

Finance for Voluntary Organisations

Malta Council for Voluntary Organisations

Session addressed by:
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Finance for Voluntary Organisations

OVERVIEW

- What type of accounts?
- Records to be kept
- Having updated and timely accounts
- Implementing controls and reconciliations

Types of Accounts – according to size

These depend on the size of the organisation. LN 379 of 2012 Voluntary Organisations (Annual Return and Annual Accounts) Regulations, 2012

- ❑ Small < € 20,000 gross income – simple records of receipts and payments made on a cash basis: needs only to fill template provided.
- ❑ Medium > € 20,000 up to € 200,000 gross income – same template as for the 'small' but needs also the signature of a Certified Public Accountant.
- ❑ Large over € 200,000 gross income – income and expenditure account, balance sheet with full disclosure notes and requiring full audited accounts.

Basic records to be kept - Income

- ▣ Records of all income, fund raising, interests, membership fees etc.. The documents to retain comprise:
 - Bank statements
 - Bank deposit slips
 - Income remittances advices
 - Copies of receipts issued
 - Income records and reconciliations on tickets sold, interest in total, receipts from bazaars, lotteries, list of membership paid etc..

Basic records to be kept - Expenditure

- Records of all expenditure such as wages and salaries, communication and advertising expenses, stationery, printing and postages, repairs and maintenance, motor vehicle expenses, rent and other expenses in connection with the core purpose of the organisation etc. The documents to retain comprise:
 - Invoices/Receipts (fiscal)
 - Estimates, quotations
 - Bank cheque book stubs

Basic records to be kept – Expenditure

- Wages and salaries workings, pay calculations, employment contracts, FS3's, FS5's and FS7's etc.
 - Rent book
 - Contracts
 - Suppliers' statements
 - Bank statements (both for income and expenditure purposes)

Other documents to keep and retain

- ❑ Bank reconciliation statements
- ❑ General financial correspondence with banks, accountants/auditors, sponsors etc..
- ❑ Monthly or Quarterly Management accounts
- ❑ Nominal ledger reports (if computerised complete with regular backups) , accounts listings, ledgers etc..
- ❑ Final Accounts

ALL DOCUMENTS RETAINED SHOULD BE FILED IN A NEAT, ACCESSIBLE, ORGANISED, SEQUENTIAL MANNER IN SUCH A WAY THAT IF A PERSON WANTS TO ACCESS THEM, THEY ARE EASILY FOUND.

Importance of overall controls

Role is of whole committee but in practical real terms this is the prime function of the Treasurer. Controls include:

Control over cash and bank accounts

It goes without saying that every VO should open a bank account. A VO should handle as little cash as humanly possible. All receipts should be deposited in this bank account as soon as possible (and not left inactive in drawers etc). All payments should be made through this bank account by cheque. Only payments say of below € 20 can be made through the petty cash.

Basic controls (continued)

Cash is very susceptible to theft, much more than cheques. Attention to where cash is kept, who has access to it, who deposits it, how it is deposited and that it is deposited intact. If say €1,000 cash is raised/received, one should ensure that €1,000 is actually deposited and features in the bank deposit slip.

If cash is substantial in an organisation, an insurance policy should be considered.

Basic controls (continued)

Bank signatories

Ideally the cheques issued should be signed by a minimum of two persons, traditionally the Treasurer always and either the President or the Secretary. This depends accordingly to the circumstances of each voluntary organisation. It is imperative that the Treasurer always signs on cheques. This for obvious control purposes. Those persons who are to sign cheques should be clearly minuted in the minutes of the main board, committee etc..

Basic controls (continued)

Controls over completeness of income

The Treasurer should not be satisfied with the income actually received. He should be vigilant and regularly ask the question: Is what should have been received actually received? This involves more the reconciling aspect of finance. Reconciling the number of actual tickets sold with actual income, making reasonableness calculations, proof in total exercises ..

Basic controls (continued)

Controls over expenditure

Care should be taken to ensure that all expenses are covered by an original fiscal receipt, invoice etc.. (Photocopies should not be tolerated). In extreme one-off instances where a receipt is not available (eg a few euros given to a maid to clean the premises) a self-raised receipt should ideally be drawn up and signed by the person making and receiving the payment in such a way that **FOR ALL EXPENSES THERE IS A DOCUMENT OF SOME SORT.**

Basic controls (continued)

Controls over expenditure

When an expense is undertaken, it should be clear who from the organisation, ordered/requested the items or service. Was he/she authorised to do so? Signatories on the document/invoice/receipt of the person authorised should be clear and legible on the invoice.

Basic controls (continued)

Obtaining quotations

When an expense is substantial (not run of the mill daily expenses) for an organisation, it is always best practice that at least 3 quotations in writing are obtained and evaluated. Such quotations should be retained for future eventual use. The reason why a particular supplier should be properly documented and retained.

Basic controls (continued)

Bank Reconciliation

Although seemingly simple and routine to undertake, it should be carried out on a monthly basis without fail as it is good accounting practice. Through it, VO's would indentify:

- Income not recorded identified and rectified;
- Expenditure not recorded identified and rectified;
- Puts Treasurer's/Committee's mind at rest that all is tying up;

Basic controls (continued)

Control over fixed assets of the VO

A VO may own property, equipment, motor vehicles/vans, office furniture etc..

Control should be exercised by the VO (not necessarily by Treasurer but he/she should be happy with such).

- Who has access to property, motor vehicles?
- Are keys of various premises/garages/stores safely kept?

Basic controls (continued)

Control over fixed assets of the VO (cont)

- Are buildings, property, cars, employees properly insured? Is cash insurance necessary? Public and employers' liability?
- Regular maintenance to cars, equipment, property?

Basic controls (continued)

Budgeting and liquidity/treasury management

In situations where the income of the VO is donations expensed in full or close to full, it is important that a budgeting exercise is carried out on a regular basis. Like every responsible family man does, the VO should spend wisely keeping into consideration not only the amount but the **FLOW** and **TIMING** of the income and expenditure, particularly taking into consideration any peaks in income and expenditure in such a way that the organisation does not have a cash factor limitation.

Basic Controls (continued)

Budgeting and liquidity/treasury management (cont)...

In less common cases , where there is a surplus of cash, a proper strategy is to be in place to maximise interest/dividends returns in a safe and secure way.

Basic controls (continued)

Management Accounts

Regular (eg monthly/bi-monthly/quarterly) management accounts should be drawn up. A copy of such accounts should invariably be handed over to all committee/council members and discussed as an item at the committee/council meeting. Queries raised during the meeting are either replied to there and then or a reply given at the following meeting should they need further clarification/work in order to provide a satisfactory reply.

Basic Controls (continued)

Management Accounts (cont)

The documents presented to the committee should include an Income and Expenditure account. In larger organisations one should also add a balance sheet. If a full balance sheet is not prepared, at least a record of the cash/bank position of the VO up to the end of the month of the previous month from the date of the meeting eg: if meeting is being held on 11th July, the cash/bank position as at 30th June of the previous month.

Basic Controls (continued)

Management Accounts (cont)

With this tool, all the members of the committee may assess the financial position of the VO and take all the necessary measures to address any issues which may crop up.

The management accounts should, after all the queries raised have been seen to, be approved by the committee.

Golden Rules – Resume'

- ❑ Controls on fixed assets, bank accounts, signatories, bank reconciliation etc..
- ❑ The importance of budgeting and cash management
- ❑ Regular reporting to management
- ❑ Retention of neatly kept and organised, accessible documentation and records for say at least 10 years
- ❑ **TREASURER IS TO BE IN ABSOLUTE CONTROL AS TO WHAT THE VO IS RECEIVING AND PAYING AND RECORD IT PROPERLY**

Finance for Voluntary Organisations

- Thank you for your attention
- Any questions?
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