

Management Committee Finance

Management committees sometimes experience difficulty in taking an active role in managing their finances.

There are many reasons why this might happen. For example, the committee members might feel that they lack experience of financial management and are reluctant to raise questions about issues they do not fully understand.

In these situations, committee members may find themselves in a position where it has become normal practice for them to merely "rubber stamp" financial decisions made by other committee members or by employed staff.

However remember that it is the Management Committee which has a collective responsibility for the organisation's financial management and not just the Treasurer or the staff.

Why not find out what all your committee members think by asking each one to respond to the questions below?

Financial health check

Does your management committee take an active part in financial management?

Do they:

1. Understand their financial responsibilities? Refer to legal position/liability, constitution, letters of offer for funding, good practice.
2. Maintain a clear distinction between the financial responsibilities and duties of the Committee and of the staff? Control/supervision of functions & tasks.
3. Have a 3- or 5-year strategic plan for the group? Is there a financial plan to complement this strategic plan - e.g., proposed sources of income, projected Income & Expenditure accounts, projected Balance Sheets, and cash flow estimates? If not, will a financial plan be produced? What is the timescale?
4. Have the skills, experience, and resources to effectively carry out their financial responsibilities? If not, is there a plan to attract required skills?
5. Have a finance sub-committee? If yes, is it active?
6. Rely on the treasurer and/or worker to do all the financial work? If so, are the committee members well enough informed to be able to make financial decisions?
7. Have a useful working relationship with their auditors/[independent examiners](#)? Is the auditor/independent examiner only involved in producing year end accounts or do they also provide useful financial advice that the committee can understand? ['Independent Examination - The Alternative to an Audit'](#) (NICVA).
8. Understand the financial structure of the group? I.e., are they aware of all the sources of the group's income, what this income is supposed to be spent on and what it may not be spent on - e.g. Are they sure that each funder will be satisfied with how a grant has been spent?
9. Review, discuss, understand, and approve all organisational budgets before any contracts are entered into on the basis of these budgets?
10. Receive regular reports of actual income and expenditure for each project and compare these to the relevant approved budgets? Is there a suitable format for the reports they receive - i.e., do all the committee understand the reports?
11. Understand how overheads are apportioned? E.g., how is the cost of items like rent, insurance, phone, stationery & postage split between different projects? Will all funders (especially any managing European Union funds) accept this method of apportionment?
12. Has a recognised procedure for remedial action where the received reports indicate that such action is required? How will decisions be made, actions implemented and evaluated?
13. Consider the cash flow? E.g., implications of delayed grant instalments?

Source: www.diycommitteeguide.org

Use the links below to access the other three financial health checks.

Download: [Transparency and Accountability](#)

Download: [Financial Procedures](#)

Download: [Segregation of Duties](#)