

Kate Sayer: Getting expenses right

03 July 2019

It might sound easy, but there are dangers for charities that do not have effective expenses policies



Kate Sayer

A subject that affects us all is expenses: that is, reimbursing employees and trustees for the costs they incur as they do the charity's work. It should be simple enough – the charity has a policy that sets out what it will cover. Claims are approved by the person's line manager and paid by finance. So what could go wrong?

The first potential problem is excessive claims and even fraud. Organisations want to ensure that expense claims are legitimate, so check that the journey was made, the sandwich purchased, the training course was attended. The receipts for tickets and purchases have to be attached to the claim and the approver will check that all receipts accompany the claim. Typically, finance will check again that all receipts are attached and might even challenge or disallow an item if there is no receipt.

But this is missing the point. It is better for the line manager to pre-approve the expenditure, agree that the journey is necessary or whatever the substance of the claim is. Recently, I was investigating some problems at a charity and it became clear that the chief executive had signed off quite a number of fraudulent expense claims. She thought that it was the responsibility of the finance manager to ensure that the

expenses were legitimate and never asked any questions. Fake hotel invoices were attached, easily created on any PC.

The chief executive should have been asking about the purpose of the journeys. If you line-manage someone, you should be having regular one-to-ones when you discuss plans and priorities. This is an opportunity to pre-approve expenditure, which makes complete sense when many organisations use credit and debit cards for expenses.

It's important that managers – and trustees – know what they are supposed to be checking when approving expenses. A line manager signing off expenses should ensure that the purpose and need for the expense is in line with expectations. The finance team can check that receipts are presented and that the claim is within the rules. But it might not be necessary for finance to check every item on every expense claim. It is more efficient to process all claims promptly but later select a sample for further inspection.

Although we tend to focus on the bogus expense claims, there are many more instances of under-claiming. Many staff and trustees will say that they can't be bothered to claim, they have lost the receipts or they don't want to pass the cost on to the charity. Finding ways to make claiming easier would be welcomed by all. There are plenty of software options available with which you can scan the receipt with your mobile phone on the spot and then complete the claim ready to submit later.

If trustees want to support the charity financially, it might be better to claim their expenses and make a donation under Gift Aid. The charity then understands its full costs and benefits from the Gift Aid.

Kate Sayer is senior consultant at specialist auditors Sayer Vincent

Topics: FINANCE ACCOUNTING KATE SAYER
GOOD PRACTICE

Have you registered with us yet?

Register now to enjoy more articles and free email bulletins

[Register](#)

Already registered?

[Sign in](#)