

**Guidance for a
Midlothian
Community
Council
Treasurer**

Financial Good Practice for Community Councils

It is important that Community Councils in Midlothian put clear systems in place for the recording of all financial transactions. Guidance provided below assists Community Councils to develop good practice.

1. Roles and Responsibility

- The Treasurer is principally responsible for looking after the Community Council's funds. However, it is the responsibility of **all** Community Council members to ensure that spending agrees with the purposes of a Community Council as defined in its Constitution or the Midlothian Scheme for the Establishment of Community Councils.
- The Treasurer must keep accurate records of all financial transactions, and these records must be made available for inspection upon request.
- It is 'good practice' for the Treasurer to make a 'summary report' at each meeting along with the other Office Bearers. This might involve no more than giving the Community Council a verbal report of any expenses or income since the previous meeting and informing members of the resultant bank balance. In addition, the Treasurer should produce regular written 'statements' to be presented at meetings.
- The Treasurer is also required to produce a set of Annual Accounts for independent inspection and verification. (See *Annual Accounts* for details).

Important Note

- *All* members of a Community Council have a responsibility to ensure that funds are used prudently.
- If a member of a Community Council has any concerns, this should be raised at a meeting and the discussion minuted.
- If concerns remain, they should be brought to the attention of the Liaison Officer or highlighted using the cll@midlothian.gov.uk email address.

2. Principles of Financial Management

No two Community Councils operate in exactly the same way. Individual Community Council Constitutions provide the guidelines for expenditure of finances. However, general principles are that:

- A bank account should be opened in the name of the Community Council to deposit grants or income and from which the various expenses of the Community Council will be drawn.
- The bank account should be set up in such a way that at least two signatures should be required on any cheque or online transaction (authorised by 2 named persons). These are usually the Treasurer and one or more of the other Office Bearers. Signatories should not be related or co-habiting.
- Signatories should not sign a cheque or authorise an online transaction that is made payable to her/himself.
- All financial transactions should require the authorisation or approval of the membership. Best practice includes decisions relating to financial matters being recorded in meeting minutes ensuring that a complete record is maintained.

3. Annual Accounts

- When Community Councils hold their Annual General Meetings, the Treasurer will be required to produce a set of accounts for the previous financial year (i.e. 1st April – 31st March).
- Community Councils should appoint an 'independent examiner' who will be tasked to review the annual accounts. This need not be a professional accountant but should be someone who has some relevant knowledge and experience.
- The 'independently checked and verified' accounts must be presented at the AGM and a scanned or electronic copy should be sent to the Community Council's Liaison Officer via the cll@midlothian.gov.uk email address.

Considerations when verifying the accounts should include:

- That funds have been spent in pursuit of the aims of the Community Council as defined by the Midlothian Scheme for the Establishment of Community Councils.
- 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.

4. Petty Cash

The use of petty cash should be avoided, and some Community Councils may never hold any petty cash. Where a petty cash system does operate:

- Petty cash should be 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 payment.
- Steps should be taken to ensure that the level of cash held is kept to a minimum.
- Consideration should be given to setting an upper limit for petty cash payments.
- A petty cash book detailing all transactions should be kept. The balance should be reconciled on a monthly basis with the records in the petty cash book.

5. Expenses / Honoraria Payments

- The disbursement of honoraria payments to members of a Community Council is not authorised in the Scheme for the Establishment of Community Councils in Midlothian. However, Community Councils may wish to reimburse Office Bearers, other members and volunteers for any reasonable expenses incurred when carrying out their duties.
- It would not be appropriate for these kind of payments to be made from the Midlothian Council annual administrative grant.

- Reimbursement of travel expenses should only be available to persons on official Community Council business. Claimants should submit a detailed record of dates, times, destination, reason for travel and mode of transport. Reimbursement of travel expenses (for example bus, taxi, train, parking fees etc) should only be awarded if accompanied by an appropriate receipt.
- 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. Reimbursement will be authorised by the Community Council.

6. Community Council Funding (Administration Grant)

- As part of its 'Small Grant' initiative, Midlothian Council pays an annual administration grant to Community Councils.
- The principal purpose of the grant is to cover administrative expenses: postage, photocopying, Auditor's Fee, Information Commissioner's Fee.
- The administration grant must be spent only on such items.

Failure to submit independently verified accounts *may* lead to the withholding of the administration grant.

Data Protection - Please Note

When an individual ceases to be a Community Council Treasurer, they must ensure that all financial records they hold relating to the Community Council are appropriately reviewed and transferred to the incoming Treasurer.

When leaving, Community Council Office Bearers should not retain any information relating to their work with the Community Council when they are no longer a part of it.

GOOD PRACTICE CHECKLIST

The list below is intended as a useful guide to 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?*

Budgeting

- *Is an annual budget drawn up and approved by the Community Council?*

Receipt of Funds

- *Are all incoming cheques and cash recorded immediately?*
- *Are all funds paid directly into the Community Council's bank account?*

Fund Raising Events

- *Are records kept of each fund-raising event?*

Bank Accounts

- *Are all funds belonging to the Community Council held separately from that of any individual member or other organisation?*
- *Are regular checks made between bank statements and the Treasurer's own records of income and expenditure?*

Controls over Expenditure

- *Is all expenditure authorised by the membership of the Community Council?*
- *Is supporting documentation held for all expenditure e.g. invoices?*

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 the payment?*
- *Are all cheques signed only with evidence of the nature of the payment?*

Bank Automated Clearing Systems (BACS)

- *Are BAC payments made on the authorisation and recorded confirmation of two unrelated and authorised Office Bearers?*

Payment by Cash

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