



Basic Financial Controls Guide for Small Community Groups

Regardless of the size or age of your community group, it's important to be financially accountable to your members, funders, and donors. Implementing a clear and organised process for managing money protects the organisation, helps to prevent cases of fraud and means the organisation is transparent. This means keeping track of all transactions, authorising payments, having all necessary financial information available, and ensuring that nothing goes missing. To achieve this, you'll need to establish financial controls. The following points outline recommended best practices for improving financial management for small community groups, whether new or existing. ***(Please note, not all points will be applicable to every organisation, so please adjust as needed).***

The Treasurer

The group must select an appropriate treasurer to oversee the recording and management of all funds. However, the entire management committee is accountable for the group's finances, not just the treasurer. It is advisable for the treasurer to participate in training on bookkeeping and financial management, and the rest of the management committee may also benefit from this training.

Money coming in

All money the group receives must be written in the cash book and paid promptly into the groups bank account. Money coming in must not be put in the petty cash tin. It is very important to keep an up to date record of all the money coming in, to balance the books at the end of the year.

Money going out

The management committee must properly agree all money going out. Every payment must have paper evidence to support it eg an invoice or receipt. The group must write on the invoice the cheque number, date of the cheque, the amount and who signed the cheque.

Bank account

The group must open a bank or building society account in the name of the group. The bank statements will be used to check what money has gone in and out of the bank. There needs to be two signatories on the bank account, and they must not be related or living in the same household.

All withdrawals and transactions should be closely monitored and must be approved by the management committee beforehand.

Financial records

The group must keep a proper record of money, and must have:

- A computerised system, spreadsheet or cash book to write down all items coming in and going out – this must be kept up to date
- A file for receipts and invoices (you may wish to scan/take photos of these as soon as you can and upload to a computerised file)
- A petty cash book
- A bank reconciliation

Financial year

The group needs to decide on their financial year, which will run from [start month] to [end month]. You have the flexibility to select the start and end months that best align with your activities. However, it's important to note that the UK financial year runs from April to March.

Annual accounts

The group must put together a summary of the year's incomings and outgoings following the end of the financial year. This should be signed by the Treasurer or Chair. The summary must be presented to the group's annual general meeting.

If your income is below £25,000, the treasurer can sign off on your accounts internally. However, it is important to note that once your income exceeds £25,000, an independent examination of your accounts will be required.

Budgets

The group will create a budget at the beginning of the financial year to cover the planned work for the next year. This budget should outline the anticipated costs of running activities and the amount of money required.

Regular reporting to the committee

The treasurer is required to present reports to the management committee at each meeting. These reports should summarise the cash flow since the previous meeting, detailing both incoming and outgoing funds. This practice is crucial as the entire management committee shares the responsibility for the group's finances, not just the treasurer.

Expenses

Money can only be claimed for out of pocket expenses such as:

- Travel expenses with a bus or train ticket
- Car mileage (using standard rates or a reasonable rate set by the management committee)

The management committee may decide to pay money for other out of pocket expenses. This must be agreed at a management committee meeting. No member of the group can be paid for their time.

We do strongly advise to look for further advice with NCVO: <https://www.ncvo.org.uk/help-and-guidance/governance/board-basics/sample-documents-and-templates/annual-report-and-accounts/>

Or Small Charity Finance Support: <http://smallcharityfinance.org.uk/>

And there are further resources with The Charity Commission:
<https://www.gov.uk/government/organisations/charity-commission>

We'd always recommend that you consult a local accountant.