

## THE BRITISH INSTITUTE OF PERSIAN STUDIES



10 Carlton House Terrace, London SW1Y 5AH  
Tel. 020 7969 5203; Fax. 020 7969 5401; e-mail [bips@thebritishacademy.ac.uk](mailto:bips@thebritishacademy.ac.uk)

### **BIPS Usage of Funds Policy**

Trustees must use BIPS funds and assets only in furtherance of BIPS' purposes. They must avoid undertaking activities that might place the BIPS funds, assets or reputation at undue risk.

In practice, trustees may need to implement realistic and reasonable risk management strategies to identify and mitigate significant risks to the charity's funds and assets.

Trustees are required to adopt a risk based proportionate approach. This means trustees use greater effort and stronger measures for higher risks, meaning for some risks, trustees must take certain action but for other risks, there is greater discretion and flexibility.

BIPS trustees need to ensure that documentation and evidence of partners and beneficiaries are provided in order to show how BIPS funds have been used.

#### **Financial controls**

The best way trustees can ensure that a charity's funds are not abused is by putting in place good governance and ensuring there is strong financial management, including robust internal and financial controls and risk management procedures. They should also promote the transparency and accountability of charities and ensure that the public can have trust and confidence in charities and their work.

BIPS have financial controls in place to ensure that all their funds are fully accounted for and are spent in a manner that is consistent with the purpose of BIPS.

These include financial records for both the receipt and use of all funds, and to verify that funds have been spent properly as intended and in a manner consistent with the purpose and objectives of BIPS.

Please see Management Policy Checklist – Action 10, as evidence.

#### **'Know your' principles**

The essence of the 'know your' principles is already key to the legal duties and responsibilities of trustees in charity law. These requirements are not new.

For charities, the requirements can be summed up in the following 3 'know your' principles:

- know your donor
- know your partner

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- know your beneficiaries

### **Know Your Donor**

Charity trustees need to put effective processes in place to provide adequate assurances about the identity of donors, particularly substantial donors, taking steps to verify this where reasonable and necessary to do so (i.e. 'identify' and 'verify'). They should also have assurance on the provenance of funds and the conditions attached to them 'i.e. know what the donor's specific business is with your charity' and ensure they know the rules of, and their responsibilities under, relevant legislation' on substantial donors. This does not mean charities have to question every donation. Nor must they know lots of personal and other details about every donor.

BIPS receives its major funding from the British Academy (BA), which is a UK government funded research institution. BIPS closely coordinates its activities in line with the requirements of the BA and is monitored by the BA. This source of funding therefore does not present a risk.

There have been historical one-off donations from other donors. The Donors have been Known to BIPS as they have tended to be scholars and trustees making donations to help BIPS achieve its specific objectives.

For large donations, BIPS policy is to carry out proportionate Know Your Donor due diligence to identify donors and source of their funding.

BIPS receives regular donations in the form of members subscriptions or small donations from individuals. BIPS collects the name, address and details of those donors and their bank details to collect the money and if they wish to collect gift aid. According to the Charity Commission Guidance it is unlikely that a charity will need to take any further steps here. However, the trustees approve every new member at council meetings by enquiring whether the new members are known to the trustees. This as an additional risk management measure taken by the trustees.

### **Know Your Partner**

BIPS occasionally collaborates with other Research institutes funded by the BA, Universities or educational institutions, such as Museums. These institutions are known by the trustees and their identities, the nature of collaboration and the activity is recorded and approved by the trustees in the minutes of BIPS council.

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### **Know Your Beneficiaries**

There are no minimum legal requirements as to what charity trustees should do to comply with the 'know your beneficiaries' principle. It will not apply to all charities and a common-sense approach is required.

The 'know your beneficiaries' principle is more likely to apply to charities such as BIPS, which restrict access to services or activities to a certain number of beneficiaries. BIPS provides research and travel grants to scholars, post-doctoral and graduate students engaged in the study of Persianate world. BIPS also provides contributions to events, seminars or exhibitions connected to the Persianate studies.

BIPS manage the risk of inappropriate payments to beneficiaries by creation of Research Committee consisting of Trustees and scholars. The research committee have written procedures for advertising the grants, taking two references on the applicants and making recommendations for the grants accepted or rejected for approval by the trustees at the Council meeting.

There is a similar approach in the Outreach Committee, where cost of conferences and events and collaborations are considered and budgeted and recommended for council approval.

### **Identification of suspicious situations**

Trustees should be alert to the risk that some people abuse charities by making false applications to the charity for grant funding or for individual assistance, including creating beneficiaries that do not exist. People who may appear to be legitimate beneficiaries may make requests for support they do not qualify for or need. They may use the charity's money or other support for unlawful or inappropriate purposes or pass it on to others who may not be truly in need of it or may use for those purposes.

Trustees mitigate this risk by taking references from the relevant educational establishment for each of the grantees, entering into agreement with the grantees and/or their universities and requiring report backs on the progress of the project and its expenditure.

### **Money laundering and terrorism financing risk**

The risk of abuse of funds due to money laundering or terrorism financing is low or remote as:

1. The transactions are small and are for specific Persianate studies purposes.
2. The payments for grants, seminars and events are made to scholars, students, universities or educational establishments known to trustees, majority of whom are academics in the field of Persianate studies.

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3. BIPS checks all counterparties against the OFSI sanction list to eliminate the risk of breach of sanctions.

### **Fraud risk**

In relation to fraud, BIPS has minimised the risk of frauds by financial and budgetary controls and operating segregation of duties of initiating, approving, recording and paying for transactions. Our bank mandate also requires two signatures and detailed quarterly accounts are reviewed by the Management Committee and provided to Council for their review. There is transparency in review and consideration of transactions by the Research and Outreach Committees, the Management Committee and review and approval by council of trustees.

It is not possible to eliminate the risk of fraud, but given the size of BIPS, budgetary controls and the number of people reviewing the transactions the risk is low.

### **Monitoring**

BIPS trustees must be alert to the risk of abuse and take proper and reasonable steps to ensure that the funds given to them are used for proper purposes and reach their intended beneficiaries.

Charity Commission's guidance says that as regards monitoring, in most cases, some form of monitoring is likely to be required. In all these cases, the more complex or significant the activity or project for the charity, the more money or the higher the number of transactions involved, the more steps are likely to be required as reasonable to ensure a trustee complies with these duties, even when balancing this with the volume and cost of administration may involve. What is appropriate and proportionate therefore depends on the nature of the risk, its potential impact and likelihood of occurring. What is important is for trustees to be able to show that the action they have taken is reasonable in light of those risks and actions.

BIPS operations are not complex or significant involving low number of transactions. BIPS conducts monitoring by:

1. Operating budgetary controls and segregation of duties
2. Applying financial controls
3. Requiring invoices from suppliers and reports from fellows, grant recipients and grantee workshops to support the expenditure was in line with BIPS objects and as approved.

BIPS operations in Iran may be viewed as high risk. However, the Trustees have minimised these risks by mothballing of the Tehran activity, i.e. running a Library and Hostel previously used for housing

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archaeologists and other scholars and students. The costs incurred are in essence maintenance costs to preserve the leasehold assets of BIPS.

Funds are therefore needed in Iran for maintaining the Property of BIPS which is located on the UK embassy grounds in Tehran. The activity is monitored by regular weekly contact between the Vice President and the Acting Manager, obtaining quotes for works and verification of the works by reviewing videos of areas affected before and after the repairs. The costs which consist of payment of wages to the housekeeper, gardener and the Acting Manager plus maintenance and utility costs are met from the Tehran bank account. The Acting Manager sends the vouchers supporting the costs together with a bank statement to the Executive, which are reviewed by the Treasurer and recorded in BIPS UK accounting records. Quotes are obtained and agreed in advance for all major maintenance costs and approved by the President, Vice President and the Treasurer and communicated to the Acting Manager before works starts.