



Trustees
for
Roman Catholic Purposes
(TRCP)

Internal Financial
Controls

2014



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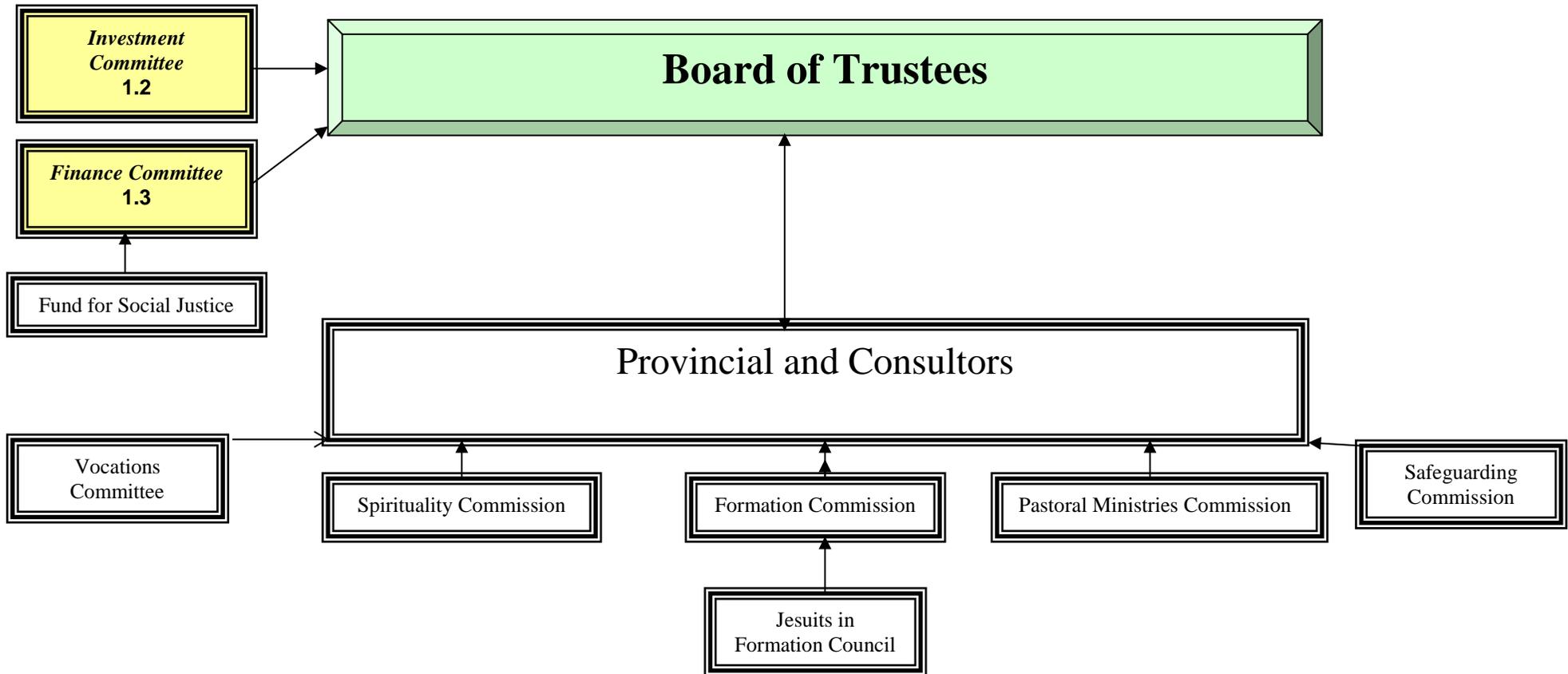
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1. Basic Internal Controls

1.1 Governance





1.2 *Investment Committee*

The Investment Committee meets at least 4 times a year. Its principal role is to advise the Province Treasurer, an *ex-officio* Trustee of TRCP, in the following areas:

- Quarterly Investment performance, including the overall performance of TRCP's unitised Equity Fund;
- Selection and review of the performance of discretionary fund managers against benchmarks;
- Selection and review of the performance of investment property managers;
- Ethical considerations (through adoption of an Ethical investment policy which is to be reviewed at least once a year);
- Asset allocation across the portfolios e.g. bond-equity-cash ratios; and
- Material capital transactions.

1.2.1 *Investment Committee Members*

The Investment Committee is made up of suitably qualified advisors as follows:

Richard Brumby	
Timothy Edwards	<i>Finance Director</i>
James Holt	
Keith McMillan SJ	
Peter O'Connor	
Nicola Parker	
Christopher Pedley SJ	
Stephen Power SJ	<i>Province Treasurer</i>
Nigel Wilson	

1.3 *Finance Committee*

The Finance Committee is established in line with paragraphs 223 to 232 inclusive of the Instruction on the Administration of Goods. The Finance Committee meets on a regular basis as need dictates, but at least four times a year. Its principal role is to consider operational financial matters in particular in the following areas:

- Jesuit Community and Works finances;
- Annual accounts;
- Audit matters;
- Capital projects and other functional property matters;



- HR issues (especially where there is a financial implication e.g. pension auto-enrolment);
- ICT issues;
- Cash-flow and banking arrangements;
- Annual budgets and business planning; and
- the impact of the general economic situation on Province financial strategy.

1.3.1 *Finance Committee Members*

The Finance Committee is made up as follows:

Dermot Preston SJ	<i>Provincial</i>
Christopher Boles SJ	<i>Socius</i>
Stephen Power SJ	<i>Province Treasurer</i>
Joe Duggan SJ	<i>Revisor Domorum</i>
Timothy Edwards	<i>Finance Director</i>
Kevin Fox SJ	<i>Revisor Arcarum</i>

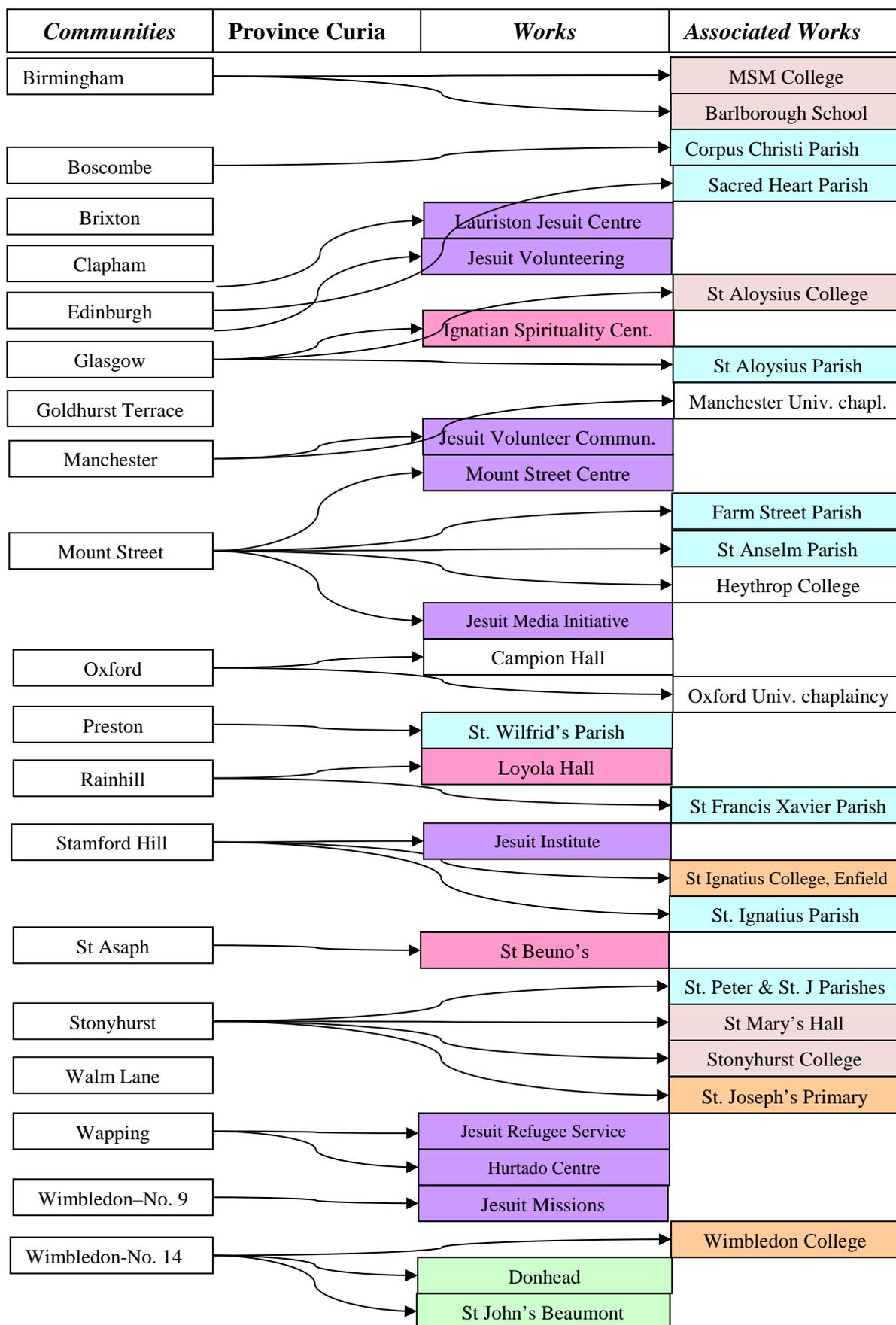
1.4 *Budgetary Controls*

Annual budgets are set for central funds and at a local level for each Works and Community. An annual budget is presented for approval to the Trustees at their September meeting before the commencement of the next financial year. This will include the proposed budgets of the various Apostolic Works and will include a written report in support of their applications for subsidy funding. Budget decisions, including funding levels, will be made at this meeting, having taken into account the overall Province Strategy.

TRCP, as trustees of the British Province of the worldwide Society of Jesus, fulfil the requirements of the Society's Instruction on the Administration of Goods (IAG). This requires a report of financial activity in pre-defined formats, including both historic financial data and budget forecasts of future financial activity.

Management accounts produced during the course of the year should monitor actual income and expenditure against these approved budgets.

2. Detailed Internal Controls



WORKS KEY	1 a School - Independent	1 b School - V A	1 c School – Local Trust
2 a Parish	2 b Centre of Spirituality	3 Project	4 Higher Education

The finance function of the British Province, reflecting the organisational structure, can be sub-divided into three discrete areas:

- 2.1** Jesuit Communities
- 2.2** Jesuit Works
- 2.3** British Province Curia

The Province Treasurer directs the Curial financial administration and oversees the finances of all Jesuit communities and Jesuit works.

2.1 Jesuit Communities

The Auditor of Houses, who has a detailed knowledge and understanding of the specific needs of each community, assists the Province Treasurer in the task of overseeing Jesuit communities.

Governance: Each community is directed by a Superior who is appointed-by and reports-to the Provincial. The Provincial makes a formal visitation of each community once a year. The Auditor of Houses provides the Provincial with a financial briefing note as part of the preparation for the visitation.

Funding: The communities are sustained either through the 'earnings' of the community members or through 'per diem' subsidies from the Province's central funds. A daily rate, which varies according to the status of the community member, is calculated and paid over on a monthly basis in arrears. The daily rates will be either:

- a standard per diem (generally for the student houses, supported from the Formation Fund, the *Arca Seminarii*); or
- an enhanced per diem (generally for the older members, supported from the Old Age Fund, the *Arca Praevisionis*, and for some communities with exceptional expenses).

Accounting: Every three months, communities should exchange information about any cross-charges to be made between communities, works and the Curia. Each community should report its financial activity to the Curia on a periodic basis, but at least every six months. At the half-year stage, this will be in a basic format showing actual income and expenditure against the budget. Before submission to the Curia financial information should be reviewed by the Auditor of Houses to ensure that all relevant financial activity has been captured, is in the appropriate format and is accurate.

2.2 Jesuit Works

The Curia has oversight of the administration of those assets of Jesuit works that are in the ownership of the trustees. These consist principally of land, buildings and investments.

The activities engaged in by Jesuit works are conducted within one of three possible organisational structures as follows:

- 1) *Schools*
 - a. Independent
 - b. Voluntary-Aided
 - c. Local Trust Jesuit Schools
- 2) *Pastoral centres*
 - d. Parishes
 - e. Centres of Spirituality
- 3) *Social Projects* (e.g. Jesuit Media Initiatives)
- 4) *Higher Education*

1) *Schools*

a) *Independent*

- i) *Governance*: TRCP's independent schools do not have a legal identity separate from TRCP. Each is governed by a Board of Governors appointed by the TRCP trustees. Local operational decisions are delegated to the Board, with major strategic decisions being referred to TRCP's board of Trustees.
- ii) *Funding*: All independent schools are funded principally from private fees and contributions from bursary funds. They may apply to TRCP for exceptional discretionary subsidies for special projects.
- iii) *Accounting*: Each school reports its financial activity to the Curia on a periodic basis, but at least once a quarter. At the end of each year, each school's Board of Governors appoints an independent firm of auditors to review and ensure the accuracy of its annual financial report and the adequacy of internal financial controls.

b) *Voluntary-Aided*

- i) *Governance*: As voluntary-aided schools Wimbledon and St Ignatius Colleges are separate charities, though exempt from registration-with and regulation-by the Charity Commission on the grounds that they fall under the jurisdiction of other public bodies, the DfES and relevant LEA. The latter are the 'principal regulator.'
- ii) *Funding*: Wimbledon and St Ignatius Colleges receive revenue funding from the DfES and the relevant LEA. They may apply to TRCP for exceptional discretionary grants for special projects.
- iii) *Accounting*: The properties of Wimbledon and St Ignatius Colleges feature in TRCP's statutory accounts. Non-property assets, liabilities and transactions are not consolidated in TRCP's accounts on the basis that these are neither owned nor controlled by TRCP's trustees. The DfES and relevant LEA independently review periodic financial reports and ensure the adequacy of internal financial controls.

c) *Local Trust Jesuit Schools*

- i) *Governance*: A number of Jesuit schools have now been set up as Independent Trusts and are registered with the Charity Commission. As such, they are separate legal entities. Each has an autonomous governing body which acts as the charity's board of trustees. Up to three trustees are appointed by TRCP.
- ii) *Funding*: When they were established, TRCP granted what was considered to be sufficient working capital in order to help them become financially self-sufficient.

- iii) *Accounting*: As separate charities, each submits annual audited accounts to the Charity Commission. Copies are sent to TRCP, who review the accounts and ask questions through their Trustee appointments.

2) *Pastoral centres*

d) *Parishes*

- i) *Governance*: Jesuit parishes fall within the jurisdiction of the relevant Diocesan authorities. With the exception of St Wilfrid's at Preston, they are regarded as branches of the Diocese. The Bishop or Archbishop, as Chair of Trustees of the Diocesan Trust, can make directions under the provisions of charity legislation, to determine the operational activities conducted within Jesuit parishes. In practice, since parishes have a legal identity separate from the Diocese under the provisions of canon law, the Bishop or Archbishop is unlikely to exercise this civil power. Decisions regarding personnel generally remain with the Trustees of TRCP.
- ii) *Funding*: Collections from parishioners fund core parish activities. Jesuit parishes may apply to TRCP for exceptional discretionary grants for special projects.
- iii) *Accounting*: The auditors of the Diocese independently review and ensure the accuracy of financial reports and adequacy of internal financial controls. As with voluntary-aided schools, only parish properties feature in TRCP's statutory accounts. Non-property assets, liabilities and transactions are not taken into account on the basis that these are neither owned nor controlled by TRCP's trustees

e) *Centres of Spirituality*

- i) *Governance*: The activities of Jesuit centres of spirituality are co-ordinated by a Director of works or an administrator who is appointed-by and who reports-to the Provincial.
- ii) *Funding*: Centres of Spirituality (retreat centres) are in fair measure self-funding as they respond to local need and receive voluntary donations from those who benefit from their services. They are eligible for subsidy, however, from the Curia either for ongoing revenue support (reviewed annually) or for exceptional expenditure and projects. The Trustees consider exceptional applications as and when, awarding these subsidies if thought best on a discretionary basis.
- iii) *Accounting*: The Director of works or administrator may appoint an external accountant to prepare or an independent examiner to review and ensure the accuracy of financial reports and the adequacy of internal financial controls. This should be agreed in advance with the Province Treasurer.

3) *Projects*

- i) *Governance*: Individual projects are co-ordinated by a Director of works or an administrator who is appointed by and who reports to the Provincial.
- ii) *Funding*: Depending on the stage of development of a particular new initiative, special projects are to some degree self-funding. They receive voluntary donations from those who benefit from their services and are eligible for subsidy from the Curia either for ongoing revenue support (reviewed annually) or for exceptional expenditure. The Trustees consider exceptional applications and award these subsidies on a discretionary basis.

iii) *Accounting*: The Director of works or administrator may appoint an independent examiner to review and ensure the accuracy of financial reports and the adequacy of internal financial controls. This should be agreed in advance with the Province Treasurer.

4) *Higher Education*

- i) *Governance*: Heythrop College is a major works assisted with Province staff and funds that has a legal identity separate and wholly distinct from TRCP. It has an autonomous governing body which acts as the charity's board of trustees.
- ii) *Funding*: The College is funded by a combination of: (1) student fees; (2) HEFCE funding for certain core educational activities; (3) grants from TRCP; and (4) other external grants. The Curia administers the Bellarmine Fund, which is established primarily, though not exclusively for the support of Heythrop College. Grants to the College, once approved by TRCP's Trustees, are drawn against this fund. The governing body of the College have no discretion over the Bellarmine Fund itself, but once the grant is made its use is generally at the discretion of the governors. Currently, the College is undergoing a strategic review. Meanwhile, in the Summer of 2013, the TRCP trustees agreed to give a grant of £3.5m to be drawn down over a three year period.
- iii) *Accounting*: The annual financial statements and internal financial controls are independently audited and accounts are submitted to the Charity Commission. Heythrop College is not consolidated in TRCP's statutory accounts.

2.3 *British Province Curia*

The Curia is sub-divided into the following offices or departments:

- Provincial and Socius;
- Development and Communications;
- Formation;
- Healthcare;
- Spirituality; and
- Treasury.

2.3.1 *Treasury Office*

The Treasury office is made up as follows:

- | | |
|-----------------------------|------------------|
| • Province Treasurer | Stephen Power SJ |
| • Finance Director | Timothy Edwards |
| • Accountant | Joan Lim |
| • Accounts assistant | Tamas Papp |
| • Secretary | Vacant post |
| • Revisor Domorum | Joseph Duggan SJ |
| • Revisor Arcarum | Kevin Fox SJ |

The Province Treasurer and the Revisor Arcarum report directly to the Provincial. All other staff members of the department report to the Province Treasurer through the Finance Director.

2.4 Controls over incoming resources

The main sources of income are as follows:

- a)** *Donations and gifts;*
- b)** *Legacies;*
- c)** *Covenanted salaries and pensions;*
- d)** *Charges for educational services;*
- e)** *Investment income and interest; and*
- f)** *Trading Income.*

a) Donations and gifts

Up to now, these are not very frequent. However, with the appointment of the Director of Development and with work on the Database and on updating the website, it is anticipated that these will grow in size and will also be increasingly given on-line or by direct debit collection.

b) Legacies

Notifications of legacies receivable from the executors of the estates of deceased benefactors are retained in a legacies file. This file will be kept for at least 20 years and kept in the Curia Office.

c) Covenanted salaries and pensions

Wage slips from members of the Society who are in salaried positions are to be retained in a salaries file locally or centrally for at least six years after the end of the relevant tax year.

Pension advice slips from the DWP and any other non-state pension funds for retired members of the Society are retained in a pensions file locally or centrally, which will be held for at least 20 years.

d) Charges for educational services

Each school operates a fee ledger on-site. The Governors of each school should review fee debtors on a termly basis, chasing outstanding amounts due, while making provisions and bad-debt write-offs where these are considered appropriate.

e) Investment income and interest

These are credited directly to the various bank accounts.

f) Trading Income

There is one wholly owned trading subsidiary which exists principally to hire out the leisure and conference facilities of St John's Beaumont School. This income is accounted for and audited locally.

2.4.1 System

1) *Postal receipts*

- The post is generally to be opened by the Treasurer or Finance Director;
- Incoming cheques usually arrive with a note / remittance which specify the use of any donation / deposit. Cash receipts are not common, but a receipt will be issued in all instances;
- When the post is opened, cheques and remittance advices or covering letters are scanned;
- An appropriate nominal ledger code is allocated to each donation or legacy to ensure that any restrictions are observed;
- A bank paying-in slip is completed and a lodgement made, normally within two weeks;
- The posting to the Great Plains accounting system is made and the accompanying note / remittance is filed within, with a copy if necessary in the appropriate file (e.g. the relevant community or works);
- The main bank account is to be reconciled on a daily basis;
- Balances in the main operational accounts are to be reviewed on a weekly basis to ensure that sufficient liquid funds are available to meet anticipated outflows over the coming week.

2) *Direct Bank Credits*

- Details of credits are exported from HSBC each morning and imported into the accounting system;
- An appropriate nominal ledger code is allocated to each direct credit according to the type of income.
 - Rental Income from investment properties
 - Prior notification should have been received by e-mail from TRCP property managers, Stanton Mortimer (SM) or HDAK of amounts being remitted;
 - Rent is usually collected by the property managers into a client account directly from tenants. This amount is then remitted to TRCP after deduction of management fees and other charges, if appropriate;
 - A spreadsheet should be maintained, which will record the rental income, management fee and other costs. At the end of the period, rental income is grossed up to reflect the management fees and other charges relating to the investment property;
 - The spreadsheet is reconciled quarterly with the quarterly reports sent by the property managers to ensure that all rents due have been received.
 - Dividends from the following portfolios:
 - i. AXA Framlington;
 - ii. Newton.
 - Dividends together with any tax recoverable are credited directly to the custodian bank account (HSBC Securities Services / BNY Mellon).
 - These are periodically transferred in a single amount to TRCP's main bank account;

- HSBC Securities Services ensure that when a company announces a dividend distribution to shareholders, TRCP receive their share by the relevant date. They also collect any recoverable taxes on foreign dividends.
 - Interest is generated from the following:
 - i. Money Market Deposits;
 - ii. Bank deposits; and
 - iii. Newton's bond portfolio.
- Interest is credited gross of direct tax to the relevant bank account;
- When funds are placed on the Money Market, a spreadsheet is maintained which records the principal sum, calculates the interest due and notes the date of maturity;
- When an interest credit is identified, the appropriate nominal ledger is manually allocated before posting to the accounting system;
- the daily bank statement is reviewed as and when necessary to ensure that amounts due have been received;
- Interest from individual bonds within Newton's bond portfolio is credited directly to the custodian bank account (Bank of New York);
- These are periodically transferred in a single amount to TRCP's main account;
- The Bank of New York ensure that when interest is payable on a particular bond, TRCP receive their entitlement by the relevant date.

2.4.2 *Banking and custody procedures*

When there is likely to be undue delay in going to the bank, cheques will be locked away until such time as they are banked. Cash will always be locked away.

2.4.3 Direct debit collection

As part of the development of the website and database, it is intended to invite individuals to make regular donations. This will be done through a BACS submission, which will be carried out at least once a month, once a report from the database system is run.

2.4.4 On-line credit card income collection

The website is currently being developed so as to accept on-line credit donations. This will involve the establishment of a merchant credit card facility and is expected to involve a daily credit being received into the bank account. The breakdown of the credit will be available through a report run from the database system. This will enable the appropriate coding to be used to record these transactions. Each credit is to be individually acknowledged.

2.4.5 *Gift Aid*

Submissions for Gift Aid claims on donations received from UK tax payers are made on a periodic basis. The donations are recorded locally. If a work has the administrative capacity it will make its own tax reclaim, but for several works the

reclaims are made by the curial office, which will be carried out every quarter. Any refunds due to works will normally be refunded through the Current account.

2.5. Controls over outgoing resources

Some of the main sources of expenditure are as follows:

- a) *Estate and Investment management fees;*
- b) *Grants;*
- c) *Salaries;*
- d) *Support of members and their ministry;*
- e) *Capital acquisitions;*
- f) *Subsidies to Works.*

a) Estate and Investment management fees

Estate Management

Fees for the management of investment properties are deducted from rental income before this is paid over to TRCP by both Stanton Mortimer and HDAK.

Investment Management

Fees for discretionary fund managers Newton and AXA Framlington are calculated as an agreed percentage of the portfolio valuation at the end of a given quarter, although certain parts of the portfolio may attract different fees. Fees are paid once authorised from the income account administered by the custodian.

b) Grants

Requests for grants are considered at the quarterly Trustees' meeting. Applications are normally either from connected operations, such as the South Africa region, or independent parties, such as people in need (including elderly relatives of Society members). A separate spreadsheet record will be kept of each grant approved / paid.

c) Salaries

The majority of staff are associated with Jesuit works [see 2.2] and are predominantly concentrated in the schools. Approximately 25 members of staff are paid through the Curial payroll.

d) Support for members and their ministry

Members of Jesuit communities are paid sustentation through the 'Per Diem' system. Payments are agreed and authorised by the Auditor of Houses for monthly payment in advance.

Grants are paid to ministries or Jesuit works upon application-to and at the discretion-of the Trustees. (See *Funding* sections of 2.1 and 2.2).

e) Capital Acquisitions

Capital acquisitions are made either to acquire functional properties or investment assets. The Trustees approve the purchase or sale of functional assets and investment properties managed by Stanton Mortimer or HDAK.

The discretion to purchase or sell equities and bonds, within ethical and other constraints set by the Trustees, is given to the following fund managers:

- Newton Equities;

- AXA Framlington; and
- Newton Bonds.

f) *Subsidies to Works*

Subsidies to Works are reviewed by Trustees on an Annual basis during the Budget process.

2.5.1 System

Most payments are made through the internet, with payments by cheques being less common over time.

- All invoices or other payment requests must be authorised by a recognised budget holder or other approved signatory;
- Within the Curia, a separate list of such recognised signatories is kept. As a general rule, trustees have unlimited authority with others generally having an individual limit of either £20k, £5k or £1k;
- The nominal code should be provided by the authorised signatory;
- In the main, original invoices should be provided for all Curial administration costs, while grants can be paid based on a payment request. These would normally have been approved by trustees as a whole;
- The authorised invoice, grant application or other payment request will be sent to the Treasurer's office, where it will normally be entered onto the purchase ledger system;
- Payment is generally made through the banking system, currently using the ACH / Priority Payment facility provided by HSBC-Net, HSBC's web-based business management system;
- Authorisation on the HSBC system will be made either by the Province Treasurer, Finance Director or Accountant, who will check that the payment has been properly authorised. None of these signatories can authorise a payment, if they themselves have authorised it at an earlier stage of the process;
- Once authorised, the payment will be recorded on the Great Plains accounting software
- Purchase ledger invoices will be filed in Voucher number order, while payment summaries will be filed in date order;
- The only exceptions to this rule relate to the following:
 - Credit Cards (HSBC and NatWest) which are kept in a separate file; and
 - Invoices not processed through the purchase ledger, which are kept with the payment summary.
- All cheques require 2 signatories under the bank mandate;
- The cheques are usually signed by the Province Treasurer and Finance Director, but if one of these is not available, other recognised signatories are invoked, normally being the Provincial or Socius.

Direct debits

- Direct debits are used in certain circumstances, most noticeably for British Telecom; ICT Telecom, HSBC corporate credit cards and HSBC pension contributions;
- Direct debits need to be approved by two bank signatories;
- The payment by direct debit does not exclude the requirement for the invoice or statement to be approved in the normal way.

2.5.2 *Petty Cash*

The Curial offices operate an imprest system to record petty cash payments as follows:

- A petty cash voucher must be completed in respect of each claim being made and authorised in line with the separate list of authorised signatories. This must show the nominal code to be used;
- Once authorised, the amount can be claimed from the petty cash box;
- Relevant receipts must be attached to each voucher;
- At the end of each month (unless earlier if more cash is required sooner), an application must be made to replenish the cash;
- The application should be in the form of a spreadsheet with all receipts attached. The summary must be initialled by whoever is presenting the summary and must show the amount of cash still being held in the petty cash box. The application should be presented together with a cheque for the total amount to an authorised bank signatory to approve. In accordance with the mandate, a 2nd signature will be required on the cheque;
- Once the cheque is cashed (currently facilities are available with the HSBC Mayfair branch in Curzon Street), the cash must be returned to the box and the vouchers immediately recorded on the accounting system.

2.5.3 Corporate credit cards

- Corporate credit cards are provided for convenience to certain members of staff;
- Individual holders are to be approved by the Province Treasurer;
- Cards are to be used solely for business purposes and must not be used for personal reasons. If they are, then full reimbursement must be made as soon as reasonably practical with an explanation of why the corporate credit card was used for personal reasons;
- At the end of each month, within 7 days of receipt of the corporate card statement, the card holder must complete a form or mark up the statement with an explanation of what each expense was for, giving the code to be used for each item;
- The form must be signed by the individual card holder and sent with all relevant receipts to the Province Treasurer or Finance Director for authorisation;
- Once authorised, the form / statement will be entered onto the accounting system ahead of the direct debit payment being made.

2.5.4 Value for Money

When any purchase is made, it is important that the sole consideration made is not to purchase the cheapest item. Consideration must also be given to the quality of the goods or service being acquired, how long the item is expected or likely to last for, levels of service and support given, etc. In this way, a choice should be made on the basis of “Value for money”.

2.5.5 Tenders / quotes

If the value of any single purchase is anticipated to be in excess of £5k, then normally at least 3 quotes should be obtained and evidenced in writing. These should be kept on file for at least three years following the date of purchase.

If the value of any single purchase is anticipated to be in excess of £50k, then a formal tender process should be undertaken. Before an order can be placed, the results of the tender process must be signed off and approved either by the Province Treasurer, Finance Director, relevant Management Board or finance officer as appropriate. All documentation must then be kept for at least six years.

In the case of either ongoing services or the extension of a contract beyond 5 years and the total purchase price is to be in excess of £50k, demonstration of value for money must be demonstrated to either the Province Treasurer, Finance Director, relevant Management Board or finance officer as appropriate, who may at their discretion insist on a formal tender process being carried out.

2.6 *Investments*

TRCP has a diversified investment portfolio managed on its behalf by the following fund managers:

- AXA Framlington Equities
- Newton Equities and bonds
- CCLA Property fund
- BlackRock Charifaith Fund
- WHEB Asset Management Sustainability Fund
- Charities Property Fund Property fund
- Barclays Wealth Cash

All fund managers are to be approved by the Trustees on the recommendation of the Investment Committee.

Each of the fund managers send through regular reports, which in the case of AXA Framlington and Newton will detail every purchase or sale within the portfolio. These should be reviewed and processed in line with the separate detailed guidelines, so that all purchases, sales and revaluations are recorded on the accounting system and all relevant information is collated for inclusion in the Annual Accounts.

It should be noted that HSBC Security Services (AXA Framlington) and the Bank of New York (Newton) have custody of share certificates.

2.6.1 *Equity Fund*

Jesuit communities, works and regions can buy units within TRCP's equity fund portfolio. The fund consists of all the investments listed in section 2.6, together with investment properties managed by Stanton Mortimer and HDAK, all deposits held in the money market and other cash reserves held in relation to these investments.

The fund works as follows:

- Dividends are paid quarterly to investors in the fund based on a decision taken by trustees (following recommendation from the Investment and Finance Committees) at the start of each year and is based on an estimate of the likely income yield for that year, together with the amount of the cash buffer;
- Dividends are calculated using the formula: number of units held times unit income value;
- The capital value of a particular holding of units is calculated using the following formula: number of units held times the unit capital value. The unit capital value is calculated at the end of each quarter and is arrived at by dividing total market value of the fund at the end of each quarter by the number of units in circulation at the end of each quarter;
- If a Community or Works wants to invest in the Equity Fund, their cash will be held in the Deposit Fund until the quarter end when it is transferred to the Equity Fund. The number of units issued will be determined by the unit capital value at the relevant quarter end;
- Dividends are paid from the Equity Fund income reserve. The object is to pay constant and rising dividends;
- Any decision relating to the sale of units should be communicated to the Province Treasurer and/or Finance Director as soon as possible and will take effect at the end of that quarter. The investor will realise the full value of the units sold based on the valuation at the end of that quarter. Any gain over cost is debited to the capital reserve;
- Deposit interest is calculated on the value of the average balance in a given quarter;
- Statements are sent quarterly to unit holders detailing balances held on their behalf and the dividend/interest payable.

2.6.2 Capital expenditure

All assets costing more than £2,500 and with an expected life exceeding one year are capitalised.

All capital expenditure needs to be funded out of the relevant community / works bank account.

Capital expenditure should be identified as part of the annual budget process and listed as such. Such plans will be reviewed as part of the annual budget process (see section 1.4). If capital expenditure is not identified during the budget process, then it will need to be approved in a separate process.

In line with section 2.5.5 on tenders and quotes, if the value of any single capital project is anticipated to be in excess of £50k, then a formal tender process should be undertaken. Before an order can be placed, the results of the tender process must be signed off and approved either by the Province Treasurer, Finance Director, relevant Management Board or finance officer as appropriate. All documentation must then be kept for at least six years.

2.7 Quarterly accounts / revised forecasts

Once a quarter, each works must submit quarterly accounts within a month of the quarter end date. This should be in the prescribed format.

The quarterly accounts should also include a forecast income and expenditure account for the end of the year.

2.8 Statutory reporting

2.8.1 Returns from Jesuit communities / works

Within six weeks of the end of each financial year (30th September), each community / works must submit a final set of accounts.

In the case of communities, these will be submitted through and reviewed by the Revisor Domorum. These will be in the format as prescribed by the Revisor Domorum in consultation with the Finance Director.

In the case of Jesuit works, accounts should be in the format as prescribed and issued by the Finance Director before the relevant year end. The accounts must be accompanied by a written report, which is to include the following:

- A reminder of the objectives set out for the year in question in the previous report;
- A review of performance relating to each of the set objectives; and
- A list of objectives to be set for the following year.

The report should also focus on what public benefit might have been provided by the Works in question. More information about what might be included is available from the Finance Director, but will generally follow the Charity Commission guidelines in this matter.

2.8.2 Consolidation process

Once all year end accounts have been submitted by each community / works, then the consolidation process can start. Accounts are currently consolidated through entry onto the Great Plains accounting software (separate companies are used for the communities / works and for any consolidation adjustments).

Consolidated accounts and all associated working papers are required by the end of December, prior to the auditors' visit in January. During this process, additional information may be requested from communities / works.

2.8.3 Trustees' Report and Annual Accounts

These require the approval of the Trustees, having previously been considered by the Finance Committee.

Auditors will be asked to attend the Finance Committee meeting, if felt to be appropriate. Discussion with the auditors is likely to be based around any issues raised

by them in their Management letter. Consideration should always be given to how the audit process can be improved in future years.

2.9 **Functional property matters**

The Society has a number of properties with various uses, which includes but is not limited to churches, presbyteries, schools, residential houses, care homes, retreat centres and offices. These are used by different groups e.g. Society members, members of the public, office staff, volunteers, third party employees providing nursing care, etc.

The trustees have a legal responsibility to ensure that all properties are fully compliant with health & safety legislation, including but not limited to fire precautions, electrical wiring and asbestos. While some properties might be compliant for say residential use, if they are also used for parish work or have cooks or nursing staff coming in to care for elderly members, there could well be further requirements for duty and care which is over and above the minimum legal requirement.

A number of stock condition surveys have been completed. The purpose of the reports is to flag potential liability issues and to recommend further action to quantify the extent of such risk areas e.g. asbestos surveys; Legionella inspections; and fire risk assessments. The surveys then form the basis of recommendations for a programme of works to: prevent defects affecting the use of the property; preserve the fabric to reduce the future maintenance burden/costs and thus avoid surprises; and help budget setting.

The surveys are not totally comprehensive in that they do not include recommendations for example that encompass the requirements of the Disability Discrimination Act (DDA). This will need to be addressed.

Every year, ahead of the Annual Budget process, it is proposed that an annual review of property requirements should take place. This review might include the discussion of plans and likely costs for the year ahead and could follow fixed agenda items to make sure that certain issues are not forgotten about e.g. fire safety, asbestos removal, etc.

All communities / works are to be given a simple guide on the approach to capital projects for use by the sites e.g. simple check list type guidance document. Other guidance documents will also be available for site managers on implementation of maintenance management with particular emphasis placed on compliance with statutory and legal requirements. It is intended that this documentation is also used for induction of new site managers as they change.

2.10 **Risk Management**

At least once a year, the trustees are under an obligation to consider the main risks faced by the Charity.

The Trustees monitor risk by:

- ensuring that the identification, assessment and mitigation of risk is linked to the achievement of the charity's operational objectives;
- ensuring that the assessment process reflects the trustees' view of acceptable risk;
- reviewing and considering the principal results of risk identification, evaluation and management;
- reviewing and considering update reports where the need for further action is identified;
- considering any significant new activities or opportunities as they arise to ensure any risks are identified and managed; and
- considering external factors such as new legislation or new requirements from funders.

A risk register is maintained, which seeks to identify the main risks faced by the Charity. The trustees consider the likelihood and potential impact of each risk, which then results in an overall score. This overall score is then used to prioritise its actions in devising a system of internal controls, procedures and checks to mitigate risk.

2.11 **Insurance**

It is the policy of the trustees to reduce risk where reasonable to do so through insurance, usually arranged through an insurance broker (Currently DE Ford). Reviews are to be carried out at least once a year prior to the renewal of insurance policies.