

What is Role of the Finance Sub Committee?

The role of the finance sub-committee is to share the workload of the Treasurer in managing and monitoring the organisation's finances.

Typically chaired by the Treasurer, it provides an opportunity for detailed discussion and consideration of financial matters, with regular reporting to the full management committee. It may be given delegated authority for some financial decision-making, but the Management Committee as a whole remains accountable and must still remain actively engaged in financial matters.

Benefits

Whilst the Treasurer may take lead responsibility for overseeing financial management, it is recommended practice for organisations of all sizes to create a finance sub-committee/sub-group, for a number of reasons:

- It helps prevent fraud by ensuring that all tasks associated with the finance function are not performed by one person without supervision from others
- It allows the Management Committee meetings to focus on a wider range of issues, as detailed financial discussions can take place within the sub-committee
- It enables more democratic control of the organisation's finances
- It spreads the burden of financial management, thereby also potentially improving its quality
- It helps train new committee members in financial matters
- It provides for continuity where the Treasurer resigns or their term of office ends

How this happens will depend on the size and dynamics of your organisation. For example:

In small organisations with no staff:

The finance subgroup could consist of the Treasurer and 2 other members of the management committee. The Treasurer often chairs and gives leadership to the finance subgroup. This provides an opportunity for those with no experience of finance matters to develop their knowledge and skills.

In larger organisations:

The finance subgroup could consist of the Treasurer, 1 or 2 other members of management committee, the Chief Officer, and the senior staff member responsible for financial management and fund raising.

Who does what?

When delegating financial responsibilities (whether to a Treasurer, a Finance Sub-Committee, staff or volunteers), it is important to be clear exactly who will carry out which roles, to define the limits of their authority and to clarify the mechanisms for monitoring and reporting. This can be done through role descriptions, staff job descriptions and terms of reference for the committee.

Financial responsibilities can be divided into six broad categories:

- General financial oversight
- Funding, fundraising and sales
- Financial planning and budgeting
- Financial reporting
- Banking, book-keeping, and record-keeping
- Control of fixed assets and stock

How, and by whom, these responsibilities and duties are carried out will differ for different organisations. Below is an outline of how these duties could be broken down between the Management Committee, the Treasurer and the Finance Sub-Committee. As indicated below, in organisations with paid staff, some of the Sub-Committee roles may be further delegated, but they retain the responsibility for ensuring finances are appropriately managed at all levels of the organisation.

Management Committee

Has ultimate responsibility for the organisation's finances, ensuring they are effectively used, and that the management committee can account for them. The Management Committee:

- Ensures funds are used in accordance with the governing document (e.g., constitution) and management committee decisions
- Ensures the use of funds complies with conditions set by funding bodies
- Ensures relevant staff and management committee members know enough about financial administration, book-keeping, and the accounts to be able to do their work properly and make decisions for which they are responsible

Treasurer, Finance Director, Auditor, or Independent Examiner

- Advises on fraud prevention measures
- Presents the end-of-year financial report (draft annual accounts) to the management committee
- Presents the audited accounts to the Annual General Meeting
- Ensures that members at the AGM have a basic understanding of the annual accounts and the budget for the current year

Treasurer and Finance Sub-Committee

The roles of the Treasurer and Finance Sub-Committee inevitably overlap. Each organisation will need to clarify any specific roles that are solely the responsibility of the Treasurer, beyond chairing and directing the work of the sub-committee. In general terms, the Treasurer and Finance Sub-Committee:

- Advises on financial policy issues, for example, what expenses can be claimed and the procedures for claiming them, financial implications of new activities, or the organisation's policy on charging for its services
- Makes financial decisions, as authorised on behalf of the management committee between meetings, and reporting such decisions to the Committee
- Liaises with the bank, the organisation's auditors, or other financial institutions on behalf of the organisation
- Prepares the accounts for audit, and discusses them with the auditor as required
- Decides on security measures to ensure cash or cheques are not misused

The Treasurer and Finance Sub-Committee also have responsibility for the following specific areas:

Financial Planning and Budgeting

The Finance Sub-Committee advises on areas of financial planning, including:

- preparing budgets for ongoing work and special projects, in consultation with the appropriate staff and funders
- presenting budgets to the Management Committee for approval

- ensuring accurate records of actual income and expenditure are maintained, as compared to budgeted income and expenditure, and adjusting financial forecasts as appropriate
- in case of cashflow problems (not having enough money to pay bills when they are due), deciding priorities for paying and negotiating for late payment if necessary

Financial Reporting

The Finance Sub-Committee ensures that the Management Committee has enough information to make its decisions. This means:

- reporting, in writing, to the Management Committee on the organisation's financial position
- preparing and presenting financial reports and accounts when required
- ensuring that the organisation is adequately insured and that the policies are regularly reviewed to ensure that the cover is still adequate and the premiums competitive
- maintain an appropriate system for calculation, payment and the recording of salaries including tax and National Insurance
- ensuring that the organisation makes pension provision for staff in line with legal requirements and value for money
- managing the selection of auditors, reviewing their services to the organisation and recommending their appointment to the AGM
- ensuring the auditor is providing an adequate level of advice to the organisation which is agreed and set out in Auditors management letter
- ensuring that the end of year accounts prepared by the auditor complies with the Charity Commission for Northern Ireland Statement of Recommended Practice (SORP) as appropriate

Banking, Book-keeping, and Record-keeping

Although the Finance Sub-Committee may not do the actual tasks involved in getting money into and out of the bank or writing up the books, they are responsible for:

- advising on the process for choosing which banks or other financial institutions the organisation should use and what type of bank accounts it should have (note that every decision to open, close or change a bank or other account must be approved by the Management Committee)
- serving as a signatory for the organisation's bank accounts (all changes of signatory must be approved by the Management Committee)
- ensuring there are proper systems for receiving and paying out cash and cheques
- setting up appropriate book-keeping and petty cash systems, and ensuring related documentation is kept
- ensuring membership subscriptions are collected and proper membership records are kept
- ensuring other monies due to the organisation are collected, that guidelines exist for action to be taken in cases of non-payment, and such action is taken if required
- ensuring receipts are issued, if required for money received by the organisation
- ensuring all income (including cash) is paid into the bank
- ensuring all bills are paid
- ensuring everyone handling money for the organisation keeps proper records and documentation

Control of Fixed Assets and Stock

The Finance Sub-Committee ensures the organisation maintains proper control of its fixed assets (major equipment, vehicles, buildings, and other property owned by the organisation), its materials or supplies (goods which get used up in running the organisation) and its stock (goods such as publications waiting to be distributed or sold). This responsibility includes:

Source: www.diycommitteeguide.org

- ensuring the organisation keeps proper records of materials and supplies used in its work
- establishing systems for stock control and re-orders
- ensuring the organisation keeps proper records of its equipment and vehicles, including date of purchase, supplier, value, model, and serial number
- ensuring the organisation keeps proper financial records relating to property (buildings and land) it owns or rents
- ensuring the organisation has all necessary insurances and keeps them up to date

Financial systems

Whatever the size of the organisation, the treasurer and finance sub-committee are expected to ensure that their financial systems:

- enable [accountability and transparency](#)
- produce an effective audit trail
- include a [segregation of duties](#)

Download: [Financial Procedures](#)