

GOOD MONEY MANAGEMENT

The Management Committee of a voluntary organisation has a responsibility to manage the group finances effectively and efficiently. In most organisations it is a legal requirement that they do so. The Treasurer is entrusted with the funds of the organisation. However, one of their chief roles is to regularly update all Management Committee members on financial matters.

The most important aspects of good financial management are:

- * Budgeting
- * Book-keeping
- * Running a bank account
- * Insurance

Managing money is not just about holding cash. Holding large amounts of inactive cash in floats is counter productive. It is far better to use a bank account such as a Treasurer's account that generates interest while the cash is waiting to be used.

It is advisable to inform the bank if your organisation is a charity as interest should then be added gross to the account.

BUDGETING

A budget needs to be drawn up each year. It is an estimate of how much the organisation expects to pay out in expenditure, and receive in income over the forthcoming financial year. The budget can then be used as a monitor throughout the year. The Management Committee should set regular Financial Review meetings to ensure activities are staying within the budget. Budgeting—it is important to estimate costs accurately and a good Committee will also have a contingency budget to cover any unforeseen costs.

Budgeting has a crucial role in the planning for and managing of an organisations activities. The voluntary Management Committee have the responsibility of agreeing the organisations budget usually over a twelve month period, sometimes longer.

BOOKKEEPING

In order to operate efficiently and meet all the financial requirements, a voluntary organisation should keep books in which they record all money transactions. Keeping books means recording every transaction relating to money on a daily basis in a 'day book'. MONEY IN is recorded as a receipt and tied up to the amount paid into the bank. MONEY OUT, by way of cash, cheques, standing orders, etc is recorded as payment, usually in a separate section or book from that of receipts. Often pure cash payments are recorded in a PETTY CASH BOOK.

It is important to establish strict financial recording procedures—all staff and volunteers should be made aware of these procedures.

RUNNING A BANK ACCOUNT

Good money management in a voluntary organisation requires the running of a bank account which meets the needs of the group. Most voluntary organisations require banking facilities, but such facilities can be a potential source of fraud.

The Management Committee must ensure that:

- * It controls the opening and closing of all bank accounts;
- * Receipts and pay-ins are double checked;
- * Cheques and other withdrawals are double checked and signed by AT LEAST two authorised signatories;
- * Bank mandates, standing orders and direct debits are regularly monitored; and
- * The bank account statements are reconciled against the organisations books regularly, at least monthly.

Voluntary organisations can make payments using the BACS (Bank Automated Credit System), to avoid the use of cheques. Many banks also offer "on-line" internet facilities which may be worthwhile exploring.

INSURANCE

It is essential that organisations are covered by suitable insurance. Making sure that there is adequate cover for the people, their working environment and the organisation's property.

It is also necessary to comply with relevant legislation. There are two main types of insurance to consider.

Employers Liability Insurance

This is compulsory for any organisation that employs staff.

Public Liability Insurance

This is highly recommended and provides cover to the persons using the organisations services, including volunteers and the voluntary Management Committee.

Scottish Council for Voluntary Organisations (SCVO), in partnership with insurance brokers Keegan & Pennykidd and Royal Sun Alliance, have developed ENCOMPASS. This is an insurance scheme especially for charities and voluntary organisations. For further details contact:

SCVO

The Mansfield Traquair Centre
15 Mansfield Place
Edinburgh
EH3 6BB

Tel: 0131 556 3882 Fax: 0131 556 0279

E-mail: enquiries@scvo.org.uk

REMEMBER

It is important to provide adequate insurance cover for one off events, eg, fetes and fundraisers. Always check what your insurance policy covers at the beginning of the planning process.

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