

The Scope of This Guidance Leaflet

This leaflet is one of many written for the volunteer (“amateur”) Trustees of the 75% of “small” (less than £250K/yr) charities which do not employ a full-time professional management team.

Companion leaflets are: **Roles & Responsibilities of ALL Trustees**
Typical Roles & Responsibilities of the Treasurer
Making Payments to Trustees

It will be useful for the Trustees of both:

- ✓ new charities seeking to get registered with the Charity Commission;
- ✓ existing charities undertaking their periodic review of their activities, performance and governance arrangements.

This leaflet, like all the others available from Small Charity Support, is NOT presented as a full and comprehensive professional opinion/advice on Charity Law and all the associated regulations.

Rather it is just a personal commentary on charity issues, and how to deal with them, from the perspective of the proverbial “[Person on the Clapham Omnibus](#)”.

For more details see the Small Charity Support website.

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Typical Roles & Responsibilities of The Treasurer

(and assistants, eg: BookKeeper)

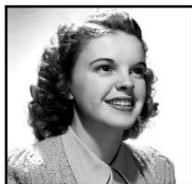
1. Introduction

Be not afraid of greatness.
Some are born great, some achieve greatness,
and others have greatness thrust upon them.
William Shakespeare, Twelfth Night



Thank you for volunteering to become an Officer (*ie*: Treasurer) of your Charity. Whether it's something you've always aspired to, or feel that you've just been "landed with it" because there seemed to be nobody else willing to take it on, it can seem like a very daunting task if it's something you've never done before.

Like the Charity Boards of Trustees that they part of, charity Treasurers come in a great variety of "shapes and sizes". Yes – there are some "helpful hints" that can smooth things along and help to avoid the more common traps and difficulties. But you will always be a better Treasurer by finding the way to do things that suit you best rather than trying to emulate somebody else – particularly if that "somebody else" was widely regarded as "an hard act to follow".



So, in addition to the quotation from Shakespeare (above), it is wise to remember the words of Judy Garland:
*Always be a first-rate version of yourself,
instead of a second-rate version of somebody else.*

The hints and suggestion in these guidance-notes are, therefore, not intended to be prescriptive of your duties and responsibilities, but just some things to be borne in mind when setting your own style for being the Treasurer of your charity's Board of Trustees.

2. Charity Commission Guidance

A good place to start is the Charity Commission general guidance for charity trustees, "*The Essential Trustee*": The full version: "*The Essential Trustee – What you need to know, What you need to do*" https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/451020/CC3.pdf is just over 30 pages long, and is the definitive guide;

You really ought to have to hand a copy of the full version downloaded from the Charity Commission web-site using the above link. It is not expected that you will have read it in detail from cover to cover, but you definitely should be familiar with its general content and always have it ready to hand should any issues arise. Section 12 outlines the roles of charity Chairs and Treasurers as follows:

2.1. Charity officers - the chair and treasurer

Some trustees have special roles, such as the chair and the treasurer. They are known as officers. You must comply with any specific provisions for officers in your governing document. Trustees can also nominate a trustee to take the lead on a particular matter.

Charity officers don't automatically have any extra powers or legal duties than their co-trustees, but may carry out specific roles or have specific responsibilities delegated to them. However, all trustees remain jointly responsible for the charity. For example, all trustees share responsibility for finances (not just the treasurer). A chair can only make decisions in accordance with any provision in the governing document or delegated authority agreed by the trustees, and should notify the other trustees of any decisions made.

2.2. The treasurer

The treasurer usually takes the lead at board level on:

- *making sure the charity keeps proper accounts*
- *reviewing the charity's financial performance*
- *drawing up or reviewing policies for finance and investment*
- *ensuring that the charity has robust and effective financial controls in place*
- *liaising with finance staff and with the charity's independent examiner or auditor*
- *reporting on financial matters to the members, in a membership charity*

In larger charities the treasurer may share these responsibilities with a finance committee, and staff may carry out day to day finance functions.

Note in particular the text which has been highlighted in the above.

3. The Role of the Charity Treasurer

Perceptions of the role of Charity Treasurer vary enormously, from (at one end of the scale):

“Financial Wizard”:

- ✓ casting an aloof benign eye over the charity's funds,
- ✓ making sure that there's always the right amount of money in the right pot at the right time,
- ✓ ensuring that the accounts comply with mystic accountancy jargon;
- ✓ occasionally making money appear seemingly from nowhere)



to (at the other end of the scale):

“Bean Counter”:

- ✓ keeping a record of all the bills coming in and payment going out;
- ✓ making sure that payments are made on time;
- ✓ putting all the figures together into complex reports to the Trustees that only the charity's accountants understand (or claim to understand).



For the volunteer Treasurers of most small charities it's both of those roles combined, with all the intervening roles thrown in, too !

So it's not surprising that it's often thought that a charity's Treasurer needs to be a professional accountant or that the charity must engage (*ie*: pay for) a professional accountant to prepare its formal accounts.

One might well ask why it all has to be so complicated ?

Most people understand the basic rules of managing money.

- ✓ If you have £20 in the bank, pay in £30 and write a cheque for £20 the bank manager is happy.
- ✓ If you have £20 in the bank, pay in £20 and write a cheque for £30 the bank manager might “raise a quizzical eyebrow”
- ✓ If you have £20 in the bank and write a cheque for £30 the bank manager will definitely be “wanting to have a word with you”.

Most people are able to manage their personal money on a day-to-day, week-to-week, year-to-year basis, making sure that the necessities of life are covered while leaving a bit spare for those extra “little luxuries”. And they manage to do that without having to resort to complicated accounts systems and expensive accountants.

So why should managing the money of a small charity be any different?

The **BIG**, but not always obvious difference between personal money and charity money is that personal money is one's own, to do what one likes with it.

Charity money belongs to others – the charity's donors.

And the charity – under the leadership of its Treasurer and Trustees – must therefore do with its money what is in the best interest and intentions of the donors, and the charity's beneficiaries, NOT what best suits the Treasurer and Trustees.

Justice must not only be done – it must be SEEN to be done.

is a well-established and widely applied legal principle.

And so the Trustees of a charity, led by its Treasurer, not only have a moral obligation to ensure that their donors' money is being spent wisely, effectively and exclusively on the purposes for which the donors gave the money, they have a legal obligation to be able demonstrate clearly and unambiguously that they are doing so whenever reasonably asked to do so.

4. What Charity Treasurers Need to Do

4.1. Make sure the charity keeps proper accounts.

What are “proper accounts”?

Most people would probably answer something along the lines of “the type of accounts that a professional accountant would prepare”. **But that is not so.**

For small charities¹ “Proper charity accounts”:

- ✓ show where the charity's money has come from;
- ✓ show what the charity's money has been spent on;
- ✓ show what money the charity has in reserves
- ✓ distinguish between general funds (which can be spent at the Trustees discretion on any of the charity's purposes) and restricted funds (which can be spent only on the purposes specified by the donor(s) when giving the money);
- ✓ must do all that in a clear way which is easily understood by the Treasurer, the Trustees, and anyone else with a legitimate interest in the charity, *eg*: donors, members, volunteers, beneficiaries, supporters, the Charity Commission, the general public.

Sophisticated, complicated accounts, understandable only by accountants, are NOT the way to achieve that clarity and understanding.

On the contrary, one can be forgiven for thinking that much of accountancy practice is designed to obscure clarity and promote ambiguity. Keeping as much money as possible out of the hands of the “tax man” is important. But even more important for commercial organisations is the ability to manage their accounts to present to their shareholders, customers and suppliers “the right message” to promote not their best interests but those of the organisation and its directors.

Take just two recent examples: Carillion – a large, high profile company – and Kids Company – a large, high profile charity. Both had their “sophisticated complex” accounts audited and approved by equally high-profile accountants – PriceWaterhouseCoopers in the case of Carillion and Kingston Smith in the case of Kids Company. But in neither case did that prevent their collapse causing huge financial losses to shareholders, donors, staff, suppliers and beneficiaries (to say nothing of the government, *ie*: we, the tax payers).



“Sophisticated complex accountancy” is the epitome of Hans Christian Andersen's classic children's story of “The Emperor's New Clothes”. It allows organisations to present their accounts in a way that discourages “ordinary” people from challenging them for fear of being seen to be “foolish”.

When it comes to “fake news”, the use of “sophisticated complex accountancy” pre-dates social media by decades, if not centuries.

¹ There are more detailed requirements for larger charities with annual incomes over £250,000

The Charity Commission's example layout for small charity account is (*in slightly condensed form, for illustration purposes*) is:

Section A: Receipts and Payments				
<i>Category (of Receipt or Payment)</i>	<i>General</i>	<i>Restricted</i>	<i>Total</i>	<i>Last Year</i>
A1: Receipts (<i>where the money came from</i>)				
Grants & Donations	36,250	-	36,250	35,255
Membership Subscriptions	1,090	-	1,090	979
Fundraising "Youth Aid Appeal"	-	677	677	1,528
Award & Activity Entrance Fees	5,531	-	5,531	11,419
Interest	378	-	378	352
Gift Aid Receipts	<u>3,550</u>	<u>-</u>	<u>3,550</u>	<u>4,014</u>
Sub total	46,799	677	47,476	53,547
A3: Payments (<i>How the money was spent</i>)				
Awards and Activity Costs	13,342	777	14,119	12,847
Room Hire	1,709	-	1,709	1,359
Minibus Expenses	4,182	-	4,182	8,750
Training/Affiliation	609	-	609	762
Insurance	1,309	-	1,309	1,252
New Garden Project	-	-	-	5,624
Administration	1,726	-	1,726	1,126
Norlands Loft Activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,375</u>
Sub total	32,782	777	33,559	44,354
A4: Assets purchased	4,784	-	4,784	10,500
Net of Receipts/(Payments)	9,233	(100)	9,133	(1,307)
A6: Cash Funds				
Last Year End	2,767	100	2,867	7,174
Cash Funds This Year End	12,000	0	12,000	2,867

Section B: Statement of Assets and Liabilities at the End of the Period

B1: Cash Funds (Cash at Bank)	12,000	0
B2: Other Monetary Assets (Gift Aid Claim)	726	0
B5: Liabilities (PC Services invoice due)	529	0

Some sections – A2, A5, B3, B4 – which are not likely to be relevant for small charities have been omitted for clarity. The full example can be downloaded from the Charity Commission's website:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/350991/arwbyc.pdf

All that is required is for the charity (guided by the Treasurer) to ensure that it can record and documents where its money comes from and is spent using categories which are appropriate to the charity's activities. It must then collate the data into a simple table, like the above, for incorporation into its Annual Report and Accounts.

The charity can use a sophisticated commercial accounts package and/or professional accountancy support if it wishes, but it is NOT a requirement of the Charities Act or the Charity Commission. Provided that the accounts are clear, accurate and understandable to those who are entitled to see the (effectively "all the world and their aunts/uncles") the charity can use whichever method of producing them it wishes.

Small Charity Support offers a free, simple and understandable to use, spreadsheet which will allow charity accounts like the above to be recorded and presented as required.

<http://www.smallcharity.support/Accounts.html>

Alternatively, searching the internet for 'charity accounts software' will bring up a range of options claimed to be suitable for charity accounts – some more appropriate (and expensive) than others.

Caveat Emptor !

4.2. Reviewing the charity's financial performance.

As previously noted, in section 2:

- ☛ **Charity officers don't automatically have any extra powers or legal duties than their co-trustees.**
- ☛ **All trustees share responsibility for finances (not just the treasurer)**

It is generally necessary for charity Trustees to be reminded from time-to-time that whilst the Treasurer takes the lead on managing the charity's finances, ALL Trustees are EQUALLY responsible for ensuring and maintaining the financial well-being of their charity.

In the event that a charity's finances "find themselves in troubled waters" its Trustees will NOT get away with excusing themselves of personal responsibility for the consequences by simply saying: "Oh, it's not our fault – we leave all the financial matters up to the Treasurer".

4.3. The Budget/CashFlow Reports.

One good way of keeping the responsibility for financial matters firmly in front of the Trustees is for a review of the charity's finances to be on the Agenda automatically for EVERY Trustees' meeting.

It DOESN'T have to be long !

In most cases it will simply be a case of presenting the Budget/CashFlow figures to date to reassure the Trustees that "all is going to plan".

The illustration shows the top part of the sort of budget report that Trustees are likely to find helpful. The columns show:

- * The previous year's out-turn
- * The full budget for the current year;
- * The budget to the date of the report;
- * The actual receipts/payments to the date of the report;
- * The variance (difference between the budgeted and actual figures) to the date of the report.

Better Living Charity Budget Report: 31-Oct-16					
RECEIPTS	Prev Yr Out-turn	This Yr Budget	Budget to 31-Oct-16	Actual To 31-Oct-16	Variance
R1-VOLUNTARY INCOME					
R1-Membership	1,230	2,500	2,500	2,550	50
R1-Donations	1,904	3,000	2,500	2,884	364
R1-GiftAid	0	800	600	0	-600
	3,134	6,300	5,600	5,414	-186
R2-INCOME GENERATION					
R2-Fundraising	0	240	200	0	-200
	0	240	200	0	-200
R3-INVESTMENT INCOME					
R3-Interest-Bank Accounts	0	12	10	0	-10
	0	12	10	0	-10
R4-CHARITABLE INCOME					
R4G-GENERAL FUNDS					
R4G-ConfRegistrations	0	0	0	1,350	1,350
R4G-Miscellaneous	0	0	0	0	0
	0	0	0	1,350	1,350
R4R-RESTRICTED FUNDS					
R4R-SafeAtHome	7,759	11,250	11,250	11,832	582
R4R-BetterEating	15,460	12,500	12,500	12,500	0
R4R-HealthMatters	11,810	4,000	4,000	3,905	-95
	35,029	27,750	27,750	28,238	488

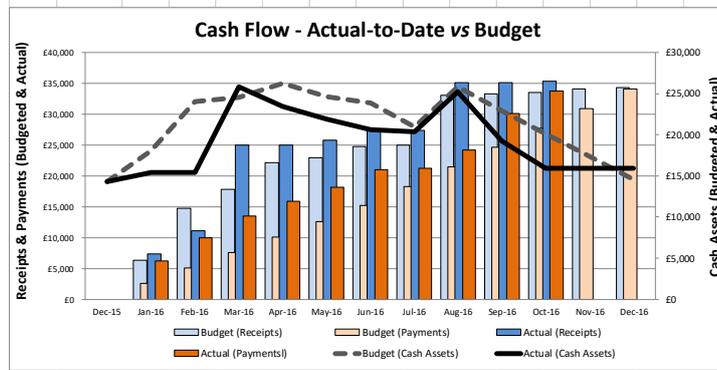
How budget reports are produced and what they display will vary from system to system. But using a format for the regular Budget/CashFlow report to the Trustees which is close to (if not exactly) the same as the format which will appear in the final end-of-year accounts is useful. That enables the Trustees to see how the accounts are building up throughout the year, thereby avoiding any end-of-year unwelcome surprises.

In the case of the Small Charity Support "Simple Accounts Spreadsheet", the report (illustrated above) is produced automatically "in real time", ie: as the transactions are entered. So the report is always up-to-date and immediately available for presentation to the Trustees (or to anyone else with a legitimate interest in it).

Many people prefer to see the finance data as a chart/picture, rather than a table of figures. So the "Simple Accounts Spreadsheet" illustrates how a simplified graphical version of the Budget/CashFlow figures can also be produced, "in real time" along with the table of figured.

On those occasions when there is a significant variance between the expected and the actual figures to date the Treasurer can provide an explanation of the reason for that and what is being done to address it. That is key to reassuring the Trustees that the matter has been picked up promptly and is being dealt with before it becomes a crisis.

Better Living Charity: Cash Flow to 31-Oct-16														
Opening Balance £14,269	Cash Flow - FYE: 31-Dec-16													
	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	
Budget	Receipts	6,272	14,794	17,816	22,088	22,960	24,732	25,004	33,026	33,298	33,570	34,042	34,314	
	Payments	2,525	5,050	7,575	10,100	12,625	15,150	18,300	21,450	24,600	27,750	30,900	34,050	
	Net	3,747	9,744	10,241	11,988	10,335	9,582	6,704	11,576	8,698	5,820	3,142	264	
Actual	Receipts	7,385	11,067	25,042	25,042	25,042	25,792	27,352	35,102	35,102	35,402	0	0	
	Payments	6,217	9,963	13,502	15,889	18,150	21,021	21,234	24,165	30,131	33,774	0	0	
	Net	1,168	1,104	11,539	9,153	7,642	6,331	6,117	10,937	4,971	1,627	0	0	
Budget Bal		14,269	18,016	24,013	24,510	26,257	24,604	23,851	20,973	25,845	22,967	20,089	17,411	14,533
Actual Bal		14,269	15,436	15,373	25,908	23,422	21,910	20,600	20,396	25,206	19,239	15,896	15,896	15,896



And the regular financial review SHOULD NOT be the last agenda item so that by the time that item is reached the only thing that the Trustees are interested in is "switching off the lights and going home".

4.4. Setting the Budget/CashFlow Expectations

It is axiomatic that, in order to review its financial performance (*ie*: make sure that its resources, particularly money, are being used wisely and effectively) the charity should have realistic and carefully planned & approved Budget/CashFlow for the financial year.

And it is equally axiomatic that the Budget/CashFlow should be central to the Trustee's review of the charity's financial performance at each Trustees' meeting.

How one goes about setting the Budget/CashFlow is described in more detail in a companion leaflet in this series.

It is NOT the role of the Treasurer to set the Budget/CashFlow – *ie*: decide what figures should go where. That is the role/responsibility of the Trustees as they formally approve the Budget/CashFlow.

However, the Treasurer will make significant contributions to the decisions by the Trustees on whether the figures which have been proposed are appropriate and realistic/affordable.

However, it is the role of the Treasurer to collect and collate the budget proposals from those taking the lead responsibilities for the different aspects of the charity's activities, *eg*:

- ✓ the person(s) looking after fundraising, donations, subscriptions, grants, *etc.* for what receipts they expect the charity to be getting in the current year;
- ✓ the person(s) looking after activities, administration, maintenance, publicity, *etc.* for what payments they expect the charity to be making in the coming year;

and to provide advice and guidance on what might be realistic and appropriate.

4.5. Programme Planning:

Having those figures for the Treasurer to collate depends on the charity (the Trustees, not the Treasurer) having first put together a Programme Plan outlining what it wants to achieve in the coming year (and beyond).

Programme Planning is NOT a specific role/responsibility of the Treasurer (though the Treasurer will usually be highly involved, along with all the other Trustees).

So, Programme Planning is dealt with in separate guidance notes

(see: <http://www.smallcharity.support/BusPlan.html>)

4.6. Drawing up or reviewing policies for finance and investment.

It is unlikely that a small charity will have a significant investments portfolio, beyond a simple interest-bearing deposit account for reserves to which access is not required on a regular basis. Those that do will undoubtedly require more professional advice on investments management.

The charity will require some basic policies to ensure that its money is not managed in an *ad hoc* chaotic way. Key policies will include:

- ✓ Who can authorise payments and sign cheques (with particular reference to the requirement to keep within approved budget limits);
- ✓ If the charity has credit/debit/cash cards, who may use them and under what criteria;
- ✓ How Petty Cash is to be managed;
- ✓ Who can access and make entries/alterations to the accounts recording system;
- ✓ The claiming and payment of expenses (including reimbursement of travel expenses and reimbursement of fuel for the private use of cars).

Examples of appropriate policies can often be found by searching the internet.

The Small Charity Support website has several example policies which may be of use.

<http://www.smallcharity.support/Policies.html>

It is, of course, good practice for all the charity's policies and procedures, not just those related to financial management, to be reviewed and updated periodically.

It is the role of the Treasurer to take the lead on ensuring that all policies and procedures which impact on the financial management of the charity come before the Trustees for review at regular (and not too long) intervals. It would also normally be considered to be part of the role of the Treasurer to bring proposals to the Trustees on how such policies might beneficially be updated – even before the next scheduled review “where circumstances demand”.

4.7. Ensuring that the charity has robust and effective financial controls in place.

Financial controls and financial policies/procedures go “hand in glove” – they are inter-dependent.

Whatever their size, having effective financial controls in place is important for ALL charities. Small charities are no more immune from theft and fraud than larger charities (though the scale of the fraud might be smaller). Indeed the “cosy, we’re all friends together, so we trust each other” nature of small charity trustee/volunteer administration can create a fertile opportunity for misuse of charity funds.

It can (and, unfortunately, does) happen very quickly and easily and without any malevolent intent in the first instance. The window-cleaner for the person handling the money knocks and the person doesn’t have their own money to hand. “Borrowing” it from the charity’s petty cash box is a quick and easy solution and the money will, of course, be replaced “tomorrow”.

“Tomorrow” comes but replacing the money gets overlooked or isn’t convenient, leaving a hole in the finances. That it was easy the first time makes it even easier the second time – and soon a small hole becomes a bigger hole which is more difficult to replace. And the wisdom of the old adage “*If you find yourself in a hole – STOP DIGGING*” becomes apparent – but overlooked.

One of the reasons why the regular financial review at EVERY trustees’ meeting (as in sections 4.2 & 4.3) is so valuable is because it provides the impetus for regular checking of the accuracy and completeness of the charity’s finances. Of particular importance is the reconciliation of the bank transactions as recorded in the charity’s accounts and those recorded in the official bank statement.

A similar reconciliation of the petty cash accounts should also be done.

It is well-established that increasing the likelihood of getting caught is one of the best deterrents against crime – often better than “protective” measures like installing more sophisticated locks, passwords, etc. (though, of course, such “protective” measures should not be overlooked).

There is a Charity Commission guidance publication: *Internal financial controls for charities (CC8)*, which can be found on-line and downloaded at:

<https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8>

But it is 30 pages long and, like so much official guidance for charities, written on a “one size fits all” approach to official guidance from the Commission – the “size” being “fitted” being the needs of the small (20%) minority of large charities which have teams of office staff to carry out their financial functions, leaving the majority of small charities (the 80% with incomes of less than £100K) to cope with guidelines which are largely inappropriate to their needs.



The above website also includes a self-assessment checklist of the financial controls which, again, is very much written from the perspective of the minority of large charities. The website 9-page check list has been reduced to 6 pages, mainly by condensing the layout to save paper. More importantly, controls which are unlikely to be relevant to small charities have been greyed, and a column in which to record ‘Not Applicable’ (X) has been added to provide the opportunity to record that affirmatively rather than either leaving the question vaguely blank or, worse, answering No as the lesser wrong answer than Yes.

Although in places the checklist is a bit nit-picky-pedantic (for small charities), going through it doesn’t take take very long. And even if many of the answers are ‘Not Applicable’ it can be useful to have a formal record that the issue had been given consideration (rather than a ‘No’ answer because it had been overlooked) and might draw attention to some things which were relevant to the charity and had been overlooked.

4.8. Liaising with finance staff and with the charity’s independent examiner.

The vast majority of UK charities are too small to have any “finance staff” (most would be lucky even to have paid part-time administrative support who might “also do the bookkeeping”).

So, the first part of this “role”, as defined by the Charity Commission will not be relevant to small charities (as in section 4.7 above).

By contrast, liaising with the charity’s independent examiner inevitably falls to the Treasurer in small charities where the Treasurer is usually “the head cook and bottle washer” when it comes to matters financial (whereas in the 20% minority of large charities it might be the Head of the Finance Team who would do the “liaising with the Independent Examiner”, hence the need for the guidance to suggest that the Treasurer might also be involved.)

4.9. Reporting on financial matters to the members, in a membership charity.

This seems to be a pretty obvious role for the Treasurer, particularly in small charities.

Perhaps – like the guidance on liaising with the independent examiner – it is included as an indicator that the Treasurers of larger charities which can afford to have paid staff should accompany the Head of Finance who might otherwise have been thought to be responsible for reporting to the charity's members.

But whatever, this is not an onerous role – in most cases simply replicating the Treasurer's responsibility to report on financial matters to the Trustees.