

Case Study – financial controls

A charity's Board of Trustees contacted us to raise concerns about how the previous Board had run the charity, an after-school club. They were concerned about payments made to previous trustees and a lack of oversight of the manager.

What happened?

The charity had poor financial and cash handling controls and its record-keeping was inadequate. This meant that after-school fees were unpaid in the amount of £18,000, with little chance of recovery. There was also little supervision of the manager employed by the charity. This, together with the lack of financial controls, had also resulted in a theft of charity funds. In addition, the manager had made substantial and inappropriate payments to some of the former trustees with whom she was friends.

Outcome

The new trustees worked hard to put the charity back on its feet. The constitution was updated to ensure that it was fit for purpose. A robust policy on remuneration was adopted, and new financial procedures were put in place, including a requirement for two signatures on cheques and incoming fees recorded in a ledger presented regularly to the trustees. The new Treasurer was a qualified accountant, and the charity recruited a qualified book-keeper to maintain fee payments and follow up members in arrears.

The charity's office staff now receive formal and regular training, and are properly supervised. The trustees also regularly consult and meet with the local branch of the charity's professional body to ensure that operational and governance standards are maintained.

What can you do to protect your charity?

It's vital that you have proper controls in place to protect your charity's assets.

- At least one of your trustees should have financial experience and understanding.
- You should have proper audited procedures in place for handling money and making payments – these should be regularly reviewed and updated.
- Use standard practices – for example, all cheques should have at least two signatories.
- Don't just leave it in the hands of employees – while it's important to trust your staff, trustees are the people ultimately responsible for the charity. Trustees must make sure that they get regular financial reports and updates, and understand what these mean.
- Don't be afraid or reluctant to ask questions – indeed, you have a duty to do so.

Guidance and support

- You can [read our guidance on preparing charity accounts](#)
- You can find help with financial and accounting practices from bodies such as [ICAS](#) and [SCVO](#).
- Consult your professional/members' organisation ([SSSC](#), [Early Years Scotland](#)) if you have one.