

## Keeping Simple Accounts

### How Should I keep accounts?

There are 2 ways you can record your accounts and basically it is up to you as to which you will find easiest.

First – Use an accounts book. These you can buy in Staples, WH Smith etc. or sheets of A4 with the template sheet below.

Second –use an excel spreadsheet. If you use a computer remember to back it up or keep printed copies in case it stops working or use accidentally erase the file.

### What Records Should I Keep?

The basic answer to this is everything to do with the running of your community group or club.

**Income** (known as receipts - the money you receive from either subs, donations, fund raising or grants for example):

Record in your income column:

- Total subs for the week or month or however often you collect subs
- Donations, gift or grants etc. on the date they are received.

If you make an error with the amount, cross it out and write it in again – never use tippex! These amounts should match the payments in to your bank account.

**Expenditure** (the money you spend, keep all receipts for activities, rent, food, etc.):

Record all in your expenditure Column;

- Give a brief description in the details column and then allocate a number to the original receipt. (ie, if its your first receipt of the year put the figure 1 on it and circle in red, so that it's easy to find) then carry on with 2,3 etc.
- If you do not have a receipt, simply write a receipt out on a piece of paper stating that the original is lost or the purchase was from a market stall or car boot sale with no receipts available. Describe what the expense was for and allocate a number; this will now be the receipt.

It is essential to keep your records up to date, record the entry as soon as it happens, don't wait until you have a pile of receipts or payments to enter them in the records.

Your records must be seen/checked once a year, but only by someone who has a basic understanding of accounts. Any money you receive or pay out you should be able to account for all of it. You must keep all records for 7 years.

## Simple accounts for small Organisations

### Budgets

#### What is a budget?

- A budget tells the story, in money terms, of what your group plans to do over the coming year.
- It is an estimate of how much money you need – proper budgeting will help ensure that you don't run out of money or face unexpected costs during the year ahead.
- It will help you make financial decisions and keep control during the year.

Your budget should be a simple list of expected income and expenditure. These will be estimated and could be based on:

- Previous year's income and expenditure with updated figures as they are known or with an increase based on an estimated inflationary cost where this might apply. E.g. rent.
- Quotes
- A best guess

### Petty Cash

- Keep cash handling to a minimum. It may involve only small amounts, but can cause the biggest problems
- Where possible use a cheque or direct bank transfer
- Bank all cash received as soon as possible
- **NEVER spend cash income before it is banked**
- If using petty cash, keep it in a safe place in a locked tin
- Limit who has access to petty cash
- Check that any cash held is covered by your insurance policy, including cash in a committee members home and cash in transit

#### **The recommended system for petty cash is called an 'imprest system'.**

1. The committee decide how much is needed for a cash float
2. Withdraw this amount from the bank and put it in the petty cash tin
3. Enter this as an expense in the cash book and income in the petty cash book
4. As money is spent from petty cash replace this with receipts or petty cash vouchers
5. The remaining money + receipts should always equal the original float
6. If a receipt does not show the date or item purchased clearly write this on before putting it into the petty cash tin
7. When the float needs to be topped up, this is the time you remove the receipts from the box and write up the petty cash book
8. The amount withdrawn from the bank should be equal to the value of the amount spent so that the float is again equal to the original amount
9. File receipts in date order, attaching small receipts to a larger piece of paper for safekeeping

#### **Some additional points**

- For one-off events requiring cash purchases or a float, withdraw a separate amount from the bank
- At the end of the year details of transactions from the petty cash book will need to be added to those from the main cash book
- There should not be a 'petty cash' line in the year end accounts, as this does not show what the money was spent on

### The general Legal bit.....

1. A bank account should be opened in the name of your group and should have at least two un-related signatures. All cheques payable from the account should be crossed 'account of payee only'.
2. The Treasurer (this could be you) must maintain either:
  - (a) An account book for recording details of the financial transactions of the community group or club
  - (b) Loose A4 sheets sequentially numbered
  - (c) A computer based programme from which printouts can be made in the format of an account book. If a computer based system is used, appropriate back-up arrangements must be put in place to avoid irretrievable loss of data.

Normal bookkeeping practices must be observed particularly in that entries should never be changed but any errors corrected by a new entry and donations or funds given in cash should be recorded in a receipt book with numbered counterfoils.

3. All cash and cheques received should be paid into the group's bank account, recorded in the account book on the date received (not the date when banked) and, for cash received, a receipt issued from a numbered counterfoil receipt book.

Only a small amount of Petty Cash should be held for direct cash payments e.g. postage stamp. It is up to you how you manage the cash but some people in order to keep it easy bank everything, then cash a cheque for the required Petty Cash (no more than £20.00 is recommended). If using this method then you have to be particularly careful to enter the correct information in your account i.e. payment from the bank but receipt in the cash.

#### **Receipts and Payments (Income and Expenditure)**

4. Where money receipts are numerous (e.g. subscriptions), when you pay them into the bank, write on the paying in slip what dates they refer to.
5. Major payments should be made by cheque; such payments should only be made on evidence of an invoice. All payments made by cheque should be recorded in the expenditure column of the account book. When cash payments are made all transactions should be supported by receipts.
6. The purpose for each payment or receipt should be recorded in the account book (e.g. hire of room, purchase of stationery, subscriptions). At the end of each year, the account book should be ruled off, added up and balanced. To keep on top of things this can be done each quarter. The bank statements should be checked against the balance shown in the account book.

On changeover of Treasurer, the accounts should be formally signed over to the new Treasurer after balance. The bank concerned should be notified of change of account holder(s) and authorised signatories.

7. All invoices, statements of accounts, receipt and cheque stubs should be properly filed and retained for annual checking.

# Insurance

The trustees (management committee) of an organisation have a legal responsibility to see that the organisation is adequately insured. It is important to review insurance policies regularly and check that the risks are properly covered as money-values and circumstances change.

## Types of insurance

### Insurance you must have if you employ staff or run a vehicle:

- **Employer's liability insurance** - If you employ staff this insurance is mandatory. If you have no staff but do have volunteers then good practice states that you should have this insurance but you will need to ensure that volunteers are covered, the policy must explicitly mention volunteers if they are to be covered by it. Employer's liability Insurance covers the employer against illness, injury or death to an employee occurring during the course of employment and arising as a result of a breach of a statutory duty (breach of health and safety legislation) or neglect.
- **Insurance for vehicles kept on the road** - This is for vehicles that belong to the charity/organisation

### Other types of insurance;

- **Public liability** (Third Party Insurance) This covers legal liability for injury to people other than employees and for loss or damage to third party property. It is highly recommended that groups consider holding this type of insurance. Many funders will insist that you have this insurance and may state the level of cover they require. It is not uncommon for this to be £5 million.
- **Trustees Indemnity Insurance** - Trustees of a charity can be held personally liable for any breach of duty on their part for any loss falling upon the charity as a result of their own errors or omissions, or those of their Co-Trustees. This risk of potential loss or liability is insurable. However there are limits to what is covered by this insurance and rules about charities taking out this insurance.
- **Contents** can cover accidental damage, theft, damage by fire or water to any equipment or other items. It can be either reinstatement cover (replace with new) or indemnity cover (present day value which takes into account wear and tear).
- **Buildings** - In most cases the various property covers will be grouped in a combined policy. The sum insured must cover the cost of reinstatement should the building be totally destroyed.

### Do I need insurance if we are renting a venue?

If you are renting a room in a building run by another group, you may be covered by their public liability insurance if you are just holding a meeting. However it is important to check that your activity is covered by their insurance, do not just assume it is.