



# OPENING A BANK ACCOUNT AND SETTING FINANCIAL PROCEDURES

No matter how big or small your organisation may be it is important that you adopt sensible procedures to ensure that the finances are properly looked after.

## ***Opening a bank account***

It is good practice to open a bank account as soon as possible. This will ensure that any money you may have is not only securely kept but more importantly the organisation's money is kept separate from any personal money which could lead to confusion.

It is helpful if the bank branch is readily accessible to signatories. Security checks can be easier if Committee Members hold a personal account at that bank.

There are a number of different accounts available to small organisations. Most banks and building societies operate accounts under such headings as 'The Treasurer's Account' or 'The Club Account' and with different terms and conditions. For example, some banks offer free banking if the organisation's annual income is under a certain amount. It is certainly worthwhile spending a bit of time in researching different accounts on offer and choosing one that best meets the needs of your organisation.

Whichever account you choose, it is usual to authorise up to four people as signatories for cheques, (although only two are normally needed to actually sign the cheques) as this covers you for illness and holidays. What is important is that there should never be just one signatory and two people who are related, hold the same last name or address, should certainly not sign together.

It is good practice to appoint the signatories at a meeting as this information will need to be agreed and recorded, as well as the fact that most bank accounts or building societies require a copy of the minutes to be attached to the mandate form.

If you have already appointed a treasurer, it is also good practice for him or her not to be a signatory. Likewise, it is probably best if the signatories are not related in any way which could lead to confusion.

### **Developing financial procedures**

Once you have opened a bank account it is important that proper financial procedures are kept. By laying down some ground rules the committee is acting responsibly in three ways:

- it helps to protect the organisation from possible fraud or misuse of funds;
- it gives those handling the finances a system to follow and may protect them from allegations of mismanagement;
- it demonstrates the steps the organisation has taken to make sure it is accountable to its members, funders and to the community it serves.

### **Charity Trustees**

The financial responsibilities of trustees are wide ranging. *The 1993 Charities Act* made charity trustees more directly responsible for managing their charity's investments. The Act also introduced a new regime for accounting by unincorporating charities and made trustees responsible for ensuring that detailed accounting records are kept.

Although this may seem rather daunting, don't be put off by what might appear to be information you don't understand. What is important is that your duties are carried out in a way that suits yourself and those working alongside of you for the good of the organisation and also meets the requirements of charity law.

**Drawing Up a Financial Controls Policy.** This document should form the pulse of your organisation's financial operations and by following it, you should be able to gain an experienced overview.

Areas that ought to be included in your Financial Controls Policy include:

- who is responsible for what;
- where will certain items be kept;
- details of any changes made to financial controls;
- bank accounts and authorisation;
- how income and expenditure will be recorded;
- expense claims;
- security of cash, cheques and other documents;
- grievances.

As a guideline, you might like to incorporate the following into your Financial Controls Policy:

- Blank or partially completed cheques should **never** be signed.
- All cheques should require two signatories. Before signing a cheque, the signatories should examine the invoice and authorise it for payment by signing it.

- The cash books should be written up and balanced regularly; the cash books should be compared to the bank statement monthly to ensure accuracy and completeness.
- Incoming cash should always be kept separate from petty cash and banked promptly.
- The petty cash book should be written up and balanced regularly and the cash in hand counted to make sure it agrees.
- Access to the petty cash box should be restricted as far as practical.
- Receipts should be issued for all cash received and a copy kept for the records.
- Receipts or invoices should be obtained for all payments (both cash and cheque). All receipts and invoices should be filed.
- The treasurer should maintain an overview of the finances at all times and prepare regular finance reports for the committee.
- Budgets should be prepared realistically so that income targets are not wildly excessive and expenditure is not underestimated.
- Book-keeping and accounting should be carried out in a methodical way.