



communityalliance
working together

information

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This Information Sheet explains the work of the treasurer in a community organisation, as regards financial control, budgeting and the keeping of section accounts.

The Treasurer's Duties

1. Introduction

The Treasurer is responsible for the proper handling of the organisation's finances and account books. It is not part of his/her duties to undertake the fund-raising necessary for the organisation's purposes. It must also be remembered that although the Treasurer has responsibility for looking after the accounts on a day to day basis, and for preparing and reporting on them, it is all trustees (management committee members) who are responsible for the financial affairs of the organisation.

The Treasurer's responsibilities are to the main committee of the organisation and to its general membership. In practice, this means that s/he reports on the organisation's financial transactions both to the committee and to the Annual General Meeting, at which the Treasurer will present the statement of accounts for the previous financial year.

At every regular meeting of the main committee the Treasurer will report income and expenditure, say what balance the organisation holds and report on whether the income and expenditure is in accordance with the budget. The Treasurer will advise the committee as to economies or fund-raising required and seek its authority for the payment of the organisation's expenses. Appropriate Standing Orders will determine the extent to which the Treasurer, where appropriate in conjunction with other authorised officers, can agree various levels of payment without direct reference to the Committee.

In order to assist the committee with its forward planning, the Treasurer will prepare estimates of income and expenditure for the coming year - for further details (see 3 below, 'Budgeting').

The Treasurer will keep the account records of the organisation, which will vary according to the size of the organisation and the number and type of its activities. It is likely that some records of day-to-day income and expenditure will have to be kept by other officers. A Day

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Book (daily record) will usually be necessary, particularly for organisations which have a centre of their own, and in this receipts and payments will be entered by the officer in charge (e.g. by the Centre Manager). (See also 4 below, 'Section Accounts'.)

The main accounts of the organisation should be kept in an analysed Cash Book, or using a computer spread-sheet or other accounting software, so that the income and expenditure of different activities (and such things as cleaning and heating) can quickly be totalled. Get a book with as many columns on each side as possible - this will save laborious analysis of 'Miscellaneous income' columns later on. Alternatively, if you intend to keep the accounts electronically, ensure that you use software that is appropriate. Not all commercial software will allow you to keep the records in formats required for charity accounting purposes, and it is also important that you are able to print out reports for presentation to committee meetings in appropriately intelligible formats. If you have someone willing and able to set it up, a spreadsheet may be all you need and may be better (and will cost you less) than a professional package.

Some Sections will keep their own records e.g. the Youth Work Committee may have a simple account book detailing receipts and payments at the events it organises. The final responsibility for these subsidiary accounts remains with the Treasurer, who not only supervises them but ideally has a hand in deciding, in the first instance, the form in which they should be kept. (See also section 4, Section Accounts, below.)

A record must be kept of all transactions, however small. The organisation's Treasurer, or the responsible officer, should issue receipts for all income and obtain receipts for all cash expenditure. In principle, all payments should be made from the organisation's bank account, and it is normal for its committee to authorise

any two (often, for convenience, any two out of three or four) of its officers to be the cheque signatories. However, where it has been agreed that an officer or section should hold a petty cash float, such officer/section should maintain their own records and regularly account to the organisation's Treasurer for amounts expended.

Receipts should be paid into the organisation's bank account as soon as possible. Sometimes this means that an officer other than the Treasurer has to take the money to the bank; this presents no problems as long as s/he uses the organisation's paying-in book and keeps the Treasurer informed. On no account should any substantial sum of money be kept in an officer's home - nor at the organisation's premises unless there are adequate security precautions.

When the organisation has an adequate current account balance for normal running purposes, the Treasurer will (having consulted the committee) transfer surplus funds to a deposit account or investment which pays reasonable interest. This sounds obvious, but thousands of pounds are lost to community organisations which fail to take this simple step. Review balances regularly!

Note on the Visible Communities

Programme: Organisations undertaking this programme will find this Information Sheet relevant to their satisfying the requirements in the following respects.

'Independent' Section - Checklist 3:

- Indicator 2 ('Does the organisation have accounting procedures ... (etc)'),
- Indicator 3 ('Does the management committee understand ... (etc)'),
- Indicator 4 ('Does the organisation have procedures ... for the payment of regular bills (etc)'),
- Indicator 6 (Does the organisation have procedures for managing its income and cash-flow ...),
- Indicator 7 (Does the organisation produce at least an annual budget for

its work?)

- Indicator 8 (Does the organisation produce regular reports of actual income and expenditure ...?)
- Indicator 9 (Does the organisation have procedures for handling cash ...?)
- Indicator 10 (Does the organisation have an appointed Treasurer or other honorary officer who is aware of his/her responsibilities with regard to the finances of the organisation?)

2. Annual Statement of Accounts and Balance Sheet

The Treasurer prepares this summary of the affairs of the organisation from his/her books, submits it for audit or independent examination and presents it to the Annual General Meeting. Annual accounts of registered charities must be prepared and audited in accordance with regulations made under the 2006 Charities Act. The regulations are complicated and further advice is in Information Sheet 10 (*Reporting and Accounting by Charities*). The accounts should incorporate all the income and expenditure from all activities carried out by the organisation, including sections. However, in order that members can be well informed, it may be useful also to produce separate income and expenditure accounts for each section and sub-committee, so that members may know, for example, the percentage profit on catering.

The statement shows where funds are kept - in the current account, on deposit, cash in hand, etc. To present a true picture, allowance has to be made for stocks on hand and outstanding income and expenditure at the year's end (i.e., amounts owing to the organisation and bills it has yet to receive/pay for the year in question). A sample balance sheet is in Appendix 1.

3. Budgeting

This is a method of forward control for the

community organisation's finances. The Treasurer prepares a forecast, based on the previous year's income and expenditure, and making allowance for:

- inflation;
- actual or probable changes in activities or in the anticipated level of support expected for them;
- alterations already known in charges made by the organisation or in expenses it is liable to meet. An example on the income side might be a decision to increase rents to users, and, on the expenditure side, making allowance for an announced increase in the cost of electricity.

The simple way to prepare a budget is for the Treasurer to write his/her forecast, in the first instance, on a spare copy of the previous year's accounts. He/she must not, of course, forget to add any new items which the committee has already decided upon, e.g. to start regularly distributing a news-sheet.

The budget thus prepared enables the Treasurer to advise the committee as to the need to increase charges or to find additional sources of funds. It may even cause him/her to say 'We can't go on like this'. The committee must be told in good time if there is a real danger of the organisation failing to meet its financial commitments.

Having taken the trouble to prepare an annual budget, the Treasurer should compare it, perhaps once a quarter, with the actual income and expenditure to date. If, during the course of the financial year, either the income or expenditure (or both) is not as anticipated, the Treasurer must advise the committee of the new situation, so that it may, if necessary, take remedial action. A sample budget will be found as Appendix 2.

4. Section Accounts

Each Section should appoint its own treasurer, who should keep such accounts as may be required by the Treasurer of the organisation, and regularly pay over to him/her all money received and pass on all accounts for payment. The CO Treasurer will therefore see that each Section has its own receipt book, so that s/he may check copy receipts where the Section income is passed on (or, if administratively more convenient, when it has been paid into the organisation's bank account by the Section Treasurer.)

Most Sections require some form of petty cash float, and it is up to the organisation's Treasurer to see that this is made up to the agreed amount at regular intervals. Petty Cash vouchers and receipts should be required for all items of expenditure from the float.

As the Section is an integral part of the community organisation, its items of expenditure will require prior authorisation by the main committee of the community organisation (this would not apply to petty cash expenditure once the main committee

has agreed and specified the amount of a float). As much of a Section's expenditure is of a regular or recurrent nature, the main committee does not wish to have to record its agreement each time for such items as the purchase of refreshments - e.g tea, coffee - or prizes for the whist drive. These are the sort of things which a float can cover. For larger sums, such as payment of a band for the dances, one authorisation for a series of payments is sufficient.

5. Further Information

5.1 Publication

Community Matters Information Sheet 10:
Reporting and Accounting by Charities

5.2 Further Contact

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APPENDIX 1

Sample Balance Sheet¹ Year Ending 31 March, 2008

Current Assets

Cash in Bank	£ 865
Cash in Hand	£ 85
<i>XXY Bank</i>	
Investment Account	£2450
Sundry Debtors	£ 120
Stocks on hand (at cost)	£ 125
Prepayment (part insurance premium)	£ 85

	£3730

LESS: Current Liabilities

Sundry Creditors	£ 161

	<u>£3569</u>

Financed by

General Fund at 1/4/07	£ 857
Surplus for y/e 31/3/08	£ 332

	£1189
Extensions and Development Fund	£2380

	<u>£3569</u>

1. NOTES:

‘Cash at Bank’ must agree with, or be reconciled with, the Bank Statement.

‘Cash in Hand’ includes all Petty Cash Float balances.

‘Sundry Creditors’ - amounts the organisation owes in respect of goods/ services for the year in question (i.e.: bills to pay).

‘Sundry Debtors’ - amounts owed to the organisation.

‘Prepayment’ - this example would represent that part of the insurance premium, already paid, which is really in respect of part of the next financial year.

APPENDIX 2

Sample Budget for a C.O.

This Year £	Expenditure £	Next Year £	This Year £	Income £	Next Year £
537	Rates	600	275	Subscriptions	260
2340	Cleaning	2540	539	Rents	500
1118	Heat & Light	1150	1726	Grant Aid	1572
370	Repairs & Decoration	600	Income from Activities:		
399	Equipment	250	(-33)	Youth Club	100
256	Insurance	290	36	Football Club	50
261	Postage & Telephone	300	(-25)	T.T. Section	25
225	Printing & Stationery	250	580	Dances	600
135	Courses & Conferences	160	1150	Bingo	1200
85	Licences & Affiliations	100	110	Golden Age Club	100
29	Miscellaneous	50	45	Arts & Crafts	50
-----		-----		LEA & other classes	30
5755		6290	30		
			(-172)	Christmas & other events	(-200)
			490	Catering	550
			521	Raffles	500
			355	Special events	500
			105	Magazine sales	100
			273	Bank interest	250
267	Surplus of Income over Expenditure		17	Miscellaneous	13
-----			-----		-----
6022			6022		6200
			Deficit, being excess of Expenditure over Income		90

					6290

Conclusion: Even if 'special events' do go better next year, the organisation may have to put on an additional one, and/or increase such things as rents and dance charges.