

SCOTTISH BORDERS COMMUNITY COUNCILS FINANCIAL MANAGEMENT BEST PRACTICE GUIDANCE

1. Introduction

It is important that clear systems are put in place for the recording of all financial transactions. The purpose of this note is to provide basic guidance along with examples of practical action, tips and advice which will assist Community Councils to develop good practice in financial management.

2. Roles and Responsibilities

All Community Council members have a responsibility to ensure the prudent use of Community Council funds. Any doubts about the use of Community Council funds should be brought to the attention of the whole membership. If doubts still remain, advice should be sought from the Community & Partnerships team at Scottish Borders Council.

The Treasurer has primary responsibility for all matters relating to finance. The Treasurer's duties include:

- maintaining accurate systems for recording income and expenditure;
- preparation of regular statements to the Community Council on the balance of funds and income/expenditure;
- preparing annual accounts for inspection and ensuring that expenditure accords with the purposes of a Community Council.

3. Basic Principles of Financial Management

No two Community Councils operate in the same way. In addition to this, while some are experienced at raising additional funds to finance particular projects, others carry out all their functions using the administrative grant received from Scottish Borders Council. For this reason, the following is not intended as a comprehensive set of guidelines but rather a few basic principles:

- all financial transactions should require the authorisation or approval of the Community Council;
- all transactions should be recorded in writing ensuring that a complete record is maintained;
- there should be written evidence to back up every transaction entered in the records;
- any cheques should require at least two signatures.

4. Annual Accounts

Community Councils are required to produce a set of annual inspected accounts for approval at the AGM. These should consist of a Balance Sheet and an Income and Expenditure Account. Inspected accounts are accounts which have been reviewed by an appropriate person and a statement produced. Among the other things an Inspector will look for are the following:

- that funds have been spent in pursuit of the aims of the Community Council;
- that all transactions recorded are verified by vouchers received (e.g. invoices, receipts);
- that book entries correspond with bank statement information;
- that overall systems of financial control are satisfactory.

5. Banking Information

All cheques or online payments should require more than one signature/authoriser, with the minimum required being two. A cheque signatory should not sign a cheque which is payable to them. All of the details of the cheque should be completed before it is signed.

All bank vouchers must be retained. This includes statements, cheque book stubs, and pay-in counterfoils.

6. Petty Cash

Some Community Councils may never hold any petty cash. However, where a petty cash system does operate, steps should be taken to ensure that the level of cash held is kept to a minimum. In such cases, a petty cash book should be kept detailing all transactions. On a monthly basis the cash balance should be reconciled with the records in the petty cash book.

Petty cash is for use in making relatively minor cash payments. It should not be used where it would be reasonable to make payments by cheque or online bank transfer. Consideration should be given for setting upper limits for petty cash payments.

7. Expenses/Honoraria Payments

Community Councils may reimburse office bearers, other members and employees for any reasonable expenses incurred in the performance of their duties. The disbursement of honoraria payments to members of a Community Council is authorised in the Scheme for Community Councils

Reimbursement of travel expenses can be made at the discretion of the Community Council for persons on official Community Council business. Claimants should submit a detailed record of dates, times, destination, reasons for travel and mode of transport. Reimbursement should normally only be awarded if accompanied by an expense claim form and a receipt if appropriate.

If the Community Council requires telephone calls to be made, reimbursement of expenses can be made at the discretion of the Community Council. The person making the claim should submit the itemised telephone statement highlighting the calls claimed and reimbursement can then be authorised by the Community Council.

8. Good Practice Checklist

The list below is intended as a useful guide for Treasurers and others in evaluating the financial practices of their Community Council. The checklist is not definitive but is merely an outline of some self-assessment steps which could be taken.

Accounts Requirements

- Are proper records kept of all transactions?
- Are accounts formally approved at the Annual General Meeting?

Receipt of Funds

- Are all incoming cheques, online payments and cash recorded timeously?
- Are all funds paid directly into the Community Council's bank account?

Fund Raising Events/Grants

- Are records kept of each fund-raising event?
- Are records kept of each grant application (successful or unsuccessful)?

Bank Accounts

- Are all funds belonging to the Community Council held separately from that of any individual or other organisation? (The Community Council may hold funds on behalf of a local community body that does not have a bank account. These must be recorded separately in the accounts and financial statements.)
- Are regular checks made between bank statements and the Treasurer's own records of income and expenditure?

Controls over Expenditure

- Is all expenditure approved by the membership of the Community Council?
- Is supporting documentation held for all expenditure e.g. invoices?
- Are cheque books held in a secure place with access only by signatories?

Payment by Cheque

- Are all cheques signed by at least two people?
- Is every effort made to minimise cash payments?
- Is all cheque expenditure recorded and noted with the relevant cheque number?

- Are all cheque stubs completed at the time of payment?
- Are all cheques signed only with documentary evidence of the nature of the payment?

Cash Payments

- Do all cash payments have supporting documentation?
- Are amounts of cash claims entered in a petty cash book?

Online Banking

- Do at least two officers have access to any Community Council online banking account?
- Is all online expenditure recorded and noted with the relevant online transaction reference?
- Does all online expenditure have authorisation from the Community Council membership in advance of transactions?