

CHECKLIST

Financial checklist for medium-sized NPOs

A simple tool to help you assess the current financial practices within your non-profit organisation

Created by Sage Foundation in collaboration with Charity Digital and Solid Base Non-Profit Support

Organisational Financial Literacy (OFL) means having the tools, capacity and expertise to manage organisational finances. As organisations develop a deeper understanding of financial processes, they will gain a higher degree of OFL. This leads to greater accountability and will make your organisation more appealing to potential funders.

This checklist will help you review your organisation's financial processes and identify areas for improvement.

As you work through the list, make a note of any gaps in your current processes, and what actions you'll take to address them.

Use this checklist regularly to measure your progress over time.

Quick Assessment

If you check off all of the points in this section below, you probably do not need to spend any time on the rest of the checklist—your organisation is already demonstrating a high level of OFL. Delivering these means your financial organisation and processes are likely fit for purpose:

- Organisation has clear controls, policies and procedures
- Organisation finances are robust and sustainable
- Organisation makes available timely, accurate and understandable financial information and reports
- Organisation has an effective financial planning, forecasting and analysis process
- Organisation is able to make informed financial decisions and react to changes

Notes on usage: If more than one person contributes to these tasks, we recommend assessing the items individually at first, then reviewing and discussing as a group. In all cases, the best results are obtained by being totally open and honest in your assessment.

Essential steps to achieving high levels of OFL

This section explores a number of aspects of the finance operation, with some expanded into further detail.

- Bookkeeping is timely, accurate, up-to-date and includes the following functions:
 - Payroll runs on time and is error free
 - Expenses are recorded, coded and paid on time
 - Purchase ledger up to date, future payments scheduled
 - Journals are produced, ensuring that appropriate income and expenditure is recognised in the relevant accounting period
 - Balance sheet accounts are regularly reconciled (as per defined procedures)
- Accounting software is used to manage accounts and any spreadsheets are checked
- Financial policies & practices are stated and reviewed regularly
 - Active decision to use cash or accrual accounting; reviewed regularly
 - Organisation has a reserves policy; reviewed at least annually
- All financial processes (in house or through third parties) are monitored and controlled
- Tax and regulatory requirements are fulfilled in a timely and accurate manner
 - Timely and accurate accounting for all relevant taxes
 - Payroll deductions are made and paid to HMRC on time
 - Pension submissions are filed monthly on time
 - Companies House accounts are filed annually on time and audited or inspected as required under SORP rules
 - Charity Commission returns are filed annually on time
- The organisation has strong cash management
 - Bank accounts and petty cash are regularly reconciled
 - Cash flow is analysed and reported on
 - Future cash flow is forecasted
 - Has appropriate controls to ensure the safety and integrity of all bank accounts
- Robust and appropriate human resource plan for finance
 - Finance roles are planned (e.g. finance manager, treasurer)
 - Staff performing financial activities are appropriately trained and managed
 - Contingency plans for staff / trustee sickness or absence
 - Staff performing financial duties have time to fulfil their roles
- Timely management accounts are produced
 - SOFA/Income and Expenditure report (Profit and Loss accounts for any trading subsidiaries)
 - Balance sheet
 - Funder reports
- Income reliance is understood together with its associated fixed and marginal cost
- Appropriate financial management practices are followed
 - Relevant and flexible chart of accounts has been created
 - Income and expense streams are departmentalised for adequate control and responsibility
 - Budgets produced and forecasts updated throughout the year
 - Performance versus budget or forecast is monitored
 - Variances are analysed and reported on to the appropriate budget holders

Positive indicators of increasing OFL

This section provides three simple, high-level tests that indicate whether an organisation is on the right track and improving its level of OFL.

- Financial questions are welcomed, and quickly and easily answered
- Executive and board are confident of the organisation's financial reporting
- Finance function is adequately resourced in relation to the organisation's size

