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**Trustees:**

Stephen Brooker  
Bruce Gordon  
Paul Mitchell  
Paul Palmer

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**Registered Charity:**

Number 1118802

## The Role of the Honorary Treasurer

### Introduction

A key role in the effective governance of most charities is that of the Honorary Treasurer (treasurer) as an 'office-holder' among the charity trustees. While financial matters are the responsibility of all trustees, it is often the treasurer that the other trustees look to for advice, guidance and reassurance on all aspects of the charity's financial management and reporting, control systems, solvency, investments, etc.

This helpsheet defines the treasurer's role and provides guidance on how this role should be carried out.

### The Overall Role

The role of the treasurer can be summarised as follows:

- to monitor the financial administration of the charity and report to the board of trustees at regular intervals on its state of financial health, in line with best practice, and in compliance with the governing document and legal requirements.

The main responsibilities and duties of the treasurer include:

- overseeing and presenting budgets, internal management accounts and annual financial statements to the board of trustees;
- leading in the board's duty to ensure that proper accounting records are kept, financial resources are properly controlled, invested and economically spent, in line with good governance, legal and regulatory requirements;
- leading in the development and implementation of financial reserves, cost-management and investment policies;
- liaising, where applicable, with the appropriate member of staff responsible for the financial activities of the organisation;
- chairing any finance committee in line with standing orders and terms of reference, and reporting back to the board of trustees;
- monitoring and advising on the financial viability of the charity;
- overseeing the implementation of and monitoring specific financial controls and adherence to systems;
- advising on the financial implications of the charity's strategic plan;
- overseeing the charity's financial risk-management process;
- acting as a counter signatory on charity cheques and important applications to funders; and
- board-level liaison with the external auditors on specific issues such as the Auditors' Management Letter and the related board representations.

The extent of these duties and the Honorary Treasurer's involvement will vary with the size and complexity of individual charities.

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## Critical Areas of Involvement for the Treasurer

There are several areas where the treasurer also often plays a critical role.

### **Budgeting and strategic financial planning**

This is critical in most charities whatever their size, so the treasurer has an important role to play here. A critical role of the board is to ensure that the mission and long-term goals of the organisation are appropriately defined and shorter term objectives and action plans are put in place to achieve them. The annual budget should then flow from this process. The treasurer must ensure that all strategic plans are fully financially appraised and that the budget is in line with the plan's short-term objectives as set for each year.

The treasurer should oversee the plan/budget process on behalf of the board and constructively challenge assumptions made. The treasurer should encourage the consideration of alternative scenarios designed to evaluate the strategic plan's sensitivities as part of the risk-management process and, where appropriate, should encourage the movement away from incremented budgeting to a more zero-based approach as part of the performance management and reporting process.

One of the important developments in SORP 2005 is the emphasis on performance reporting and the importance of measuring outcomes and impacts where possible. When combined with financial information, outcome/impact reporting can greatly improve resource allocation, improve the charity's image and create greater transparency and accountability. The treasurer should encourage this approach where appropriate and add to the development of specific operational, investment and fundraising performance measures.

### **Management Reporting**

Trustees have a duty to ensure that proper accounting records are kept, assets are safeguarded and resources properly applied in accordance with the objects of the charity. All this requires a high standard of ongoing financial reporting.

The treasurer should ensure that management accounts are prepared on a regular basis and that there is a target timescale for their production. The treasurer should also agree with the trustees the type of financial reporting they require and the extent of it. This needs to be done in coordination with the director of finance.

The format of the basic management accounts is likely to be a report of the actual results for the period and the year to date, compared to the budgets for the same periods, the budget for the full year and a statement of variances and their causes, with recommendations for any remedial action needed.

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At agreed times during the year there may be a re-forecast of the budget and this should then also be included in the management accounts. The board of trustees will normally wish to see management accounts at summary level only, for example, for each monitored department or activity-control centre showing total income and expenditure for each major income stream plus an overall breakdown of operational (ie, charitable and fundraising) expenditure, including support costs, and the costs of the charity's administration (governance). The reporting structure should reflect the way in which the organisation is run and finances are managed. This need not necessarily be the structure of the statutory accounts – but must be compatible enough to facilitate annual reconciliation with them. The management accounts pack should also include a balance sheet which shows the movement and balances on unrestricted and major individual/sundry restricted funds.

The management accounts should also be accompanied by other information to underpin them. For example:

- a narrative explaining the most significant variances
- more detailed information on options for remedial action in areas of concern.

In overall terms, it is important that the treasurer ensures that the trustees as a board are given a fully informative picture of the financial performance and position of the charity and of its effectiveness – especially as far as its financial control system is concerned.

The proper control and performance of any significant grant-aided charitable services provided, trading activities for charitable or for fund-raising purposes, and also any other activities and events to generate voluntary funds, will all be specific areas in which the board will look to the treasurer for a lead, for guidance and for assurance.

### **Statutory financial reporting**

The treasurer has an especially important leading role to play in statutory financial reporting. The treasurer's task here is to guide and advise fellow trustees in the board's formal approval of the annual report and [audited] accounts. Therefore it is important the treasurer is fully aware of their content, regardless of any involvement in their preparation.

It is also important that the treasurer can explain the technicalities of the accounts in plain language so they are fully understood by the trustees. The treasurer should also be involved in overall liaison with the external auditors. While not involved in the detail, the treasurer should be involved in the overall planning of the audit, perhaps by attending an initial planning meeting and then when the audit is completed, in a round-up discussion on the points arising and the issues raised in the Management Letter. The treasurer should also be involved in the selection of external auditors when this arises.

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The Trustees' Annual Report and of course the statutory accounts themselves are important examples of the expected transparency and accountability of charities. They are also accompanied by the Summary Information Return (for those among the top 5,000 registered charities - gross income of £1m or more), and complemented by the charity's Guidestar entry. Any extra information uploaded needs to be reviewed by all trustees occasionally, as these pages can be a 'shop window' for the public to see what is on offer from the charity – as well as its entry in the recently launched database, Charity Trends, on the Charities Aid Foundation website.

The Trustees' Annual Report needs to be owned by the whole board, but again the treasurer should be able to vouch for the financial information and commentary contained in it. The treasurer also needs to be involved from the financial perspective in the development of all performance reporting and the use of financial performance indicators, targets and benchmarks.

**Investments**

Investments are another area, where, if material in the balance sheet and if no other trustee has the knowledge and experience needed by the board, the treasurer needs to be closely involved in the overall management of this important asset. Many charities have investment sub-committees convening several times a year, where the treasurer and other committee members are able to meet with the external investment advisers or managers to discuss targets, constraints, performance and future investment policy.

The treasurer should also take part in the development of any socially or environmentally responsible and/or ethical policy the charity may wish to have. Details of these policies now have to be disclosed under SORP 2005 by charities above the statutory audit threshold. The treasurer may well have to chair the charity's investment committee.

**Staff pensions**

Staff pensions and other retirement benefits are also now an important area for charities, especially those charities that have final salary (defined benefit) pension schemes. Pensions legislation and regulation has greatly increased, and treasurers need to be able to advise fellow trustees on the financial intricacies and implications.

**Risk Assessment and Risk Management**

This is another important area where, for charities above the statutory audit threshold, the trustees have to make disclosures in the Annual Report. Treasurers need to ensure that the risk-management process is adequate and that the financial implications of risk are fully taken into account.

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### Reserves policy

A final critical area is reserves policy in relation to any voluntary funding and/or to the charity's operational viability and ultimate solvency. The treasurer must be involved in:

- the development of any reserves policy and could well be its guardian on behalf of the trustees;
- keeping the board regularly informed of the free reserves position and target (if any), even if only as part of the essential cash management reporting where solvency is an issue; and
- advising any action needed to cope with changing circumstances.

### The Treasurer and Governance

The finances of charities are often critically important in the management of the organisation, and indeed the trustees all have legal duties which underpin this importance. The treasurer should also consider the governance structure and effectiveness of the charity in this light.

In larger charities it will be necessary to have a committee of the trustee board to deal in more detail with financial and perhaps investment, fundraising and operational management issues. In many cases the treasurer will chair a finance or resources committee and report back on its work to the full board. Some charities also find it necessary to have sub-committees of the finance committee to deal with pensions and investments. Many larger charities are now also creating audit committees to deal with internal financial control systems, risk management, internal audit and external audit liaison. The treasurer may also be involved in the remuneration committee. Whatever the structure for governance, the treasurer needs to be happy that the arrangements are absolutely sound from a financial management point of view and that they provide full information to trustees.

The relationship between the treasurer and the board has been outlined earlier in this report. The treasurer also needs to have a close working relationship with the chairman, and they should meet separately from time to time so that the chairman is fully briefed on important financial issues like strategic planning, financial targets, the budget, the statutory annual report and accounts and audit issues.

### The Honorary Treasurer Relationships with the Executive

The treasurer will also have important relationships with the executive, the most important of which is the relationship with the director of finance. In this relationship treasurers must remember that they are non-executive and good communication is the key.

Preferably there should be a written agreement between the treasurer and director of finance establishing the boundaries of what each can expect of the other in the context of robust executive/non-executive roles. The two should meet frequently and speak with one voice to the trustee board. This

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means a close working relationship and joint agreement of important board papers. There should be no 'surprises' as far as both parties are concerned in relation to each other.

The treasurer will also have a more distant but nevertheless important relationship with the chief executive. Chief executives should ensure that the main interface on financial matters is between the treasurer and the director of finance. However, the chief executive and the director of finance should meet the board's chair and treasurer occasionally to discuss major aspects of the strategy, operational activities and finances of the charity. Where possible, the chief executive and the finance director should also attend finance committee meetings.

### Conclusion

This helpsheet has been prepared to outline the basics involved in the role of the Honorary Treasurer. The actual role will differ with the size, complexity and nature of individual charities; widening out to embrace all financial aspects of the smaller, simpler kind of charity, however narrowing down to accommodate specialisms (for example, fundraising, investment and estates management) on the boards of the largest and most complex. However the overall principles remain the same.

The treasurer's role is an important one which is vital to the well-being of any charity. It is also a very rewarding role which needs to be widely recognised and acknowledged.

**This helpsheet was originally produced by ICAEW's advisory helplines and services with support from the Honorary Treasurers Forum.**

This helpsheet is produced for guidance only. If in any doubt, you are always advised to seek expert advice.

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