

# Charity Governance

Perth Academy Scout Hall  
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Presented by  
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Dunfermline District Treasurer



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## Today's Seminar

### Part 1

- Charities, Trustees & Duties
- Executive Committee

### Part 2

- Group Scout Council & AGMs
- Annual Report & Accounts
- Independent Examination

### Part 3

- Financial Controls
- Tax & Gift Aid
- Adult appointments



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## Charity

Being a charity is a privilege, not a right

The charity test:

- All activities must be charitable
- The charity must provide public benefit

Some of the benefits of being a charity

- Increased public confidence through regulation
- Gift Aid on donations (inc membership subscriptions)
- Tax Reliefs
- More sources of funding



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## Governance or Management?

- Governance is ensuring that the charity is being properly and legally run and determining its future direction
- The primary role of charity trustees is governance
- Management/Operations is the actual running of the charity
- Trustees of small charities are often also involved in operational matters
- Good governance is essential to the proper running of the charity. It may not be exciting, but it is vital that it is not overlooked



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## Trustees

- Charity trustees are "the persons having the general control and management of the administration of the charity"
- Members of the Executive Committee are the Group's charity trustees
- Members must be legally eligible to serve as trustees (i.e. not disqualified for any reason)
- Any trustee who ceases to be eligible to be a trustee must be removed immediately



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## Duties of Trustees

- Act in the interests of the charity
- Comply with the governing document (POR + SV)
- Avoid/manage conflicts of interest (including personal relationships between trustees)
- Ensure that the charity operates in a manner consistent with its purposes and that:
  - all activities fall within the charity's objects, aims or purposes
  - the charity's assets are only used for charitable purposes



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## Duties of Trustees

Charity trustees must:

- act with the care and diligence that is reasonable to expect of a person who is managing the affairs of another person
- ensure the charity is properly run and is solvent
- act as guardians of the charity's assets
- ensure the Committee is "fit for purpose" and members are working together
- apply a duty of care to staff, volunteers and beneficiaries



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## Duties of Trustees

Charity trustees must comply with the law including:

- Charities & Trustee Investment (Scotland) Act 2005
- Charities Accounts (Scotland) Regulations 2006
- Health & Safety law and regulations
- Data protection law (GDPR)
- Reporting "Serious Incidents" to OSCR

There is extensive guidance on the OSCR website about the duties and responsibilities of being a charity trustee

If you fail to comply with your duties as a charity trustee then it is misconduct in the administration of the charity



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## Group Executive Committee

- Ex Officio Members
  - GSL & AGSL
  - BSL, CSL, SL & ESL (but only if they agreed at AGM)
  - Chair (nominated by the GSL / approved at AGM)
  - Secretary & Treasurer (elected at AGM)
- Elected Members
  - Elected at the AGM - suggested between 4 and 6
- Nominated Members
  - Nominated by the GSL / Approved at the AGM - cannot exceed number of members elected



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## Group Executive Committee

- Co-opted Members
  - By the Executive Committee - cannot exceed number elected
- Term of Office
  - Other than the GSL & AGSLs, all members of the Executive Committee retire at the next AGM, but are eligible to be re-appointed.



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## Group Executive Committee

- Records
  - Essential that all changes in the Committee are recorded in AGM/Committee meeting minutes (with the date of change)
- All Executive Committee members must:
  - be recorded on Compass as such (except GSL, AGSL, Chair, Secretary & Treasurer)
  - have a PVG disclosure (if the Group is a charity)
  - complete Module 1 (Executive) & GDPR
- Good practice for Executive Committee Members to complete HMRC Fit & Proper Person Declarations



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## Group Executive Committee

Appointment of Trustees

- Potential trustees should be identified before the AGM and made aware of:
  - the aims and purposes of Scouting
  - the responsibilities and duties of being a trustee and the role to be undertaken
  - the time commitment required
  - PVG and training requirements
- Never appoint trustees "from the floor" of the AGM
- Start the PVG process once intention confirmed



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## Group Executive Committee

### Meetings

- Should be held as often as needed and must be quorate
- Set expectations re attendance
- Agenda should be agreed by the Chair & Secretary
- Circulate papers in advance of the meeting
- Collective decision making
- Decisions validly taken are legally binding on all members of the Committee whether present or not.
- DC and District Chair are not members, but do have the right of attendance at Executive Committee meetings

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## Group Scout Council

The Group Scout Council is the body to which the Executive Committee is accountable and consists of:

- Section Leaders, Assistant Leaders & Section Assistants
- Group Active Support Members
- Skills Instructors, Administrators & Advisers
- Patrol Leaders
- Parents/Guardians of Beavers, Cubs & Scouts
- District Commissioner & District Chair
- Any other supporters admitted by the GSL, the Group Executive Committee or the Group Scout Council

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## Group AGMs

The AGM is a meeting of the Group Scout Council  
It must be held each year, not later than six months from financial year-end for the following purposes:

- Receive and consider the Annual Report of the Group Executive Committee including the annual statement of accounts
- Approval of the Executive Committee's nomination for the appointment of an Independent Examiner
- Election of the Executive Committee for the following year

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## Annual Report & Accounts

A single document comprising:

- Trustees' Annual Report
- Independent Examiner's Report
- Financial Statements
  - Statement of Receipts & Payments
  - Statement of Balances
  - Notes to the Financial Statements

Omit pence from the numbers

A copy must be given to anyone who asks for one.

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## Annual Report & Accounts

The main purpose of the report and accounts is to make sure the charity is publically accountable for its activities and how it has utilised its funds. Financial information alone does not provide the whole picture.

In particular, the Trustees' Report should explain:

- What the Charity has done – its outputs
- What the Charity has achieved – its outcomes
- What difference the Charity has made – its impacts and benefits

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## Annual Report & Accounts

Trustees' Report

- A well written report should be an effective way of promoting your Group, but it is not a "Newsletter".
- It should focus on "telling the story" of the Group
- Include photographs, charts, tables where appropriate
- Include plans for next year
- Do not copy the one from the previous year!

Reserves policy needs to explain:

- The level of reserves needed and why they needed
- The amount of reserves at the year end
- Action planned to correct any material difference

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## Annual Report & Accounts

Other matters:

- Membership subscription income should be shown after deduction of the amount paid to the District
- Applications for grant funding must be sent to the District Chair for approval before submission to the funder(s)
- Any donations/grants received for a specific purpose (a restricted fund) must be shown separately, and spent in accordance with the terms of the donation within a reasonable time
- All accounting records must be kept for six years from the end of the financial year to which they relate



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## Annual Report & Accounts

Charity Regulation requires the Report & Accounts to be:

- Prepared by the trustees (Exec Committee)
  - Formally approved by the trustees, who are entirely responsible for the accuracy and completeness of the document)
  - Independently examined
  - Filed with OSCR within 9 months from financial year end
- POR requires the Report & Accounts to be:
- Presented to the Group's AGM
  - Filed with the District Treasurer



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## Annual Report & Accounts

Suggested timetable – before year end, ensure that:

- accounting records are up-to-date
- Gift Aid claims have been submitted
- all monies due to the Group have been collected.
- all bills have been received and paid
- the trustees have agreed the general content of the trustees' report and that this has been drafted
- timetable for examination agreed with the examiner



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## Annual Report & Accounts

Suggested timetable - April

- Accounting records to be completed
  - Prepare books & records for the independent examiner
- May
- Independent examination to be completed
- June
- Executive Committee meeting to approve the report and accounts, followed by signature of the examiner
  - Complete annual return and file accounts with OSCR
  - File accounts with District Treasurer
- Late completion may have adverse consequences



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## Independent Examination

An independent examination provides assurance to:

- the treasurer
  - the trustees
  - the members of the Group Scout Council
  - funders & supporters
  - the general public
  - the charity regulator (OSCR)
- that the Group's
- records are in order
  - funds are being applied and accounted for correctly
  - accounts comply with charity regulation



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## Independent Examination

Independent Examiner

- The trustees are responsible for the appointment of a suitable independent examiner.
- The appointment should be documented, normally by the examiner issuing a Letter of Engagement
- An independent examiner is defined as an independent person whom the trustees *reasonably believe* to have the *requisite ability and practical experience* to carry out a *competent examination* of the accounts
- The examiner does not need to be professionally qualified, unless accruals accounts are prepared



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## Independent Examination

The examiner must:

- be independent of the Group and its trustees
- have a good working knowledge of:
  - what an independent examination entails
  - OSCR's guidance for independent examiners
  - the Charities Accounts (Scotland) Regulations 2006
  - the Charities SORP (Accruals accounts only)

Suitability:

- Many qualified accountants do not have the necessary knowledge to be independent examiners

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## Independent Examination

The examiner's role is to consider whether:

- the charity has kept accounting records in accordance with the charity legislation
- the charity's accounts accord with the accounting records and comply with charity legislation
- there are any matters to which attention should be drawn to enable a proper understanding of the accounts

Reporting duty

- the examiner must report any matters of "material significance" arising from the examination to OSCR and, if necessary, to other agencies.

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## Financial Controls

Financial controls:

- are necessary to protect the assets of the charity from misuse or fraud.
- are necessary to protect the trustees
- do not in any way imply that a trustee is not trustworthy. If a trustee is not deemed to be trustworthy then he/she should be removed as a trustee!
- should be proportionate
- Should be documented and reviewed regularly (at least annually) to ensure that they are still appropriate

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## Financial Controls

- All bank accounts must be in name of the Group (with an account designation, if required)
- Correct:
  - 251<sup>st</sup> Fife (Midsham) Scout Group
  - 251<sup>st</sup> Fife (Midsham) Scout Group – Cubs A/c
- Incorrect:
  - 251<sup>st</sup> Fife Scouts
  - Midsham Explorers
- The Group treasurer must be an authorised signatory on all bank accounts. Individual bank accounts for sections are not recommended

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## Financial Controls

Income

- All money received by Leaders or others must be passed to the Group Treasurer in full without delay
- Receipts should be banked promptly in full, (i.e. no deduction of any expenses) at least weekly
- Avoid cash receipts where possible
- Ensure funds due to the Group are collected timeously

Payments

- All withdrawals must be authorised by two people
- Cheques must never be signed until fully completed

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## Financial Controls

Payments

- If online banking is used, the system must require two authorisations before any payment is made (not all banks can provide this facility)
- Be alert to the possibility of fake invoices and "push payment" fraud
- Credit/Debit cards are not permitted on Scout Accounts
- Ensure all bills are correct and paid promptly

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## Financial Controls

### Payments

- Payment authorisation is a key financial control. If done "mechanically" without considering the validity and accuracy of the payment, the control is lost.

### Financial Position

- Prepare budget before/at start of the year
- All bank accounts must be reconciled at least monthly.
- Funds held by others (e.g. any section accounts, petty cash balances) must be accounted for to the Group Treasurer at least every three months
- The financial position should be regularly reviewed by the Executive Committee, preferably against budget, and any unexpected fluctuations explained or investigated.

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## Financial Controls

### Authorised signatories

- All signatories must be approved by the Executive Committee, recorded and regularly reviewed.
- There should be 3 or 4 signatories for each bank account, one of whom must be the Group Treasurer
- Online banking user access codes are personal to the user and must never be shared or passed on.
- Any changes to authorised signatories or users must be notified to Banks immediately and confirmation obtained that the changes have been made.

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## Charity Tax & Tax Reliefs

### Direct Taxes

- Corporation Tax / Income Tax (normally exempt)

### Indirect Taxes

- Property Rates (80% exempt – 20% discretionary)
- Water Rates (normally exempt if income < £200k)
- Insurance Premium Tax (12% - no exemption)
- Vehicle Excise Duty (Road Tax – no exemption)
- Climate Charge Levy (normally exempt – check winter energy bills)
- VAT (0%, 5% or 20%)

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## Gift Aid

- Gift aid can only be claimed on donations (which includes membership subscriptions paid by parents/guardians of young people under 18).
- Gift aid cannot be claimed on the sale of raffle tickets, "100 Club" subscriptions (which is a raffle), or payments for group activities.
- Gift aid cannot be claimed on unclaimed expenses. To be eligible for Gift Aid, the expenses must be claimed and paid. The person concerned may then make a Gift Aid donation.
- A gift aid declaration is required (unless GASDS applies)

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## Gift Aid

- Check you are using HMRC's current declaration wording as it does change from time-to-time.
- Must be a clear record to show that the donation has been paid into the Group's bank account.
- Gift aid declarations must be kept for six years from the date of the last donation made under the declaration.
- Be alert to the possibility of a change in the donor.

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## Gift Aid

### Gift Aid Small Donations Scheme

- Gift Aid declarations are not required.
- Can be claimed on cash (not cheque) donations up to £20 (£30 from 06 April 2019)
- Donations under GASDS are limited to the smaller of
  - £8,000
  - 10 times the amount of Gift Aid donations
- Small donations from people who have signed a Gift Aid declaration should not knowingly be included GASDS.

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## Adult Membership

- Members
- Associate Members
- Non-Members
  - Group Non-Member PVG Only
  - Casual Helpers
    - Not on Compass / No PVG
    - Self-declaration form must be held by the Group

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## Adult Membership

- All Adult Members, with the exception of "Casual Helpers", must be registered on Compass
- Compass must be updated promptly to reflect all additions / changes / deletions to adult roles
- PVGs can take up to 8 weeks to process. Always allow at least three months from initial request to completion
- Exec Committee members of non-charity Groups, who do not any other role, do not require a PVG
- Network Members, who do not have any other role, do not require a PVG
- All Group Active Support Units must have a manager appointed

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## Adult Appointments

- Pre-Provisional (until)
  - PVG (unless exempt)
  - References (if required)
  - Interview
  - DC approval
- Provisional (until)
  - Initial training (including GDPR) completed
- Full Appointment
  - within 5 months of appointment
- Wood Badge
  - within 3 years of appointment

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## Role Descriptions

Role descriptions on [scouts.org.uk](http://scouts.org.uk)

- GSL
  - Chair
  - Secretary
  - Treasurer
- Key tasks
- Induction & Training
  - Share the work!

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## Line Managers

- GSL
  - All Leaders, Asst Leaders & Section Assistants
  - Group Chair
  - Active Support Manager
- Group Chair
  - All other members of the Group Executive Committee
  - Group President, Vice Presidents, Group Chaplain
- Active Support Manager
  - All other members of the Active Support Unit
- Section Leader
  - Causal Helpers

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## Thank you for coming!

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