

Trustee Master Class

Is finance really my responsibility?

Denise Fellows - Honorary Treasurers Forum

What we might cover

- Who has responsibility for finance?
- What makes a good Treasurer?
- How to support your Treasurer
- What are the key financial questions boards should ask?
- What happens if your treasurer is the book-keeper?

What else?.....

Charity statistics

- 165,000 charities (approx.)
 - Annual charity income £75 billion
 - Annual value of the time spent by trustees £3.5 billion
 - 80% of charities are 'smaller' - have an income of £100,00 or less
 - 70% of trustees work in smaller charities
 - 80% of trustees have no additional support from staff or volunteers
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On the spot survey

What is the income of your charity?

- Red – over £100,000
 - Blue – under £100,000
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Responsibility for finance

- How many charities have a treasurer?
 - Who here is a treasurer?
 - Who has legal responsibility for decisions in the charity?
 - Who is responsible for finances?
 - Who is responsible for submitting the Annual Return?
 - Who is responsible for submitting the Annual accounts?
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Some more stats

- Most trustees feel confident that they know their responsibilities
 - Trustees in smaller charities are not all clear that they have legal responsibility for all decisions
 - Most trustees feel that the board is not ultimately responsible for submission of an annual return and for annual accounts
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Key characteristics of an Outstanding Honorary Treasurer:

Being the financial conscience of the board

- Understanding the organisation's finances
 - Providing financial interpretations
 - Advising the trustee board
 - Getting involved with sub committees
 - Working with and being a friend of the Director of Finance (where they exist)
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What the Treasurer is not

The treasurer should not be

- Solely responsible for the finances
 - Chair of the Audit and Risk committee
 - Gatekeeper on funds
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Skills required for the role

- Financial experience
 - Ability to present financial information clearly and make it understandable for non-finance people.
 - The skills to analyse proposals and examine their financial consequences
 - Able to serve in a non-executive role
 - Experience of working with/in the voluntary sector
 - Knowledge of the sector's regulation and reporting regime
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Treasurer supporting the Board:

- Prompt and coach by demystifying financial language
 - Organise a financial induction pack and training for new trustees
 - Ensure link between the vision and mission and finance
 - Keep board up to date on financial progress and issues
 - Advise on investments, pensions, risk management etc.
 - Advocate early filing of accounts!
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Terminology

- Management Accounts
 - Cash flow
 - Designated funds
 - Restricted and unrestricted funds
 - Contracted funds
 - SOFA: Statement of Financial Activities
 - SORP: the Statement of Recommended Practice
 - Balance sheet
 - Trustees Annual Report
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Treasurer supporting the Chair:

- Close and effective relationship
 - Treasurers make excellent deputy or vice chairs.
 - Chair and Treasurer should meet occasionally
 - Treasurer should ensure the Chair is fully briefed on key financial issues like the budget, statutory accounts and financial policies
 - No financial surprises for the Chair
 - Chairman should look to the Treasurer for financial comment at board meetings
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Treasurer supporting the FD:

- A very close working relationship, no surprises on either side. A double act – professional/layman
 - A working agreement
 - Schedule of meetings
 - Breakdown of respective responsibilities
 - Protocol for board reports, visits, requesting information
 - Committee work
 - Board meetings
 - Finance committee
 - Audit committee
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Are we financially strong enough to continue to provide services for our beneficiaries?

Have we reviewed any contracts to deliver public services?

Do we have adequate safeguards in place to prevent fraud?

What is our policy on reserves?

Are we an effective trustee body?

Are we making the best use we can of our property?

Have we reviewed our contractual commitments?

Do we know what impact the social and/or economic climate is having on our donors and support for our charity?

Are we making the best use of the financial benefits we have as a charity?

If we have a pension scheme, have we reviewed it recently?

How can we make best use of any permanent endowment investments we hold?

Have we considered collaborating with other charities?

What effect is the current economic climate having on our charity and its activities?

Are we making the best use of our staff and volunteers?

Are we satisfied with our banking arrangements and our current and future investment policy?



15 questions trustees should ask



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15 questions trustees should ask about finances

1. What effect is the current economic climate having on our charity and its activities?
 2. Are we financially strong enough to continue to provide services for our beneficiaries?
 3. Do we know what impact the social and/or economic climate is having on our donors and support for our charity?
 4. What is our policy on reserves?
 5. Are we satisfied with our banking arrangements and our current and future investment policy?
-

15 questions trustees should ask

6. Have we reviewed our contractual commitments?
 7. Have we reviewed any contracts to deliver public services?
 8. If we have a pension scheme, have we reviewed it recently?
 9. How can we make best use of any permanent endowment investments we have?
 10. Are we an effective trustee body?
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15 questions trustees should ask

11. Do we have adequate safeguards in place to prevent fraud?
 12. Are we making the best use of the financial benefits we have as a charity?
 13. Are we making the best use of our staff and volunteers?
 14. Have we considered collaborating with other charities
 15. Are we making the best use we can of our property?
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Questions to ask

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- How much money is coming in, going out and what happens to the excess?
 - Are we solvent?
 - Is all money spent on the things for which it was given, in line with charity's objectives?
 - Is the economic climate changing?
 - Do we understand the risks?
 - Do we report and communicate clearly?
 - Any others?
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Success criteria (1):

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- The board understands and is interested and knowledgeable about finance issues
 - Finance issues are discussed enthusiastically
 - The treasurer can explain complex financial issues in a simple way to his trustee colleagues
 - The organisation has an effective way of managing risk
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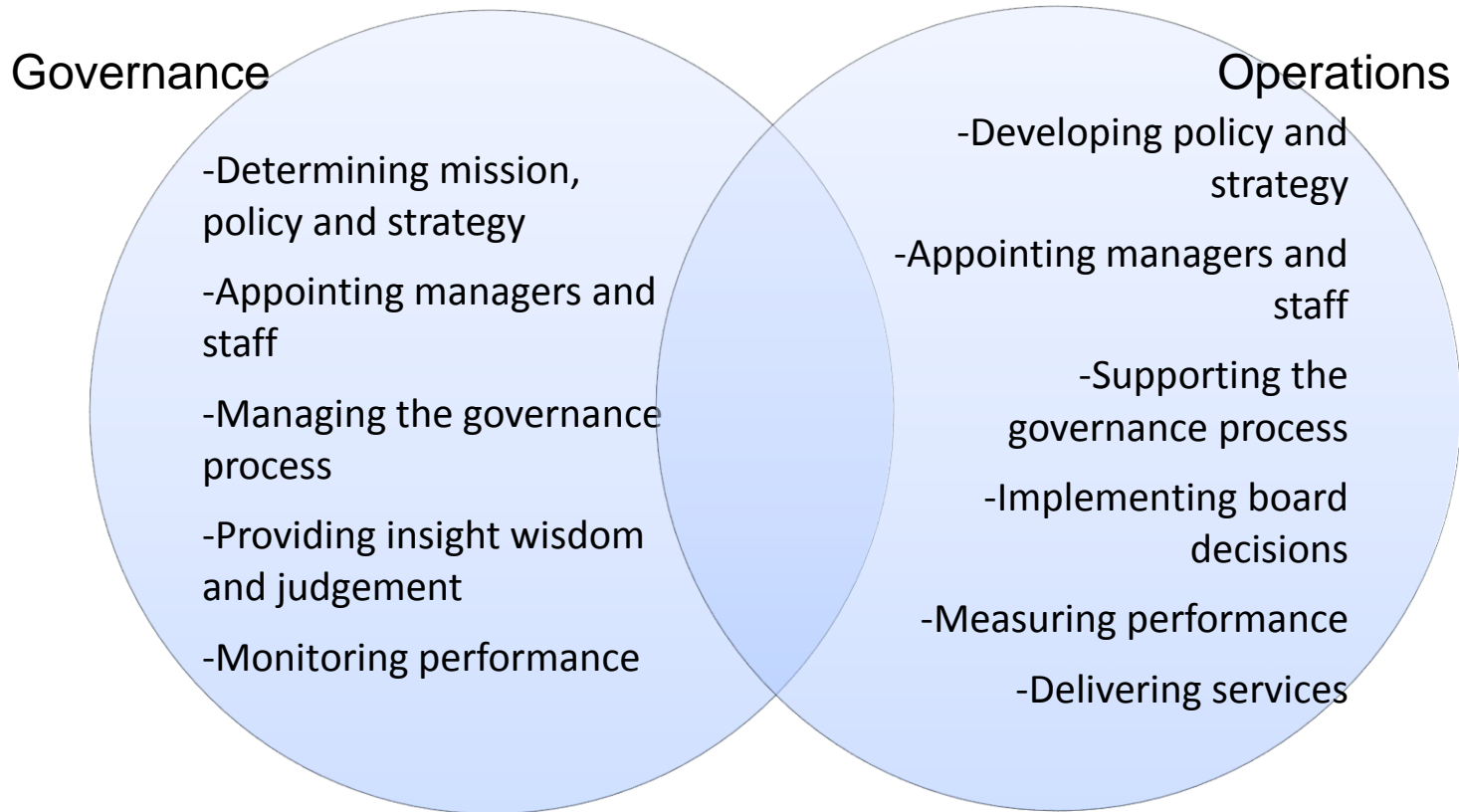
Success criteria (2):

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- Strategic and operational plans are clearly integrated with the budget
 - Statutory Annual accounts and Trustees Report are clear and provide a real picture of achievement
 - External auditors approve the accounts with no qualifications
 - The Treasurer has a good working relationship with the Director of Finance.
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Building trustee financial confidence

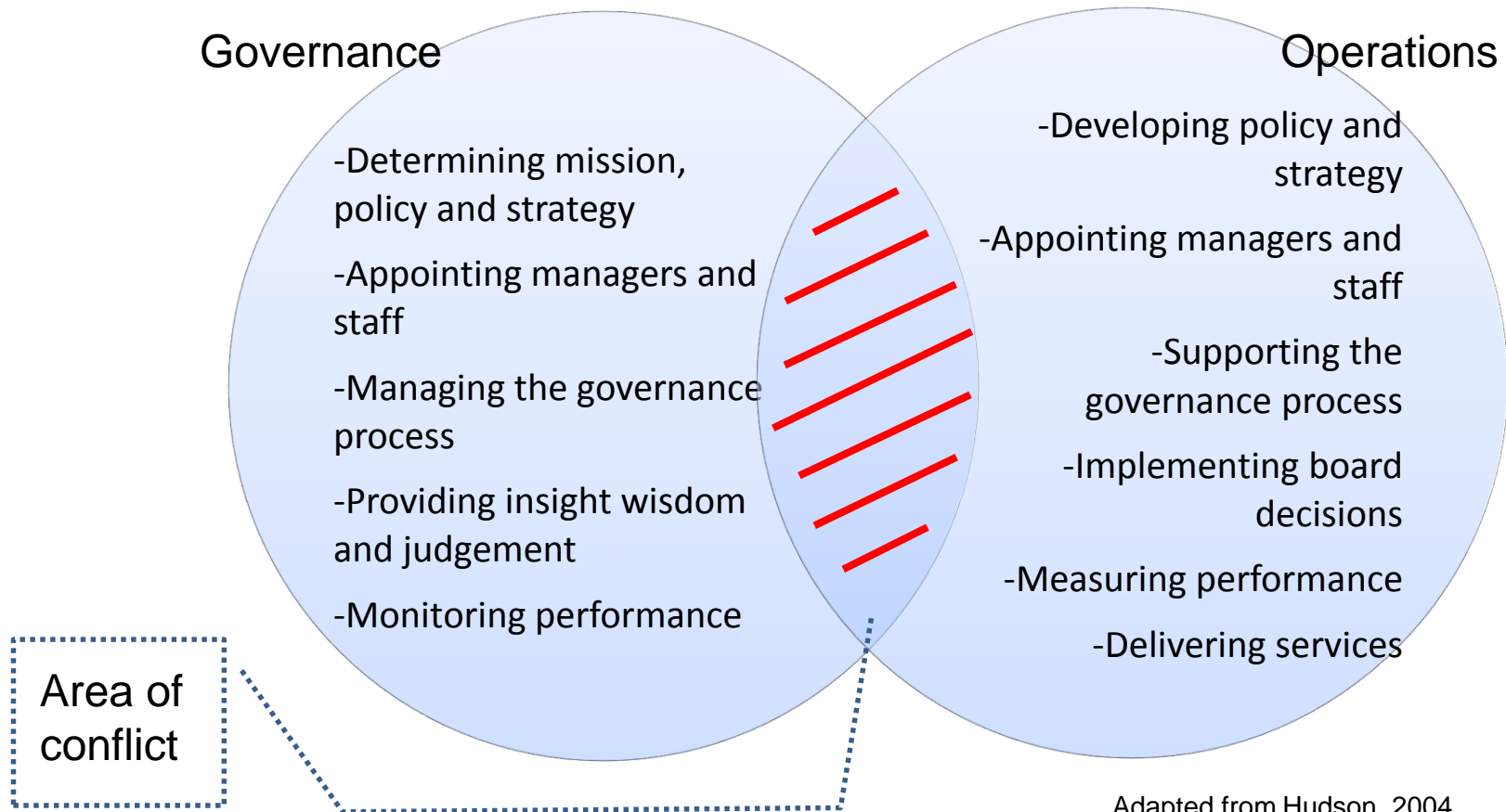
What are the top tips for ensuring that all trustees have confidence in discussing financial matters?

Boundaries and Board delegation



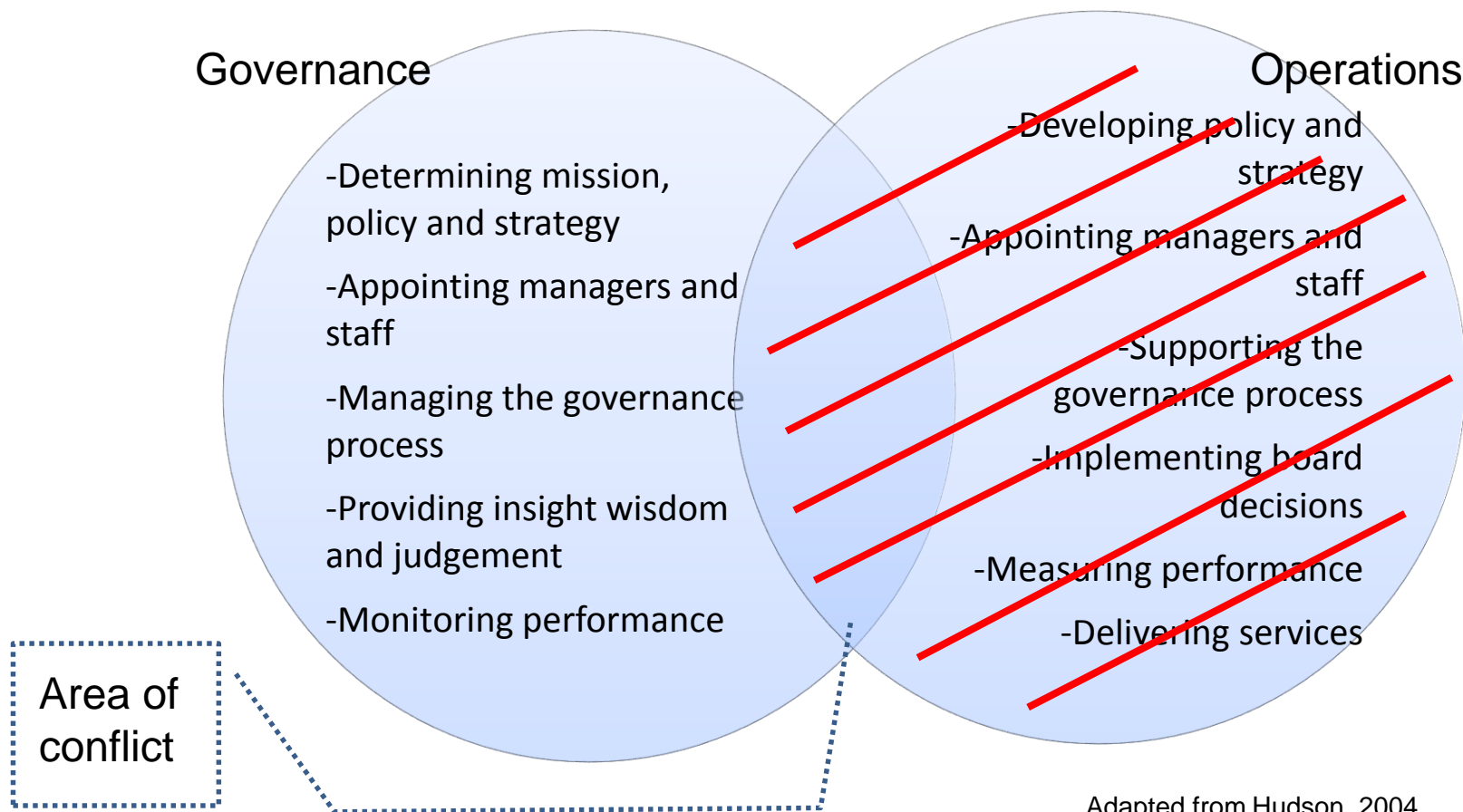
Adapted from Hudson, 2004

Boundaries and Board delegation



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Boundaries and Board delegation



Adapted from Hudson, 2004

Conflicting Roles

What controls or processes need to be in place?

Financial controls

- Gives assurance your financial systems can be relied upon
 - Hallmarks of good controls
 - i. Verification to third party sources
 - ii. Segregation of duties
 - iii. Evidence of review
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Financial controls- bank reconciliation

Every month figures for income and expenses are agreed from the charity's finance records to the bank statement. The bank reconciliation is done by the Treasurer. The Treasurer does not authorise expenditure (segregation of duties).

The reconciliation is checked by the Chair, and the final balance agreed by the Chair (internal review). The Chair signs the reconciliation to demonstrate it has been done. (Evidence of review).

The independent examiner checks transactions and bank statements annually (external review).

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Charity Commission guidance

- CC3 The Essential Trustee
 - CC8 Internal financial controls for charities
 - CC11 Trustee expenses and payments
 - CC12 Managing a charity's finances
 - CC14 Charities and investment matters: a guide for trustees
 - CC15c Charity reporting and accounting the essentials
 - CC19 Reserves: building resilience
 - CC20 Charity fundraising: a guide to trustee duties
 - **CC25 Charity finances: trustee essentials**
 - CC29 Conflicts of interest: a guide for trustees
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Want to know more?

Join the Honorary Treasurers Forum:

- Forum meetings
- Summer Symposium
- Workshops in Charity Accounting
- Publications and resources

<http://www.honorarytreasurers.org.uk/>

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