

Why is financial management important?



Voluntary organisations need to put in place ways to manage their finances for a number of reasons:

- To comply with your legal duties to safeguard the organisation's assets
- To comply with legal reporting requirements (for charities and voluntary groups whose legal form is regulated)
- To make sure you have enough money to pay your bills (and stay solvent)
- To make sure that your income and expenditure is relevant to the purpose of your organisation
- To understand your finances so that you can plan for the future and make decisions
- To protect your organisation from mistakes
- To protect your organisation from fraud
- To protect trustees from incurring personal liability
- To satisfy the requirements of others – such as your bank or a funder
- To maintain a good reputation with people that give you donations and the public generally

The main areas that you will need to cover are creating a system of financial controls, record keeping, budgeting and accounts.

Although aspects of day to day financial management, such as the bookkeeping, may be delegated to a volunteer, paid worker, or even an accounting firm, it is important to remember that the trustees retain overall responsibility for the accuracy and effectiveness of the financial systems and records. The trustees will need to approve accounts at the end of each financial year (and deal with any legal reporting requirements). It is vital the trustees are confident the information within the accounts is reliable and correct.

Other information

The Charity Commission have produced a short guide and supporting video to help trustees to understand their financial management responsibilities.