

Madrasah Masjid Faisal Islam  
Witton Masjid Financial  
Administration Guidelines

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## 1. General Information

Madrassa Faizul Islam Witton Masjid (MFIWM) trustees are expected to be familiar with sound financial administration to ensure the efficient smooth running of MFIWM.

MFIWM will adhere to financial policies to ensure:

- the ability to disclose (*with reasonable accuracy*) the financial position of MFIWM at any time;
- that accurate accounts can be prepared from appropriately maintained records;
- that records show all monies received and expended;
- the records provide a register of all assets and liabilities

## 2. Code of Conduct

MFIWM Trustees, employees and volunteers are expected to:

1. Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
2. Provide information that is accurate, complete, objective, relevant, timely, and understandable.
3. Comply with applicable rules and regulations of country, state, and local governments and other appropriate regulatory agencies.
4. Act in good faith, responsibly, with due care, competence, and diligence, without misrepresenting material facts or allowing any independent judgement to be subordinated.
5. Respect the confidentiality of information acquired in the course of their work, except when authorised or otherwise legally obligated to disclose. Confidential information acquired in the course of their work is not to be used for personal advantage.
6. Share knowledge and maintain skills important and relevant to stakeholder needs.
7. Proactively promote ethical behaviour as a responsible partner among peers in their work environment.
8. Ensure responsible use of, and control over, all assets and resources employed or entrusted to them.

## 3. Internal Controls

MFIWM will provide a financial “environment” that enables it to safeguard its assets and to ensure it’s protected and mitigates the risk of financial abuse.

- **Authorisation and approval**

Written documentation on levels of authority should be maintained, whereby MFIWM must ensure all transactions undertaken conform to MFIWM’s objectives. Authorisation and approval procedures should be followed in the opening of bank accounts.

- **Documentation and accurate recording**

MFIWM shall have specific and detailed procedures (desk-top procedures) to ensure that all transactions are correctly and accurately recorded in the appropriate accounts. These controls will assist with guarding against the recording of fictitious transactions.

- **Computer security**

MFIWM shall have sufficient passwords and security controls in place. This will secure paperless transactions and other sensitive areas of information.

- **Reporting**

To mitigate organisational damage in the event that one or more of the accounting controls breach security (ie, fraud, corruption or bribery), MFIWM shall implement a system that allows for early and effective breach detection. This would encompass periodically reviewing expenditure, and constantly reviewing actual results compared with the budget.

MFIWM should ensure timely monthly financial reporting; this acts as a fraud, corruption or bribery deterrent.

- **Segregation of duties**

MFIWM shall segregate duties of personnel. Different personnel should be assigned to the responsibilities of authorising transactions, recording transactions and maintaining custody of assets. Where there may be constraints in achieving full segregation reviewing reports, transactions, and control checks, independently of the assigned Person(s) that undertakes the duties.

- **Conflict of interest and ethics statements**

MFIWM should ensure that procurement of goods and services are on an arm's-length basis.

- **Cash controls**

MFIWM shall establish systems for managing cash. If MFIWM receives numerous cash receipts, several Person(s) would need to be readily available to handle and count the cash receipts to certify the total.

- **Bank controls**

MFIWM shall ensure that there are adequate controls in place to ensure that the bank account cannot be misused, and that bank reconciliations are performed and reviewed monthly.

- **Budgeting and accounting controls**

MFIWM finance functions shall provide sufficient information to manage the activities of the organisation.

- **Purchase and authorisation controls**

MFIWM shall ensure that different Person(s) (segregation of duties) are involved at each stage.

- **Management controls**

MFIWM shall review and monitor organisational internal controls.

- **Physical controls**

MFIWM shall ensure that property and equipment is secure and in good order, and shall offer guidance on the personal use of items owned by the organisation.

- **Anti-Money Laundering and Counter-Terrorism compliance**

MFIWM shall comply with rules and regulations issued by government and foreign government bodies and any other applicable laws. MFIWM shall screen potential donors, beneficiaries and other persons as appropriate, in accordance with applicable laws and risk mitigation.

#### 4. Anti, Fraud, Corruption and Bribery

It is MFIWM's policy to undertake a zero tolerance approach to fraud, corruption or bribery, corruption and bribery and attempted fraud, corruption or bribery.

Definition but not limited to:

- Paying or offering a bribe – where an Person(s) improperly offers, gives or promises any form of material benefit or other advantage, whether in cash or in kind, to another in order to influence their conduct in any way.
- Receiving or requesting a bribe – where an Person(s) improperly requests, agrees to receive or accepts any form of material benefit or other advantage, whether in cash or in kind, which influences or is designed to influence the Person(s)'s conduct in any way.
- Receiving or paying a so-called 'grease' or 'facilitation' payment – where an Person(s) improperly receives something of value from another party for performing a service or other action that they were required by their employment to do anyway. For example: where a member of staff at an partner refuses to issue the required travel authorisations without a personal payment also being made.
- Nepotism or patronage – where an Person(s) improperly uses their employment to favour or materially benefit friends, relatives or other associates in some way. For example: through the awarding of contracts, jobs or other material advantages.
- Embezzlement – where an Person(s) improperly uses funds, property, resources or other assets that belong to MFIWM or to a connected organisation or Person(s). Receiving a so-called 'kickback payment' – where an Person(s) improperly receives a share of funds or a commission from a supplier as a result of their involvement in a corrupt bid or tender process.
- Collusion – where an Person(s) improperly colludes with others to circumvent, undermine or otherwise ignore MFIWM's policies or guidance.

It is an obligation upon MFIWM to ensure it:

- Maintains effective controls to prevent fraud, corruption or bribery, and corruption and bribery.
- Maintains strict segregation of duties and ensures that spot-checks are undertaken.
- Maintains a minimum of two bank signatories for all payments.
- Ensures that formal procurement procedures and policies are adhered to.
- Carries out vigorous and prompt investigations if fraud, corruption or bribery, or corruption and bribery occur.
- Takes appropriate legal and/or disciplinary action against perpetrators of fraud, corruption or bribery, or attempted fraud, corruption and bribery.
- Takes disciplinary action against managers and supervisors where their failures have contributed to the commissioning of fraud, corruption or bribery, or corruption and bribery.

## 5. Cash & Banking

It is MFIWM's policy to ensure consistency in the area of cash and banking. MFIWM conducts general banking with financial institutions that meet the criteria identified below. The Board of Trustees must give its prior approval for MFIWM Staff to establish banking or financial institutional relationships.

### Opening a Bank Account

To open a bank account, a written request. The request must include, but is not limited to, the following:

- Bank name, address, bank contact, and phone number.
- Purpose of account.
- Bank account signatories.
- The request must be reviewed and approved by the proper MFIWM personnel.
- The request is reviewed by the Finance Committee to determine that a clear need exists for a new bank account. If the need for a new bank account has been established.

### Closing a Bank Account

All bank accounts that become dormant shall be closed; the Treasurer is responsible for ensuring any bank accounts that become dormant are closed within a reasonable time period (defined as within two months of the account last being used).

To close a bank account, a written request must be made using the Bank Authorisation Form. The following must be included in the request:

- Bank name, address, bank contact, and phone number.
- Bank account number.
- The closing bank balance and statement.

Upon receipt of the properly authorised form, the Treasurer prepares a bank account closing letter and notifies the bank where any remaining bank balance must be transferred. The letter must be signed by the named bank signatories.

Once the account has been closed, the Treasurer or equivalent completes the bank reconciliation at the date of closure.

## **Appointment of Bank Signatories**

Signatories are appointed to fulfil an administrative role as part of the need for segregating duties. Being appointed as a signatory is not regarded by MFIWM as giving status or position to any Person(s); rather, an administrative responsibility is given.

### **Appointment**

Senior and responsible Trustees should be appointed as signatories.

All prospective signatories should be trained in order to ensure they can fulfil the role of signatory adequately. The Trustees must be adequately satisfied with the competency – after training – of the prospective signatory, before recommending the person to be appointed as signatory.

### **Expected qualities of signatories**

#### **Uncompromising Integrity and Ethical Standards**

An appointed signatory must be honest, ethical and maintain confidentiality at all time

#### **Basic Business/Charity Knowledge and a Strong Understanding of MFIWM**

To be effective, a signatory must understand business/charity fundamentals, and MFIWM's basic operations and method of operating.

#### **Reliability**

A signatory must be reliable and readily available to perform the function of signatory.

#### **Adhere to the MFIWM Financial Guidelines**

Before approving any form of payment each signatory must be satisfied that the relevant supporting documents are submitted with each request. At no time shall the person making the requisition be the same person signing approval of payment.

### **Approvals/Documentation**

All bank accounts shall maintain the following characteristics:

- They must be in the name of MFIWM.
- No one person will have single signing authority; there must be a minimum of three persons as named signatories.
- All bank signatories must be aware of and adhere to the guidelines in the Bank Signatories code of conduct.
- Bank signatories should not be Person(s) involved with transaction management and processing in the finance and accounting functions.

## Loans & Bank Credit

The Board of Trustees must approve all Qardh Hasana, bank loans, lines of credit, overdraft facilities, letter-of-credit arrangements, or other financing requirements prior to their inception.

### Bank Deposits

All cash/cheques received must be banked on a regular basis (defined as within two days of receiving the money).

Cash/cheques should be recorded on a bank paying-in slip for banking purposes. Another independent Person(s) would need to check the accuracy of the details and sign it to signify that an internal check has been undertaken. In the case of paying money directly into a bank account, a copy of the paying-in slip stamped by the bank must also be retained. The Person(s) who does the banking should be independent from the Person(s) who receives the income, to demonstrate that a clear segregation of duties exists.

### Bank Withdrawals

Withdrawals of funds shall be limited to absolute cases of necessity (defined as petty cash). In cases such as withdrawal of funds, the cashier prepares the cheque and attaches the relevant supporting documentation to an "Approval request for withdrawal of funds"; this should be signed by two signatories who are different from the signatories on the cheque.

A cheque for the withdrawal of cash should not be made out in the name of an Person(s). Another Person(s) should accompany the cashier to the bank in order to cash the cheque.

On returning from the bank the cash should be handed to another Finance Officer within the department, who should cross-reference the amount to the cheque withdrawn and the relevant paperwork.

A record should be maintained of all bank transactions undertaken. This should be utilised to verify in preparation for the bank reconciliations.

### Authorised Signatories' Responsibilities

- There must be a minimum of three signatories for any bank account. When three signatories are not available, and at the discretion of MFIWM, a minimum of two signatories shall be accepted.
- It is the fundamental duty of the designated signatories to protect the property of MFIWM in all forms. This will secure its application for the objects of MFIWM. In order to discharge this duty, it is essential there are adequate internal financial and administrative controls over the use of MFIWM property, funds and resources.
- An authorised signature is required to countersign all forms of payments. Senior and responsible personnel within MFIWM should be selected as signatories for approving and authorising MFIWM expenditure.
- **No blank cheques should be signed under any circumstances.**
- All signatories shall take the following points into consideration:

- It is important to understand and realise that the selected personnel’s signature carries approval.
- The signatories will be held accountable if any issues arise (i.e. fraud, corruption or bribery, misappropriation of funds etc.).
- Signatories shall not rely on another signature as proof that everything is checked. Mistakes/oversights are always possible, and it should be borne in mind that signatures can be forged.
- The most senior signatory should provide the last signature.
- Always be prepared to question and critically review the documentation.
- If you have any doubts regarding any payments, do NOT sign until further information and clarification is given , regardless of how urgent Person(s)s may inform you the payment is.

## 6. Bank Reconciliations

- All bank accounts must be reconciled monthly using Quickbooks, with the reconciliations reviewed and approved.
- All Bank Reconciliations should be retained on Quickbooks with the supporting documentation attached; including the general ledger, bank ledger and the bank statements.
- *Segregate bank reconciliation duties.* The Person(s) reconciling the bank accounts will have no responsibility for, or access to, any disbursement functions.

## 7. Petty Cash

It is MFIWM’s policy that, where appropriate, MFIWM may request establishing an imprest petty cash fund (vouchers with receipts plus available cash must equal the fund amount), to be used for minor operational expenses.

The petty cash fund **must** be maintained as cash in hand.

### **Establishing/Increasing the Fund**

Requests to establish or increase the balance of a petty cash fund must be approved by the Finance Committee. A Payment Request Form including the following information must be completed and forwarded to Finance Committee

- Explanation of why a petty cash fund is required and the anticipated types of reimbursements – e.g., Casual labour etc.
- Petty cashier’s name and contact information.
- Where (ie,, the actual physical location) and how (e.g.,, safe, locked box) the fund will be secured.
- Gross amount requested for the fund.
- Nominated person(s) signatures and date.
- Nominated person(s) must designate a petty cash fund cashier who is responsible for the control and disbursement of the fund. A control log must be established and must be maintained as a “cheque book”, noting deposits and withdrawals.

## 8. Budgeting

It is MFIWM policy that in order for MFIWM to implement its strategy effectively, the strategy needs to be translated into operating plans and into a budget. Strategic planning is a continuous cycle, and MFIWM should ensure that the systematic analysis of MFIWM, and the environment in which it operates, is undertaken.

The strategy sets out the overall direction of MFIWM, by setting the strategies, objectives and targets for the period.

The objectives and targets of the strategy need to be converted into an operating plan; this should detail the annual tasks and the desired outcomes for the current year in order to achieve the objectives and targets of the strategy.

- Budgets will be subject to a challenge process by the Board of Trustees, in order to check that the evidence is reliable and robust, and that the overall budget and plans of MFIWM remain realistic and achievable.
- The Board of Trustees will undertake the process in an unbiased and objective manner; thus, any Person(s) with a vested interest in any budgets will have an unvoiced representation on the Committee.
- The Board of Trustees has overall responsibility for budgets are responsible for the monitoring of their own budgets. The relevant person(s) are required to ensure that the budgets are being monitored effectively, and must retain overall responsibility for all budgets within his/her area of responsibility.
- Budget Management involves working within the costed plan of activities. It involves investigating reasons for variances from the budget, taking corrective action as appropriate.

## 8. Payment to Suppliers

It is MFIWM's policy to record and pay only valid and authorised invoices, which represent legitimate organisational obligations.

All amounts paid should be based on approved and valid vendor invoices and/or cheque requisitions, supported by a valid/current purchase order (PO), and evidenced by receipt of goods and/or services.

Copied or resubmitted invoices shall be investigated and resolved in order to avoid duplicate payments. Payments shall be made from vendor invoices and not from vendor statements. Proper documentation shall be maintained to support statutory audit and regulatory requirements pertaining to paid vendor invoices.

Payments are to be made in accordance with stated terms in the vendor master agreement. Requests to accelerate or delay payments require the approval of the Treasurer or equivalent.

It is MFIWM's policy that all expenses should be processed to the greatest degree practical in the period in which they are incurred.

**Stamp Invoice "PAID"** After the Invoice should be adequately marked to prevent re-processing. (Defined: Stamped/written "PAID")

Those amounts pertaining to invoices not processed for which an obligation exists within the accounting period must be accrued in accordance with the Accrual policy.

## 9. Accruals

Accruals must be prepared when MFIWM would rationally pay to be relieved of a present obligation at the end of the reporting period.

Accruals shall be recorded when:

The expense has been incurred; that is, the product or service has been received on or before the last day of the month and has not yet been paid. *Note:* even though an expense may have originally been budgeted in the month, it does not qualify for accrual unless the product or service was actually received by MFIWM.

MFIWM has assumed the rights of ownership (i.e., title) and obligation in accordance with the terms and conditions of the agreements.

## 10. Prepayments

It is MFIWM's policy to recognise prepaid assets and expenses as prepayments made to secure the use of assets or the receipt of goods or services at a future date.

Prepaid assets and expenses are generally recognised as current on the balance sheet and amortised to an expense account on a straight-line basis over the period in which the benefits are received. Proper documentation must be maintained for each item, with the account balance reconciled monthly.

In addition, MFIWM has established the following standard when recording prepaid assets and expenses:

Only valid asset and expense items shall be included as prepaid assets and expenses.

## 11. Fundraising

Funds may be received from the following sources:

- Direct mail (i.e., mail received at MFIWM Office).
- Public collections and fundraising activities.
- Direct transfers (i.e., customers are directed to send their remittances directly to the bank). (This includes funds received via credit/debit cards, direct debits, standing orders and all other forms of making payments.)

MFIWM will issue a receipt for the funds received.

MFIWM maintains a separate log, and once the payment is processed to Quickbooks Accounts Receivable, the cheques must be deposited to the bank daily or at least weekly. The following additional bank deposit reference information (eg., date of deposit, branch deposited, and those cheques that represent the deposit) is recorded in the direct mail log. Copies of the cheques and deposit slips are retained until the bank confirms the deposit with the bank statement and it is verified that the customer's account has been updated.

MFIWM either allocates the funds to the fund the sender has specified or matches the payment received to the open invoices.

### **Public collections and Fundraising activities**

MFIWM shall ensure that it complies with country specific regulations governing public collections (this includes collections in buildings such as mosques, etc.) and working with external fundraisers and volunteers. MFIWM shall ensure that it makes licensing arrangements as required by the applicable authorities.

1. The funds collected shall be counted within the presence of the mosque/community centre's officer(s).
2. A receipt shall be issued promptly when the funds are taken away.

3. Prior approval from the mosque/community centre/local authorities must be sought and precautions must be taken to safeguard all money collected. If using boxes, make sure they are securely locked or sealed, with a serial number on the seal.
4. All funds shall be recorded accurately, together with the location and the date received.
5. All funds received shall be handed to the designated cashier.
6. Photocopies of all cheques received should be made.
7. The cashier should fill out a deposit slip correctly recording all amounts.
8. A copy of the deposit slip shall be kept, while the original deposit slip with the cheques should be sent to the bank for depositing.
9. Authorised Person(s), but not the cashier, should deposit the receipts to the bank, and return the deposit slip
10. The Authorised Person(s) should then complete the voucher indicating: donor, cheque number (if applicable), amount, deposit date, bank name and accounting code.
11. Accounts Receivable allocates the funds to the specified funds for the collection has specified with the initial receipt-cash slip form, to verify it has been inputted.
12. All documentation shall be retained, namely: the original bank deposit verification, the copy of the deposit slip, the copy of the cheque and any other information received.

### **Donations by credit/debit card**

The Person(s) assigned the duty of taking credit card/debit card funds should ensure that credit/debit card details are accurately captured.

The system being used for credit/debit card funds shall capture the following information:

- Name, address and telephone number of the donor.
- Date and time of donation.
- Amount to be donated.
- Purpose of donation.
- Credit/debit card details (Visa/MasterCard, etc.)
- Card number.
- Issuing and expiry dates of the card.
- Issue number for debit cards.
- Name of the Person(s) that processed the transaction.

Serially numbered receipts should be issued to all customers immediately

### **Fundraising Activities**

1. Members, volunteers and Trustees shall maintain records of each fund development (Fundraising) activity to identify gross incoming funds and costs incurred.
2. For all activities that have a ticket issued, ensure that:
  - a. all tickets shall be pre-numbered;
  - b. a record of all Person(s) who have been issued tickets to sell is kept, and that the number of tickets allocated to each Person(s) shall be kept;
  - c. records of all tickets sold shall be retained.
3. A receipt shall be issued promptly when the ticket is issued.
4. All funds must be recorded accurately, together with their location and the date received.
5. All funds received should be handed to the designated cashier.
6. Copies of all cheques received should be made.

7. The cashier should fill out a deposit slip while ensuring all amounts are correctly stated on the deposit slip.
8. A copy of the deposit slip shall be kept, while the original deposit slip with the cheques should be sent to the bank for depositing.
9. Finance personnel, but not the cashier, should deposit the receipts to the bank on a daily basis, and return the deposit slip to the finance/accounts officer.
10. The finance/accounts officer should then complete the voucher, indicating: donor, cheque number (if applicable), amount, deposit date, bank name and accounting code.
11. Accounts Receivable allocates the funds to the specified funds for the collection has specified with the initial receipt-cash slip form, to verify it has been inputted.
12. All documentation shall be retained, namely: the original bank deposit verification, the copy of the deposit slip, the copy of the cheque and any other information received.

### **Fund Raising**

Anyone considering fundraising on behalf of MFIWM should let MFIWM know in advance as MFIWM will be able to provide support and assistance. It is the responsibility of the event organiser to ensure that they have the appropriate insurance cover for their event.

Where a donor has conducted a fundraising event without prior notification to the charity, they should be informed of the value of informing the charity in advance for any future activities.

For fund raising events MFIWM will need to:

- Endeavour to sell any tickets prior to an event to reduce the need for cash collection on the day of an event.
- Make pricing of tickets or goods for sale sensible (for example, £5, £10) in order to minimise cash handling. All tickets for sale are to be pre-numbered and sales and takings reconciled.
- Nominate one Person(s) with overall responsibility for overseeing cash handling.
- Consider ways in which cash can be held securely, for example, through the use of money belts.
- Issue round quantities of tickets or programmes with sellers signing for the quantity received.
- Unsold tickets or programmes are returned and reconciled with the record of cash received from each seller.
- Discrepancies should be investigated without delay.
- To avoid sellers accumulating significant amounts of cash, pre-designated collectors should collect cash. Alternatively, secure cash-receiving locations should be available to sellers.
- Collections are recorded on a summary with a signature from the sellers signifying the amount of cash collected. In certain circumstances it may not be practical for cash to be counted at interim stages during the course of an event, however, a record that a collection has been made should be evidenced by signatures from both collectors and sellers.
- All final amounts including floats to be collected and recorded from all locations at the end of an event.

### **Direct Transfers**

The bank sends a credit advice that identifies the date and each payer's name, address, and funds/invoice references. This report serves in the same way as the MFIWM's deposit slip.

Receipt of this credit advice is reconciled to the changes in Accounts Receivable customer account balances.

Daily analysis and reconciliation occurs through the following:

- Deposits to bank statements.
- Accounts Receivable customer payments collected from the Accounts Receivable listing matched to the deposits.
- Accounts Receivable sub-ledger to the Accounts Receivable ledger balance.

### **Gift Aid**

MFIWM shall keep accurate and full records of funds received. This will qualify funds received for tax relief; it also satisfies the purposes of a government audit and various legal requirements.

All documentation required by the relevant authorities must be maintained in an appropriate manner, as specified by the relevant tax or other authorities.

## 12. Property, Plant and Equipment

It is MFIWM's policy to define Property, Plant and Equipment (PP&E, also referred to as PP&E Assets) in accordance with International Financial Reporting Standards, which states that property, plant and equipment should be recognised as assets when it is probable that:

- It is probable that the future economic benefits associated with the asset will flow to MFIWM; and
- The cost of the asset can be measured reliably.
- PP&E Assets owned by MFIWM are depreciated over the asset's anticipated useful life.
- It is MFIWM's policy to depreciate PP&E Assets assuming a straight-line methodology and zero salvage or residual value. MFIWM has established asset categories and determined the depreciable life schedule based on the typical term the asset is in use.

### Depreciable Life Schedule

Property, Plant and Equipment Asset Category	Depreciable Life
Buildings	2%
Leasehold Improvements	2%
Vehicles	20%
Computer Equipment	25%
Furniture, Office Equipment	12.5%
Construction in Progress	Not applicable

Assets of a value of £1,000 or less shall be expensed at the time of purchase. It is important to maintain all expensed assets records including but not restricted to: the assets tag number, serial number, description and cost.

## 13. Year-end Close

The Annual Report and Financial Statements is the most important document produced by MFIWM annually. It is vital that MFIWM's image and professionalism is not affected; thus, the need to produce a complete and accurate annual report on a timely basis.

The Board of Trustees expects to review and make recommendations to the Annual Report and Financial Statements before the commencement of the audit. The Trustees therefore expect a final draft to be presented to the Auditors/Independent Examinations on the commencement of the audit/independent examination with no changes from MFIWM's perspective during the audit.

It is MFIWM's policy to produce the annual report for the year ended **31 March** in a complete and accurate format **by 30 November** of the year following, and to be submitted to the Board of Trustees by **30 December**.

## 14. Record Retention

### *Ownership of Records*

**MFIWM holds ownership and title to all records created, received, acquired or maintained in the normal course of business, by any Person(s) or organisational component. These records are the property of MFIWM; they shall not be used for personal or private purposes, and shall be destroyed only in accordance with official documented approvals.**

**MFIWM should maintain a permanent file that holds the following documentation:**

#### 1. Registration details

MFIWM needs to maintain the registration details on permanent file. The registration must be approved by MFIWM Trustees. Copies of all letters or emails to and from government authorities and legal/external advisors should be maintained.

#### 2. Tax status

MFIWM needs to ensure that they register for the appropriate tax status in the country of operation applicable to Non-Governmental Organisations/Charities. Copies of all letters or emails to and from government authorities and legal/external advisors should be maintained.

#### 3. Other permits/official permissions/licences

Copies of all permits/permissions from official sources/government bodies must be maintained.

#### 4. Insurance documents

If any insurance cover has been taken out for any matter, a copy of the certificate and schedule of insurance must be retained indefinitely.

#### 5. Property documents

For all property not rented but owned or donated to MFIWM, there must be maintained a copy of all correspondence/emails relating to the same and a copy of the registration document.

#### 6. Rental agreements

MFIWM Offices renting property or entering into any other form of rental or lease agreements should ensure that the relevant documentation is maintained on file and that the agreement has been authorised.

#### 7. Bank account and list of cheque signatories

MFIWM should maintain an updated record of bank accounts and approved cheque signatories.

#### 8. Organisation chart

MFIWM should maintain an up-to-date organisation chart that illustrates the structure of the office.

#### 9. Accounting records

- These must contain evidence for conclusions reached.
- These must provide a sufficient record of the basis of the final report.
- Files and documentation must be capable of being understood by an experienced auditor with no prior knowledge of the case.
- The file should be assembled in an orderly fashion on a timely basis.

Records required for local or operational use that may not be listed or identified on the Retention Schedules must be retained as long as they have operational usefulness.

#### Record disposition

Records and information must not be destroyed indiscriminately. For records that have met their retention period and are no longer required for operational use, written authorisation must be obtained from the Board of Trustees before destruction.

## 15. Reserves Policy

### **1.0 Reserves**

Reserves should be held to ensure that MFIWM can continue to provide stable, quality and timely assistance to its beneficiaries.

### **2.0 Principles**

- Reserves should be held at the appropriate level to minimise the cost of financial distress that equates to programme disruption – ie, minimise risk.
- Reserves should be applied within the stated Charity Objects.
- Reserves should be held to adequately meet MFIWM needs.
- The needs of present and future beneficiaries should be balanced.
- The size of reserves should be appropriate to the purposes for which the reserves are maintained.

### **3.0 Categories of Reserves**

MFIWM's financial reserves are classified between unrestricted and restricted Unrestricted.

#### **3.1 Purposes of Each Fund**

The unrestricted funds are available for use at the discretion of the Trustees of MFIWM in furtherance of the objects of the charity and may include:

- enhancing MFIWM's ability to achieve its charitable objectives;;
- providing a degree of protection against shortfalls in future income;
- enabling unexpected expenditure to be financed;
- enabling future financial commitments to be met.
- The purposes of MFIWM's restricted funds include restrictions assigned by the donor or the terms of the appeal. The donation and income deriving there from will be used in accordance with the specified purpose.

### **4.0 Target Reserve Levels**

The current position and the range for the reserves are six months' operational reserves. This range is reviewed periodically (usually annually), to reflect changing circumstances.

If the reserve is below its target range, the objective will be to reach the target range, subject to competing interests.

#### **4.1 Quantifying the Reserve Requirement**

The reserve requirement should be derived by undertaking calculations to determine:

1. Income assessment and risk adjustment.
2. Financial Obligations: these are to incorporate all operational and programme costs
3. MFIWM expenditure assessment: MFIWM expenditure is to incorporate the MFIWM operational costs based on the approved MFIWM budget.

These figures should be utilised to calculate the minimum required unrestricted reserves level. The figures should take into consideration the risks associated with each stream of income and expenditure being different from that being budgeted.

The calculations of the required levels of reserves should incorporate an assessment of the levels of expected funds utilisation from unrestricted reserves for those countries of operation with minor or no incoming funds. These levels will be assessed and, if significant, the Board of Trustees will be required to approve the level requested.

#### **4.2 Unrestricted Reserve Requirement**

MFIWM will take into consideration the risks associated with its funding sources, and as a measure to maintain unrestricted reserves, there should be between four and eight months of unrestricted expenditure held in cash or cash equivalents.

#### **4.3 Unrestricted Reserve Utilisation**

The criteria for short-term use of reserves should be in accordance with approved budgets and an adequate amount for emergencies as forecasted annually.

#### **Investment Considerations**

MFIWM will invest its financial reserves according to Islamic finance principles, ethically and prudently. The investment considerations are covered an Investment Policy(if MFIWM is in a position to hold investments), and the level of liquidity will be amended over time to meet operational circumstances.

MFIWM will consider medium-term investments that are ethically acceptable in accordance with Islamic finance principles.

#### **5.0 Monitoring and Review**

The reserve levels will be monitored and reported to the Trustees as part of the Financial Reports The Trustees and the Working Committee bodies are assigned responsibility to undertake safeguard measures if required. Trustees will review the policy on an annual basis.