	All used and unused cheque books should be kept in secure place that can only be accessed by designated staff.				
3.2.4.8	Spoilt or void cheques are to be retained.				
<b>3.2.5</b>	<b>Petty Cash</b>				
3.2.5.1	Policies and procedures on petty cash float and petty cash claims should clearly define the roles and responsibilities of the staff involved and include the nature and limit on the expenses that can be incurred through petty cash.	Risk of unauthorised payments from petty cash and misuse of petty cash funds may go undetected.			
3.2.5.2	A cash box is used to safe keep cash, authorised vouchers and the receipts.				
3.2.5.2	The amount of the float should be set at a low level that is just sufficient to cover miscellaneous spending over one month.				
3.2.5.3	All cash payments should be made from a cash float of a fixed amount, which is regularly replenished from the bank and not from cash collections the cash handler's personal money.				
3.2.5.4	Petty cash expenses should be recorded and receipts kept.				
3.2.5.4	All payments should have supporting documents e.g. original receipts.				
3.2.5.4	Supporting documents should be authorised by someone other than the petty cash holder or claimant.				



## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.2.5.4	Once the payment is disbursed, the cashier should invalidate the petty cash vouchers and the supporting documents as "PAID" and indicate the payment date and payment mode.				
3.2.5.5	A responsible officer is appointed to be the petty cash holder.				
3.2.5.5	All petty cash claims, payments and replenishments should be recorded in a petty cash book.				
3.2.5.6	Reconciliation should be done monthly to ascertain that cash in petty cash fund plus approved vouchers and receipts tally with the petty cash fund.				
3.2.5.7	Surprise checks should be conducted regularly on the petty cash records and the cash float by independent staff.				
3.2.5.8	Petty Cash float should be kept securely and not left unattended at any time.				
<b>3.3</b>	<b>INVESTMENTS</b>				
3.3.2.1	Policies and procedures on investment should be formalised to clearly define roles and responsibilities of the staff.		Lack of a clearly established policy and formalised delegation of authority may lead to misappropriation of funds.		
3.3.2.2	Proper authorisation from board members should be obtained for purchases and sales of investments.				
3.3.2.2	The board members should give standing instructions to the financial institution on the action to be taken on the interests and fixed deposit balances upon expiry of investment term.				
3.3.2.3	Professional advice should be taken on selection or disposal of investments. Investments should be at low risk.	Risk exposure may be higher if investments are limited to one type of investment.			
3.3.2.3	Performance should be regularly reviewed and the board members should regularly inspect the statements of investment performance.	Risk of investments not yielding good returns, due to market changes.			

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.3.2.4	Investment documents should be kept in a secure place.	Unauthorised access to confidential investment data that may lead to misappropriation.			
3.3.2.5	Duties of recording investment transactions and custody of the investment documents should be segregated.	Risk of inadequate audit trail for tasks performed.			
3.3.2.6	Inspection of investment documents and reconciliation of accounts should be done periodically.				
3.3.2.7	Journal prepared to account for each movement in funds should be attached with original copy of the investment advice as far as possible.				
3.3.2.7	Full records must be kept for movement of investments.				
3.3.2.8	Supporting documents should be filed properly for accounting and verification.				
<b>3.4</b>	<b>HUMAN RESOURCE and PAYROLL</b>				
<b>3.4.2</b>	<b>Human Resource Management and Development</b>				
3.4.2.1	Policies and procedures on human resource should be formalised to clearly define roles and responsibilities of the staff involved.	Lack of clarity of roles and duties, leading to poor performance, errors and unauthorised transactions.			
3.4.2.2	Credentials of candidates should be verified against original copies and background checks should be conducted on the candidate@s employment and financial background.	Staff recruited does not meet the minimum standard, and does not possess the pre-requisite criteria.			
3.4.2.2	Candidates should be required to declare any relationships they may have with existing staff and board members.	Staff with close blood relations recruited into positions may lead to conflicts.			
3.4.2.2	The board members should recruit and appraise key staff, especially senior accounting staff.				
3.4.2.3	All staff should be employed under a proper contract of employment.	Risk of disputes on employment terms.			

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.4.2.4	A staff handbook should be given to staff upon work commencement to brief highlight important procedures, authorisation limits and ethics to observe.	Risk of non-compliance due to ignorance.			
3.4.2.5	Confidential staff records of all staff should be kept under lock and key.	Unauthorised access to staff records and payroll details could lead to the leak of confidential human resource data and unauthorised changes to payroll records.			
<b>3.4.3</b>	<b>Payroll</b>				
3.4.3.2	Duties should be segregated in the payroll function.	Unauthorised transactions and misappropriation of funds.			
3.4.3.2	Cash payment for salaries should be avoided, but if they are made, they should be paid out by someone other than the person making up the payroll and are signed for.				
3.4.3.3	Salary levels and any changes to the salary levels should be properly authorised and recorded.	Lack of appropriate audit trail and review may allow unauthorised or inaccurate transactions to go undetected.			
3.4.3.4	Attendance record and payroll report should be verified by the supervisor.				
3.4.3.4	Salaries should be reviewed before payments are made.				
3.4.3.4	Checks should be made to verify existence of staff.	Payment to fictitious staff and staff who have resigned.			
<b>3.5</b>	<b>SUPPLIES, INVENTORIES and FIXED ASSETS</b>				
<b>3.5.1</b>	<b>Supplies, Inventories and Fixed Assets Overview</b>				
3.5.1.1	Policies and procedures on supplies, inventories and fixed assets should be formalised to clearly define roles and responsibilities of the staff involved.	Lack of a clearly established policy and formalised delegation of authority may lead to misappropriation and unauthorised physical movement of fixed assets.			

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.5.1.1	Guidelines should be established on the fixed asset capitalisation limit, asset categorisation and the depreciation policy.	Inaccurate judgement may be exercised in categorising items as assets			
3.5.1.1	Guidelines should be established on the treatment of supplies, inventories and fixed assets that are obsolete, expired or spoilt.	Inappropriate handling of unusable assets.			
<b>3.5.2</b>	<b>Requisition and Issue of Supplies, Inventories and Fixed Assets</b>				
3.5.2.2	Segregation of duties so that staff requesting for the assets should not be handling the store.	Misappropriation and unauthorised movement of supplies and fixed assets.			
3.5.2.3	Requisitions should be submitted and approved before they are issued.	Risk of inadequate audit trail for tasks performed.			
3.5.2.4	Requisition and issue records should be maintained.				
<b>3.5.3</b>	<b>Receipt of Supplies, Inventories and Fixed Assets</b>				
3.5.3.2	Segregation of duties so that staff requesting for the assets should not be receiving purchases.	Misappropriation of supplies and fixed assets.			
3.5.3.3	Goods received should be verified to ensure that they conform to specifications.	Failure to detect that goods received do not match goods ordered.			
3.5.3.4	Receipt should be issued for donation-in-kind received.	Risk of inadequate audit trail for tasks performed.			
3.5.3.5	Supporting documents should be filed.				
<b>3.5.4</b>	<b>Custody of Supplies, Inventories and Fixed Assets</b>				
3.5.4.2	Proper storage of assets where access is restricted to authorised staff only.	Lack of physical control may result in unauthorised usage and misappropriation of supplies and equipment.			
3.5.4.3 3.5.4.4	Registers of the supplies, inventories and fixed assets on hand, should be maintained and updated regularly.	Financial statements and data may be inaccurate and misleading.			

## Internal Financial Controls Self Checklist for Charities in Singapore

Para	Guidelines/Recommendations	Risks Addressed by Recommendations	Is your charity complying?		
			Yes	No	If no, what are the follow-up actions?
3.5.4.5	Insurance cover for the assets, supplies and inventories should be considered where necessary.	Risk of loss or damage due to unnatural cause.			
3.5.4.6	Physical inventory inspection should be done to check that assets are maintained in good condition and stored properly.	Risk of use of damaged or obsolete assets during emergency.			
3.5.4.6	Physical count for all supplies, inventories and fixed assets to tally with records.	Risk of discrepancies left undetected.			
3.5.4.7	There should be an annual review of the usage of supplies, inventories and fixed assets reviewed annually (to ensure they have been put to best use and are serving the charitable organisation's interests).	Sub-optimal usage of assets results in inefficiencies and wastage.			
3.5.4.8	Records should be maintained and filed.	Risk of inadequate audit trail for tasks performed.			
<b>3.5.5</b>	<b>Transfer, Disposal or Loss of Assets</b>				
3.5.5.1	All movement of assets should be submitted for approval by the approver.	Risk of unauthorised physical movement of assets.			
3.5.5.2	Records of the approval should be filed.				
<b>3.6</b>	<b>LOAN and DONATION</b>				
3.6.1.1 3.6.2.1 3.6.3.1	Procedures and policies on loan administration to external parties and staff should be formalised and approved by the board members.	Risk that loans administered may not be in the best interest of the organisation.			
3.6.2.2 3.6.3.2	Records of loan approved, disbursed and repayments should be maintained for accounting and verification.				
3.6.4.1	Loans to board members should not be allowed.				

&lt;END&gt;

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<Charity's Name>

**Purchase Acquisition Form**

**Section A**

**Good and Services  
Requested:**


**Reasons for Purchase:**


	1st Quotation	2nd Quotation	3rd Quotation
<b>Please tick in the box to indicate the selected Supplier</b>			
<b>Supplier</b>			
<b>Price</b>			
<b>Description</b>			
<b>Reasons for selecting</b>			

**Section B**

Requested by: \_\_\_\_\_ Approved by: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

**Note:**

*1. For purchases above \$50, purchase requisition form is to be put up.*





<Charity's Name>

**Asset Movement Update Form**

<b>Request Type</b> <i>(please tick accordingly)</i>	<input type="checkbox"/> Transfer of Asset (Please fill in Section A)
	<input type="checkbox"/> Disposal of Asset (Please fill in Section B)
	<input type="checkbox"/> Loss of Asset (Please fill in Section C)

**Asset No.:**

**Asset Description:**

**Cost:** \$  **Book Value:** \$

**Remarks (if any):**

**Effective Date:**

**Section A**

<input type="text"/>	<input type="text"/>
Transfer From	Transfer To

**Section B**

**Reason for Disposal:**  Condemned (uneconomical to repair or cannot be repaired)  
*(please tick accordingly)*

Obsolete/Redundant (in excess of requirement/no longer required)

Sale

**Sales Proceeds**   
*(if applicable)*

**Section C**

**Discovered by:**  **Discovered on:**

**Supporting evidence:**  Explanatory note is attached  
*(please tick accordingly)*

Investigation report is attached

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Name & Signature)

Asset List updated by: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Name & Signature)