

The Pony Club

GUIDELINES FOR BRANCH TREASURERS

(Revised October 2015)

These notes have been written to give guidance to Treasurers (and also to District Commissioners) on the financial administration of their Branch. They are intended to be practical, and to take into account the realities of the ways in which Branches work. However, whilst the very nature of The Pony Club makes it impractical to operate the level of financial controls that would exist in commercial enterprises, it is important that the issue of financial stewardship is taken very seriously. Unfortunately, there have been cases of fraud and theft at Branches in recent years.

The enormous amount of hard work performed by volunteers, particularly Branch Treasurers, in complying with the financial requirements imposed upon The Pony Club by charity legislation is recognised and greatly appreciated.

The Rules of The Pony Club contain a number of references to financial matters, with which Treasurers and DC's need to be familiar. These are detailed below in their respective sections, with the Rule shown in italics, followed by an explanatory note.

Bankruptcy of a committee member

Rule 4.XVIII. "Any member of the Board, the Equestrian Council or of Equestrian Council Committees, or a District Commissioner who becomes bankrupt or makes a composition with his creditors, shall be disqualified from office. and their appointment shall be terminated immediately. No person who is an undischarged bankrupt may be appointed to any of these offices. This Rule shall also apply to any Officer or member of a Branch Committee who has any responsibility for the financial affairs of the Branch."

Hopefully, this Rule will be used very rarely, but it is a legal requirement that a bankrupt should not have access to Branch funds.

Branch Accounting Records

Rule 9.IV, under the duties and responsibilities of DC's "(to ensure that) simple financial accounts for the Branch are kept and arrangements made for the inspection of them if required by the Trustees. A financial statement should be produced at each meeting of the Branch Committee. Accounts should be audited yearly by an appropriate person, or reviewed by a member of the Branch Committee. The auditor or reviewer must not be related in any way to the Treasurer or reside at the same address as the Treasurer."

The agenda for every Committee meeting should contain a financial report by the Treasurer, and the Treasurer should bring the account records and the latest bank statement(s) to the meeting, so that Committee members may inspect them if they wish. This is a financial control. Every effort should be made to have the annual branch accounts audited, but it is recognised that Branches may have difficulty in finding someone prepared to take on this task. If this is the case, a member of the Branch Committee (who could be the District Commissioner) should review the annual accounts with the Treasurer. The review must include agreeing the reconciliation of the bank statement(s) to the balance in the accounts. The reviewer should then submit a verbal or written report to the next

Committee meeting, and this must be minuted.

It is essential that the accounts should either be audited or reviewed as prescribed above. It is the duty of the District Commissioner to ensure that this is done. It is self-evident that the control is weakened if the auditor or reviewer is related to the Treasurer.

Only simple accounting records need to be kept. As a minimum, they should be sufficient to show the details of income and expenditure in any breakdown that the Branch Committee may require and to analyse income and expenditure in line with the standard format used for the annual branch accounts for central reporting purposes.

A cash book should be kept. Many branches now choose to use a simple spreadsheet (in a programme such as Microsoft Excel) with separate worksheets (note: a worksheet is a separate page within a spreadsheet, not an entirely separate spreadsheet) within it for income and expenditure. Then in the individual worksheets they can analyse the individual payments/ receipts into columns for the different categories for income and expenditure and use the spreadsheet's functionality to automatically total up the amounts for each category and check that no amounts have been missed in the analysis.

The standard categories for income and expenditure can be obtained from the branch annual accounts. This is how The Pony Club would like income and expenditure analysed for the purposes of its central records but obviously branches may wish to analyse it in more detail for their own purposes. For example, many branch committees like to know how individual events perform financially.

On the receipts side, income from areas such as subscriptions, postage, sale of merchandise, rallies and instruction, camps, shows and trips, competitions, donations and interest will probably apply to most Branches. Similarly, common expenditure headings will include rallies and instruction, camps, general admin, purchase of merchandise for resale, capitation fees, purchase of small equipment, property cost, interest paid, show and trips and competitions. Both income and expenditure will need an "Other" column for items that do not fit into common headings, and a "Narrative" column next to it for a brief explanation of the receipt/payment.

For the purposes of branch annual accounts please try to make sure that what is included in "Other" is genuinely different from the categories of expenditure named on the branch annual accounts. Sometimes branches include individual events or competitions under "other" or include expenditure items which would fit within categories such as "General Admin". Though the individual branch committee will probably require a more detailed analysis, for the purposes of the central branch financial return it is easier if the expenditure and income are within the standard categories used by The Pony Club. However, if you feel some income or expenditure does not fit into one the standard categories then it should be included in "Other" and a narrative added to describe what the item is.

For payments, the first 4 columns can be used to record:

- 1) The date of payment,
- 2) The cheque reference number or another payment reference (for example if it was paid by bank transfer the words "Bank transfer" could be used)
- 3) The invoice reference number, for the invoice or the receipt slip. It is best to keep your invoices and receipt slips in a folder in sequential reference number order, perhaps divided into different sections for each month of the year so as to be able to find them quickly if

- required
- 4) The payee's name, and
 - 5) The Amount

Additional columns for items such as "Description of expenditure" or to show different bank accounts can also be added amongst these standard columns

Then the payment amounts can be analysed into the different categories of expenditure as discussed above.

Receipts are slightly different, as one payment of cash or cheques in (a lodgment) at the bank may contain income from several different headings. Therefore, the first four columns can be used to record:

- 1) The Date of Lodgment,
- 2) The Reference, this is where you can put the paying in slip number or another appropriate reference so that you can trace the amount paid in back to the appropriate supporting documentation if required. You should keep your paying in slip counterfoils or stubs for this purpose,
- 3) The Source of Income, here you can include a name if the receipt is from an individual person or source or you could put "Various" if it is was a lodgement which contained amounts from multiple sources,
- 4) The Amount .

Additional columns for items such as "Description of income" or to show different bank accounts can also be added amongst these standard columns

You can analyse the amounts out between the different categories of income in the individual columns as described above.

If the branch has multiple bank accounts it is may be simpler to have two separate worksheets for each bank account (one worksheet for income and one for expenditure) rather than trying to put multiple bank accounts on one worksheet, though this is possible by having separate Amount columns for each bank account. As long as it is clear which bank account the amounts have been paid into or out of either way should work fine.

Income and expenditure should be recorded gross, and not netted off against each other. For example, if you are given £1,000 as the proceeds from the Annual Show, and told that this is after catering expenses of £50 that have been paid in cash (although cash payments should be avoided whenever possible – see Rule 7.II below) you should ideally do the following:

- 1) In the receipts worksheet, you should show the receipt into the bank account of £1,000, but in the analysis columns under "Competitions" enter £1,050, and put minus £50 (-50) in the "Other" column.
- 2) In the "Narrative" column next to "Other", write "Catering expenses – contra payments".
- 3) In the payments worksheet enter £50 in the "Competitions" column and minus £50 (-50) in the "Other" column, with the narrative "Catering expenses – contra receipts".
- 4) The Reference column on this line for payments could show a reference number to an invoice or a receipt slip from the caterers and the Date will be the date of the payment. The total of this line is £0 in the Amount column and for the purposes of the final branch accounts the two £50's in "Other" expenditure and "Other" income should be cancelled out and not

included. So the final branch accounts will just show £1,050 in “Competitions” income and £50 in “Competitions” expenditure.

- 5) The reason for writing down the two minus £50 amounts in the “other” column is so that the worksheets agree to the amounts that go into and out of your bank accounts in case anyone wished to check that all amounts going into or out of the bank were correctly and accurately recorded

Fixed Asset Register

Rule 9.IV, under the duties and responsibilities of DC's, also states that the District Commissioner must ensure that “A register is kept of all of the fixed assets (land, buildings, vehicles, caravans, trailers, jumps, trophies and other equipment) belonging to the Branch, whether or not the Branch capitalises fixed assets in its accounts. Items costing or valued (whichever is the greater) less than £100 need not be entered on the register. Property comprising a set should be priced as a set, not as individual items. This register must be physically checked at least once every year.”

This represents best practice. It is also the case, particularly in Branches with a large geographical area, that equipment may be stored in a number of sites, which can result in it being lost or forgotten. Many Branches have a large amount of money invested in their equipment, and there is a duty of care under charity law to ensure that it is properly controlled. The Treasurer is probably the best-suited official to supervise this exercise, particularly if the Branch capitalises fixed assets. The result of the physical check should be reported to the next Branch Committee meeting, and be minuted.

The register itself can again be easily kept in a spreadsheet with column headings as follows:

- 1) Date of purchase
- 2) Description
- 3) Reference (*so you can find the supporting invoice if required*)
- 4) Amount (£)
- 5) Depreciation rate
- 6) Depreciation amount in 2014 (*note: the date is purely an example and a separate column should be set up for each year so it is easy to see how much depreciation has been charged each year.*)
- 7) Total Depreciation (*note: this is the total of all the individual yearly depreciation columns and should never become greater than the original cost of the item. Once total depreciation and the original Amount are equal that item is fully depreciated and no more depreciation should be recognized against it*)
- 8) Date of disposal
- 9) Disposal proceeds (*note: normally there are none but if there are they should be recorded as income for the accounts*)
- 10) Value at end of current year (this is the original cost minus all the depreciation charged to the end of the current year)

Branches may choose whether to write-off in the accounts equipment in the year in which it is purchased, or to treat it as a fixed asset, and depreciate it over a period of years. Land and buildings must be recorded as fixed assets. Branches can set their own depreciation lives, but, as guidance, the following is suggested:

Land – No depreciation
Buildings – 50 years
Jumping equipment – 5 years
Vehicles, caravans, trailers – 4 years
Computer equipment – 3 years

The Branch Treasurer

Rule 9.V para 2 “The Committee will choose the following Officers of the Branch: - Secretary, Treasurer, Health and Safety Officer, and Child Protection Officer. It is also recommended that a Chief Instructor be appointed. A person, including the District Commissioner, may hold more than one appointment, except that the Treasurer may not be the District Commissioner, nor may he be anybody residing at the same address as the District Commissioner. Additionally, the Committee may opt to appoint an Assistant District Commissioner.”

It is mandatory that every Branch must have a Treasurer. As a basic financial control, it is essential that the offices of District Commissioner and Treasurer are not combined. Because The Pony Club is a registered charity, there is a legal requirement that proper books of account must be kept to record the financial affairs of the Branch, and a person must be designated to carry out this responsibility. Supporting documentation, such as invoices, bank statements, and cheque book & paying-in slip counterfoils, must be kept safely by the Treasurer for at least 6 years. This is another legal requirement that could be invoked by, amongst others, the Inland Revenue.

Annual Branch Accounts

Rule 9.V para 6. “The Treasurer must present an Income and Expenditure Account and a Balance Sheet for the previous Pony Club year, for approval by the Committee. This should be done no later than the first Branch Committee meeting after the end of February.”

This is a minimum requirement, and the accounts should be presented in sufficient detail to enable the Committee to understand the financial results of the major activities of the year, such as the profit or loss made by the annual Camp. The standard format of branch annual accounts for central purposes is a useful guide for the different categories of income and expenditure but as previously noted committees might want to be able to look at individual events as well as all competitions together, in which case some additional analysis will be needed.

As regards the Income & Expenditure Account, most Branches will opt to prepare an Income & Expenditure Account, which adjusts the accounting records so as to report only those items that refer to the current year. For example, it will exclude renewal subscriptions for next year that are received before the end of the current year, even though these subscriptions have been banked, and will also exclude deposits on venues for events that are to be held for next year. These adjustments are adjustments relating to Balance sheet items and it is these that make preparing the annual branch accounts slightly more tricky than the original cashbook. Other changes to the Income & Expenditure Account may result from Balance Sheet entries such as debtors, creditors, stock and fixed assets. There is more help and worked examples available on how to perform these balance sheet entries and how to go from the cash book to the final accounts in the Treasurer Training course.

For some smaller Branches, a Receipts & Payments Account may suffice. This is exactly what it says, and calculates the Income & Expenditure account purely as the difference between income

received and payments made during the year.

In all cases, accounts should be prepared as at December 31st.

Stock

Branches preparing Income and Expenditure Accounts should make adjustments for the value of stock that they hold at the end of the year. These may be stocks of items held for resale, such as ties, badges and books, or for use in forthcoming events, such as rosettes.

There is more detail on how to make these adjustments in the Treasurer Training course.

Ownership of the Accounting records

Rule 9.V para 7 “The accounting records of the Branch (including, but not limited to, ledgers, bank statements, invoices, cheque books and counterfoils, paying in books and counterfoils, pass books and computerised records) are the property of the Branch. Should the accounts be kept on a computer, then the rights to use any proprietary software (including serial numbers and activation codes) must be owned by the Branch. Accounting records kept in a computer must be securely backed up at regular intervals, at least monthly. If the computer system is password protected, the password must be known by another member of the Branch Committee as well as the Treasurer.”

The purpose of this Rule is to clarify that the accounting records are the property of the Branch, and not of any individual who may have custody of them. For the same reason, it is important that the Branch owns the right to the software if the accounts are kept on a computer. However, as a transitional arrangement where the Treasurer is currently using his own software, this may continue until the next time that the software is changed. It is important that the password is shared, in case misfortune should befall the Treasurer.

Suspension of a Branch Treasurer

Rule 9.V paras 8 & 9 “Regulation of charities has become increasingly strict, particularly in regard to the management of finances. A pamphlet “Guidelines for Branch Treasurers” is issued to all Branch Treasurers and District Commissioners, (and is also available on the web site), and this gives advice on the duties and responsibilities of Treasurers. Should it appear that a Treasurer or any other person carrying out the functions of a Treasurer or any other person performing financial functions for the Branch (such as cheque signing or handling cash), is not providing the required level of financial stewardship, the Management Committee may suspend them from office, and order that all of the Branch’s financial records and documents should be surrendered to a named person. In the period between Management Committee meetings, the Treasurer of The Pony Club may initiate the suspension.

The Management Committee shall order an investigation into the complaint against the suspended person. Depending on the outcome of this investigation, he may either be reinstated or removed from office. In the latter case, he shall have the right to appeal to the Audit Committee, the decision of which shall be final.”

This gives The Pony Club the authority to suspend a Treasurer or any other person performing financial functions in the event that they are failing to carry out their required stewardship, and to recover the accounting records. It is a safeguard to ensure that The Pony Club does not fail to meet its legal responsibilities.

Control of Branch funds

Rule 9.V. last para 8 “The funds of any sub-Branches, parents’ associations, or any other support groups and their use are under the control of the District Commissioner and the Branch Committee, and they may instruct that all or part of these funds should be transferred to the Branch account.”

The effect of this Rule is to emphasise that all funds of the Branch, wherever they are held, are under the control of the DC and the Branch Committee. This includes the proceeds of any fund raising activities done in the name of The Pony Club or of the Branch, for example, by an ad-hoc group of parents. If fund raising is done for a specific purpose, but more money is received than is required for that purpose, then the Branch Committee should decide how to use the surplus funds. In doing so, they should give due weight to the intentions of the donors of such funds.

Parents meeting

Rule 9.VI “Each Branch must hold a Parents’ Meeting annually, open to parents and Members. As a minimum, the Meeting must include a report from the District Commissioner on the activities of the past year, the presentation of a simple financial statement by the Treasurer, and questions and opinions from the floor.”

From the financial viewpoint, this Rule is designed to ensure that parents and Members are made aware of the state of the Branch’s finances. The “simple financial statement” should, at the very least, include an Income & Expenditure Account (or a Receipts and Payments Account) for the prior year, and a Balance Sheet as at the preceding December 31st.

Reporting Requirements

Rule 9.VII “To comply with charity law, all Branches are required to submit Annual Branch Accounts to The Pony Club Office by 28th February following the end of The Pony Club Year. Failure to do this may result in fines being levied on The Pony Club, which will be re-charged to the Branches concerned. The funds of all sub-Branches, parents’ associations, and other sub-groups must be reported, either separately, or consolidated with the Branch.

Capitation Returns must be sent to The Pony Club Office twice yearly, together with the appropriate Capitation Fee. The First Return is due by 31st March, and should include all renewals and new Members up to and including the end of February. In exceptional circumstances, which would generally be of hardship, the Treasurer of The Pony Club may grant a Branch permission to dispense with the First Return and to report all Membership information with the Second Return. In such a case, the capitation fees will not become due until the Second Return. The Second Return, which includes all subsequent renewals and new Members up to and including 31st August, forms part of the Annual Report (see below).

The Annual Statistics Report, which includes the Second Capitation Return, together with statistical information about the Branch and details of Branch Officers, must be sent to The Pony Club Office, to arrive by September 30th.

This lengthy Rule itemises the reporting requirements from Branches to Stoneleigh. Whilst the involvement of the Treasurer will vary from Branch to Branch, he or she will definitely be responsible for the Annual Branch Accounts. He or she will probably have at least some input into the other

Returns. In particular, the Treasurer is required to certify the Capitation Returns to confirm that a satisfactory audit trail exists for all Gift Aid donations (see “Charitable Status and Gift Aid” below). It is extremely important that the deadlines should be met, and it should be noted that penalties will be imposed upon Branches that are substantially in arrears.

Invoices from instructors and other paid helpers

Rule 12.II “Instructors, and others such as Camp helpers, may be paid a fee, on production of an invoice. It is strongly recommended that fees should be negotiated in advance, and that they should not be paid in cash.. Those paid may be members of Branch Committees, but cannot be the District Commissioner.”

It is important to obtain an invoice from people who are paid a fee for their services. It is very strongly recommended that all such payments are made by cheque, and not in cash. The Inland Revenue have been known to demand access to the accounts of a Branch if they suspect that people such as instructors are failing to declare their full income for Income Tax and National Insurance (NI) purposes.

The question often arises whether people such as instructors are employees of The Pony Club, in which case Branches would be obliged to deduct basic rate Income Tax from the fees that they charge. Some Branches have insisted that instructors should provide “certificates of self-employment” in which the instructor undertakes to account to the Inland Revenue for any tax or National Insurance contributions that may be due. We have received the following advice on this matter from a Tax Partner of the accountancy firm, Baker Tilly: -

“I note that some Branches are sending out certificates of self-employment to the instructors. Whilst I appreciate the reasons for this, whether an individual is self employed or employed is based on the relationship between that individual and the contractor. The certificate of self-employment signed by the individual does not alter the facts and in our experience the Inland Revenue have always ignored these in considering whether an individual is self-employed.

Primarily the reason for the Inland Revenue’s stance is that it is up to the contractor/employer to ascertain the employment status of the individual. If it is considered that an employment does exist then it is wholly the responsibility of the employer to account for PAYE.

My understanding of the situation is that a list of instructors is available at each branch, and that branch will then call upon an instructor to carry out the duties required. It is up to the instructor as to whether he accepts that particular duty, and if he declines another instructor will be chosen. I further understand that he carries out his duties with no supervision from any employee of the Pony Club. On the basis that that instructor then invoices for the appropriate fee, and meets any incidental expenses personally, then it is my opinion that the instructor will be classed as self employed. In arriving at that opinion I am assuming that no contract is in place between the Pony Club Branch and the instructor, and no other criteria which would point towards employment.”

The interpretation of this is that instructors should be regarded as self-employed, and can be paid gross without deduction of tax. The reference to supervision specifically does not include the presence at a rally of the District Commissioner or another member of the Branch committee. When negotiating fees with instructors and other paid helpers, they should understand that they are responsible for their own travelling expenses, that they will be expected to provide an invoice, and that they will not be paid in cash.

This restriction on not paying travelling expenses does not apply to Examiners and members of the Visiting Instructors Panel (see Rule 7.III below), who, by their very nature, are expected to travel considerable distances, and are, therefore, entitled to be reimbursed for their travelling expenses.

Travelling and out of pocket expenses

Rule 12.III Travelling and out of pocket expenses of Trustees, Equestrian Council members, members of Equestrian Council Committees, Examiners, and Visiting Instructors going to Branches, will be refunded by The Pony Club Office.

Branches may also reimburse such expenses incurred by District Commissioners, Branch Officers, Committee members, and others acting on behalf of the Branch. Branches may, if they wish, pay a flat sum, or a rate per capita, to their District Commissioner, but they should be aware that the Inland Revenue may require the District Commissioner to justify the amount paid. Travelling expenses will be paid at either the Standard Class train fare, or at the currently approved mileage rate if travelling by car. This rate should be used as the normal allowance for all Pony Club meetings and events. However, when using qualified officials (i.e. British Dressage judges or BSJA judges) their official rate should be paid. Branches using a member of the Visiting Instructors' Panel (as listed in the Year Book) to instruct at camp pay their expenses, except for one return journey, which will be paid by The Pony Club Office."

Branches may reimburse their District Commissioner for expenses either on an "as incurred" basis, or by means of a lump sum. However, the latter method does incur some risk of an Inland Revenue review.

The current approved Pony Club rate for private car use is 45p per mile.

Maximum financial commitment

Rule 21. "Branches shall be largely autonomous in their control of Branch funds. However, it should be understood that, under charity law, the funds of The Pony Club, whether they are held by the Branches or by The Pony Club office, are all regarded as being part of The Charity. This means that, if any part of The Pony Club cannot pay its debts, its creditors can seek payment from elsewhere in The Charity.

For this reason, no Branch may enter into a financial commitment that risks a loss that is larger than 50% of its free reserves at the time of commitment, or £2500, whichever is the greater, without the approval of the Management Committee. Free reserves are the assets of the Branch (excluding fixed assets) less its liabilities, and also less any amounts that have been set aside for a specific purpose."

This Rule should be self-explanatory. However, it is important to understand what the Rule does not say. It is not saying that Branches must not organise any event that is going to cost more than £2500 (or higher if its reserves permit), but that it must not risk losing this amount. In most cases, if an event were to be cancelled, Branches would not be liable to pay all the expenditure that they anticipated. For example, a One Day Event might involve paying the landowner a fee for every horse, but this would not be incurred if the event were to be rained off. Whilst this Rule might appear restrictive at first sight, it is suggested that it is merely reflecting the aversion that most Branches would already have to putting a very substantial portion of their funds at risk.

Purchase of Freehold Land

Rule 21

"Any purchase or rental of land (irrespective of value), and any capital expenditure in excess of £20,000, requires the prior approval of the Board of Trustees. However, this requirement does not apply to casual hiring of facilities, provided that the hire period does not exceed one month. A Branch does not have the legal capacity to buy or rent land or buildings in its own name. All such transactions must be in the name of "The Pony Club", with the interest of the Branch being noted. All costs incurred, such as legal fees, are to be paid by the Branch."

As for the previous Rule, the purpose here is to ensure that no Branch overstretchers itself financially.

Bank account statements and allowed payment methods

Rule 21 "Duplicate paper bank statements must be obtained at not greater than monthly intervals, with one copy being sent to the Treasurer, and the other copy to the District Commissioner. If the Branch has a building society account, the Treasurer must bring the pass book to every committee meeting, and make it available for inspection. No person should be allowed single access to Branch funds, save as shown below: -

- I. Cheques
Single signatures may be allowed on cheques up to £200. Payments above this amount must bear dual signatures.*
- II. Telephone Banking
Telephone banking is not permitted*
- III. On-line Banking
On-line banking is permitted, provided that the Bank has a system that requires two separate people to authorise the transaction.*
- iv. Credit Cards
Credit cards are not allowed.*
- v. Debit Cards
Debit cards may be used, but the Treasurer may not be the holder of a Debit Card. The person who is the holder must give the transaction dockets to the Treasurer at not greater than monthly intervals, together with an explanation of the reason for each purchase."*

Every theft or fraud at a charity has to be reported to the Charity Commission, together with a plan of how to minimize the chances of a similar fraud in the future. Following the discovery of a significant fraud at a Branch early in 2010, it was agreed with the Charity Commission that the banking controls listed above should become mandatory for all Branches.

All Branches should have a bank account, and most will have both a current account and a deposit account. Branches are entirely autonomous in their choice of bank. Please note the rules above apply all Branch bank accounts, including those belonging to sub groups, such as Parents Associations. This applies even if the Bank accounts is in a name other than just the Branch name.

Cash payments should be kept to an absolute minimum and only be used in extreme circumstances. This is to ensure that payments can be easily traced if required and could not be

disputed by those who have been paid via cash.

All payments must be covered by an invoice or a receipt which shows clearly what the payment was for. This does not need to be a formal invoice but could simply be a written or emailed acknowledgement of the payment and what it was for.

Most of the major banks now offer any customers who use dual authorisation cheques a system of dual authorisation by internet banking. This was agreed by the Payments Council with their members from the start of 2014 and the Payments Council says that all of the following members now offer one of these facilities, Barclays Bank plc, Clydesdale Bank PLC, Danske Bank, HSBC Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc (including NatWest), and Santander UK plc. However it is worth noting that some banks will charge for a dual authorisation system to be put in place, depending on what account a Branch holds with them.

Not all banks and building societies are members of the Payments Council and other banks and building societies will offer these electronic dual authorisation services as well. Two such examples of this are CAF bank and Unity Trust Bank, who are both specialist banks for charities and membership groups and used by a number of the Branches.

The number of people authorised to issue single signature cheques should be kept to the absolute minimum. Monthly, all cheque holders should provide the Treasurer with details of all cheques that they have written, together with the supporting documents - invoices, receipts etc.

Please note that, whilst The Pony Club has fidelity insurance against fraud, insurers will not pay out in the case of single signatory cheques. Neither will they if blank cheques have been signed by a dual signatory. The signing of blank cheques must not be permitted.

All cheques received must be paid into the bank account promptly. Apart from this being sound financial practice, it is also unfair on the drawer (particularly some of the older Members who have their own bank accounts) if a cheque is presented several months after it was drawn. It could well cause embarrassment if it were to not clear.

Use of PayPal

PayPal is an online payment system which allows individuals or organisations to make payments for items and services purchased online without the need to enter card details, as each PayPal account is linked to a bank account.

It also allows an organisation or an individual holding an event or selling goods to receive payments online without the need to be set up to take debit and credit card payments. For offering these services PayPal charge a fee per transaction which passes through their system.

Specific charity/not for profit PayPal accounts can be set up which reduce the fees that PayPal charges. So if they are using PayPal then branches should convert their PayPal accounts to be specific charity accounts. If Branches need help doing this they can contact The Pony Club finance department.

PayPal is a very useful system for branches to use to receive money from their events and rallies and also it can be useful if branches are going to pay for their members entries into other competitions (such as the National Championships or Area competitions) but comes with an inherent risk as it is a single authorisation system. However, as it is a well established system and

has proved very useful, its use is permitted but there are strict procedures which must be adhered to prevent fraud or theft of branch fund.

The procedures that Branches should follow are as follows:

- 1) A PayPal Account must be accessible to a minimum two members of the branch committee, including the treasurer. More than two people is highly recommended. These people cannot be related to each other in any way or married to each other and at least two should be signatories on the Branch bank account and able to access the bank records if required.
- 2) All should have sufficient understanding of how the PayPal system works to be able to go into the system and be able to view any receipts, payments and withdrawals of funds made. They should also be able to check which bank accounts are attached to the PayPal account. The Pony Club finance department can help guide people as to how to perform these tasks if required.
- 3) Only one of these people (but not the Treasurer) should have the right to process any payments or withdrawals via PayPal. This person is known as “the approved person”.
- 4) Before any payment is made using PayPal the approved person must obtain permission from another person (“an authoriser”) who can access the PayPal account. The approved person should inform the authoriser that they intend to make a payment using PayPal, explain what the payment is for and obtain their approval in writing to do so (email is acceptable). The authoriser should make sure they are comfortable that it is a genuine expense and that they have seen appropriate documentation to support the payment (such as an invoice). The authoriser can authorise multiple payments in one go but must be happy they are all genuine expenses.
- 5) Copies of these the approval should be kept for the purposes of the branch records. As noted above email approval is acceptable but a printed copy should be kept and filed.
- 6) Once the payment is made the authoriser should be notified that it has been made and they should go into PayPal and check that it has gone to the correct person
- 7) There should only be one bank account attached to the PayPal account and this should be a Branch bank account. Money may only be withdrawn to this account and again when a withdrawal is made the approved person should notify an authoriser and they should check PayPal and the bank account to ensure that the withdrawn money has gone from PayPal to the Branch’s bank account and not to any other bank accounts. This stage could be done by viewing paper bank statements at a later date but the authoriser should make sure they are happy that they are viewing original bank statements. Money should be withdrawn regularly and Branches are not encouraged to leave cash sitting with PayPal as it is safer in one of their Branch bank accounts.
- 8) In order to further limit the risk of Branch funds being inappropriately spent via PayPal it is suggested that the PayPal account is attached to a Branch bank account that has a low level of funds kept in it at all times, with the majority of the Branch funds deposited in other bank accounts which are not linked to PayPal. This is because if money is spent via PayPal, in the event of there being insufficient money in the PayPal account itself, it will draw money from the linked bank account. If a Branch ensures that there is only a small amount of money in

the linked bank account then only a small amount could ever be misappropriated.

- 9) If at any time, any one of the people with access to the PayPal account suspects fraud or theft (perhaps due to them noticing other bank accounts attached to the PayPal account or due to unexplained/ unapproved payments and/ or withdrawals) they should not confront or talk to other people about it. Instead they should directly contact the Finance department in The Pony club office and explain their concerns to them and provide them with access to the PayPal account so they can deal with the matter centrally.

Charitable Status and Gift Aid

The Pony Club is a Registered Charity, No. 1050146. The Pony Club Office can act on behalf of Branches to recover tax on donations made under Gift Aid. Further details are available upon request. Annual subscriptions can also qualify as Gift Aid donations, and are an invaluable source of revenue to The Pony Club. Every effort should be made to have the payers of subscriptions sign a Gift Aid Declaration, which appears at the foot of all Membership forms.

Gift Aid Declarations must be fully completed. If some information is missing, you may “repair” such fields as the donor’s name and address, the date of payment, and the Member’s name yourself, but if the Declaration is unsigned you cannot include it until you get the donor’s signature. HMRC have advised that they prefer Declarations to show the donor’s forename, although they will accept initials of the forename. Any Declarations that does not include the postcode will be rejected. Please ensure that all your Declarations comply with these requirements. If the amount has been left blank, please enter the full subscription that has been paid. If the donor has included payments for items such as joining fees, postage, ties or badges, these must be excluded from the amount shown on the Declaration.

HMRC requires that a clear audit trail must exist, so that they can trace all individual payments that are claimed under Gift Aid into the Branch’s bank account. Therefore, the following procedure is mandatory for all Branches that wish to benefit from Gift Aid.

All such payments must be recorded individually, either in the cash book or elsewhere. For example, if 5 subscriptions of £64 each have been received, together with a family subscription of £160, it is not sufficient to simply enter “Subscriptions £480” in the cash book. This is fine from an accounting point of view but HMRC would want to be able to see the details of the individual donors and the amounts they each gave. There should be 6 separate entries, recording by name the 5 individuals and the one family subscription. Branches generally will wish to show the name of the Members rather than those of the person who has paid the subscription, but the Inland Revenue is more interested in the latter. Consequently, if the surname of the person making the payment is different from that of the child, you should enter the adult’s surname in brackets after the Member’s name. The same applies if a cheque drawn on a sole trader’s or a partnership’s business account is used – enter the name on the cheque into the cash book in brackets. Please note that a payment made by a limited company cannot be claimed under Gift Aid. If a subscription is paid by cash, you should ensure that this is clearly noted in the cash book.

The bank paying-in book should list on the counterfoil all the surnames of the drawers of the cheques, or the business name in the case of a sole trader **or** partnership. If there are too many to record on the counterfoil, a dated supporting list should be prepared, and a copy of this retained with the Treasurer’s records. In this way, it should be possible to prove to HMRC that all payments

claimed under Gift Aid have been properly recorded, and can be traced onto the bank statements.

There are special rules for claiming gift aid on donations relating to events such as sponsored rides. For more information around other sources of donations and the gift aid rules that apply to them please go to <https://www.gov.uk/claim-gift-aid/overview> for more information regarding gift aid in general and specific rules.

Because of the charitable status, all Branches are entitled to receive bank and building society interest without deduction of tax. A form can be completed at the bank or building society to give effect to this. If a Branch has suffered deduction of tax, this can be reclaimed by Headquarters on behalf of the Branch for up to 4 past tax years.

Value Added Tax

For VAT purposes, all Branches are part of The Pony Club Charity. This being so, no Branches should be separately VAT registered.

There is sometimes a misconception that charities are exempted from paying VAT. Unfortunately, apart from a few specific items, this is incorrect. The extract below is taken from HM Revenue & Customs' web site.

"Q1. Are charities automatically exempted from VAT?

A1. No. There is no blanket exemption for charities from the VAT system.

Q2. Does this mean that charities will be charged VAT on everything they buy?

A2. No, not everything. Certain supplies made to charities are specifically relieved from VAT. These supplies include;

- some advertising services,
- certain sound recording equipment supplied to charities caring for the blind,
- certain sea rescue equipment,
- goods donated to charities for sale or export,
- certain construction services,
- certain supplies of donated medical and scientific goods."

Income Tax and Corporation Tax

Again, it is unlikely that any Branch will incur any liability to tax. If Branches receive any communication from the tax authorities they should contact Stoneleigh for advice.