

Board Builder:

Treasurers Edition

Treasurers of Australia: we thank you

Let's tell it like it is. The job of a not-for profit treasurer is hard. Very hard. Quite often it's the job that no one wants to do.

That's a crying shame, because it's among the most important jobs in a not-for-profit organisation, the job that can mean the difference between thriving and delivering real and substantial results, or going down the gurgler. If you've accepted this job – congratulations, and thank you. Give yourself a pat on the back. Really.

Even if you're not a treasurer, then as a board member or CEO it's in your interests – and the interests of your organisation – to understand what your treasurer faces. The 2015 Not-for-profit Finance Survey conducted by the Commonwealth Bank and Our Community found that 53% of not-for-profit organisations say they have difficulty recruiting a suitably qualified/skilled treasurer. When you find a good one, keep them happy! This means developing a good understanding of what the treasurer does, so you can support them in their role.

It also means having a good understanding of the finances. In the survey mentioned above, nearly a quarter of respondents weren't confident that most board members had a good understanding of the organisation's finances. Only 16% believed *all* members of the board had a solid understanding of the finances of the organisation they were governing.

There are 600,000 not-for-profit organisations in Australia, and they account for about 8% of the economy. They are handling some \$40 billion dollars every year. We're talking about a whole heap of money. What treasurers do is really important. Treasurers: keep this in mind when you're struggling to get an enthusiastic but financially illiterate board colleague to understand what exceeding your budget really means, or when the grant you thought was a dead cert fails to materialise, or when the fun-run fundraiser gets washed out. It'll give you some comfort until you reach that point where the board members are all on the same page, the figures are singing, you get two grants at once, your membership numbers are soaring and you're making real inroads on completing your organisation's mission.

Take our word for it – you'll get there. We've devoted this entire issue of *Board Builder* to resources and tips aimed at helping you along the way.



How to support your treasurer

No, we're not suggesting every not-for-profit board member should offer a shoulder for Joe Hockey to cry on.

Last month, the Commonwealth Bank Not-for-Profit Treasurers' Awards 2015 called for treasurers from across the country to put forward their ideas for removing the barriers they face in performing their role. One of the award winners, Samantha Winter from Women's Health in the North (WHIN) Inc., was among those who called for general board members to develop a better understanding of the treasurer's job.

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“All directors need to understand the financial governance role that all directors play and how much work the treasurer is actually doing,” Samantha wrote in her award-winning entry. “A best practice of acting as ‘shadow-treasurer’ or proxy director for a period of time would be a great way to ensure all directors have a grounding in the role of the treasurer and its importance. Let’s have Treasurer for a Week as part of Not-for-Profit Finance Week, and award those directors who step up and are involved!”

Of course, one way board members can find out more about the finances and what the treasurer does is simply to ask questions. Of the hundreds of entries received in the Treasurers’ Awards, not one single entry complained about board members, group members or staff asking too many questions of the treasurer.

“I haven’t yet discovered how to generate enthusiasm in listening to the treasurer’s report at each meeting,” wrote one entrant, “ but am thinking a rap routine might help.”

To read more award-winning ideas, go to www.ourcommunity.com.au/treasurersawardsbooklet2015

Treasurers’ Awards Report 2015

> [CHECK IT OUT](#)



How do you compare to the average treasurer?

Earlier this year, the Commonwealth Bank and Our Community carried out one of the most comprehensive financial surveys involving not-for-profit organisations ever conducted in Australia.

The survey was conducted online between February 23 and April 24, 2015. A total of 845 people took part – an extraordinary response, particularly given the length of the survey. The number of respondents is large enough for us to have a high degree of confidence in the findings.

The survey consisted of 42 questions, taking in all facets of funding, finance and banking, as well as financial governance challenges and opportunities.

As a result of this survey, we can confidently paint a picture of the landscape in which Australian not-for-profit treasurers work.

Most not-for-profit organisations have a voluntary treasurer (85%), and a paid auditor (55%), as you might expect. Just over a quarter (26%) have a

Not-for-Profit Finance Survey Revelations:

53% of not-for-profits had difficulty recruiting a suitably qualified treasurer
[#nfpfinanceweek](#)



board finance committee. The larger the organisation, the more likely it is to have a paid finance manager and a board finance committee.

Interestingly, around 5% of respondents said their organisation has a paid treasurer. This figure rises to 11% for large organisations.

Given the difficulties of the role, and the fact that for the vast majority of groups the role is unpaid, it's not surprising that the majority of organisations in our sample have had difficulty recruiting a suitable treasurer. The smaller the organisation, the harder it is to recruit a good treasurer.

Around 45% of treasurers have been in the role for two years or less, with 21% of those being complete newbies, having been in the role for less than a year. This is cause for some concern as it suggests too-frequent turnover. One way of making the role "stickier" is to plan for the transition of treasurers by fixing terms (no more than three two-year terms, say), and appointing a vice or assistant treasurer so that a new person can transition to the role gradually.

At the other end of the scale, 16% of treasurers have been in the role for more than five years.

A total of 55% of treasurers are women, suggesting that as it goes with housework, so it goes with not-for-profit organisations – women are taking on a disproportionate load of the mostly unpaid but pivotal financial work that keeps our nation's not-for-profit sector running. It's notable that as organisations get bigger (read: richer, more prestigious, more able/likely to pay), they are more likely to have a male treasurer.

Not-for-Profit Finance Survey Revelations:

1 in 5 not-for-profit board members don't have a good grip on the finances #nfpfinanceweek



\$38m lost by not-for-profits to fraud each year #nfpfinanceweek



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What does the treasurer do, exactly?

The duties and tasks of a not-for-profit treasurer vary a lot depending on the size of the organisation, but the responsibilities are essentially the same, whether you're talking about a footy club in a small country town or a disability services provider operating statewide.

Your board has delegated to you the responsibility for ensuring that all the organisation's financial rules are observed, all the correct financial procedures are followed, and all financial decisions are taken in the light of all necessary information.

That doesn't mean that you're responsible for making all the major financial decisions – the board has to sign off on any important financial initiative. But you're responsible for ensuring those decisions get made, and that they are made properly according to the rules and in full knowledge of the consequences.

What this amounts to in practice varies with the circumstances. In a small organisation the treasurer generally ends up keeping the books, signing the cheques, and doing the annual report. Slightly larger organisations will hire a bookkeeper to look things over at intervals and prepare the annual report. Large organisations usually have their own bookkeepers (and possibly financial managers) and bring in external auditors.

Where there are paid staff to look after the finances, the treasurer's job is to maintain oversight of what they're doing (in close liaison with the CEO). You have to ensure that there's a system in place identifying what needs to be done, assigning someone to do it, and documenting it when it's done.

Tasks of a treasurer

In any case, the treasurer has some particular tasks to do or oversee:



Keeping the accounts

You have to be able to account for every dollar that comes in and every dollar that goes out, and you have to make both balance. You have to be able to say at any moment how much money you have to work with when all debts have been paid.



Managing systems

You must ensure that systems are in place governing all regular financial transactions, that people know what these systems are, and that everybody follows them.



Planning

The Board will draw up a strategic plan setting out where your organisation wants to be in the future and sketching a process for getting there. You have to attach dollar figures to each stage of the process.



Budgeting

Each year you have to project expenditure and income for the following year, embodying the assumptions of the plan. Then you have to watch income and expenditure throughout the year and inform the board if your original figures were out of line.



Reporting

You have to report to the board at every meeting. You have to be sure that they know enough about finance to understand what you're telling them, and if they don't you have to train them until they do.



Fundraising

Fundraising isn't exclusively, or even primarily, your business, but as the go-to person on money you'll need to review fundraising plans to check cost-benefit ratios and financial commitments.



Monitoring risk

You have to guard against risks to your organisation's finances by ensuring you have the right people and the right systems in place. Often, it also falls to the treasurer to oversee the organisation's general risk management systems and insurance.



Banking

You'll need to work through what your banking requirements are and what services and facilities your bank can offer you. You'll need to assess your investment options.



Tax

You'll have to understand what the government's taking from you for what, and what concessions might be available.

Delegating

At this point you might be thinking – heck, that's a lot of work. I'm going to have to give up my day job!

The treasurer has particular duties, but that doesn't mean you have to do all of these things yourself. Your duties can be delegated, and in all but the smallest organisations they will be. In the end, though, you've got to be able to understand what everyone else is doing.

Some organisations set up a finance committee as a subcommittee of the board to support the treasurer. The advantage of this is that a group of interested and financially knowledgeable people (if you can find them) can share the load.



Working with staff

In larger organisations there will be paid staff to prepare the budget papers. Remember, though, that any mistakes are going to be held against you, as the treasurer, not them.

Check over the papers carefully and ask questions about anything you don't understand. It's still your show.

Ideally, you'll have a bookkeeper on tap to make sure that the financial processes are handled well. You may have an actual accountant among your members, and you may be able to get him or her to assist. You may be able to get a local identity to act pro bono. You may even go the whole hog and hire one, pushing up your admin costs but giving you peace of mind.



Working with the board

When a person joins a board they accept the obligation to look after the organisation's finances – this applies to the entire Board, not just the treasurer.

Any board member whose role involves overseeing a budget, no matter how small, needs to have a good understanding of their financial duties and take them very seriously. It may fall to you as treasurer to remind your board colleagues of that responsibility.

**Thinking Big:
To Merge or Not
to merge – That
is the Question**

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Getting started in the job: handover



In the best case scenario, your predecessor will provide you with a comprehensive briefing, talk you through the books, train you in using the database and other systems, organise your access to online banking, and give you the keys to the cashbox.

In the worst case scenario, you'll be handed a shoebox full of receipts and bills and a half-baked Excel spreadsheet last updated a couple of months ago, and you'll be relying a lot on your predecessor's memory.

In any case, here's a summary of the sorts of things you should be asking the previous treasurer about:

- Go over procedures – bank reconciliation systems, invoicing, etc. – so that you can oversee operations.
- Ask for an outline of the annual planning and budgeting timetable.
- Get details of all the bank accounts, and then get down to the bank and update the signatories. You'll probably need to provide the bank with meeting minutes noting approval of you as a new signatory.
- Get the details of all outstanding credit card or spending authorisations.
- Find out what forms (invoices, receipts, petty cash vouchers, etc.) are in use, and where they're kept.
- Find out what computing and accounting systems are used (and change any passwords).
- Ask if there are any hidden hazards – any known spendings/ commitments/incomings that weren't included in the budget papers, for example.
- Ideally, you'll be able to take custody of the organisation's financial information:
 - o Ledgers (records of payments/income for each of your accounts, with a general ledger summing it all up)
 - o Financial correspondence
 - o Bank statements
 - o Outstanding bills
 - o Paid bills and receipts
 - o Insurance policies (if that's your responsibility)
 - o Cash book (record of your cash receipts and payments).

Damn Good Advice for Treasurers

Twenty-five questions a not-for-profit Treasurer needs to ask

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Accounting systems: time to upgrade?

As treasurer, you need to document every dollar that comes in and every dollar that goes out. And you need to ensure that whatever system you use makes sense not just to you, but to whoever takes over from you.

Very small organisations can get by with what's called shoebox accounting, keeping all the accounts in a box or filing cabinet. These days, this method tends to be the first choice only of extreme technophobes. The advantages of not having to add up a column of figures three times to get a majority opinion are too clear to be overlooked. If you've inherited a shoebox system from your predecessor, it might well be time to upgrade.



Electronic record-keeping

Most organisations these days use computers, so your main record-keeping task is going to be ensuring that every detail of every transaction is properly labelled and recorded under the proper headings. This involves having each sum appearing in several places. If you buy a new piece of therapy equipment, for example, you might need to note it:

- (a) as an expenditure to be added to the Therapy Equipment count in the Statement of Financial Performance
- (b) as an expenditure from the Goodworks Foundation grant
- (c) as an asset to be added to the Statement of Financial Position
- (d) as a new asset for the Asset Register.

Covering all these requirements means more work up front, but it's essential. Reconstructing these relationships afterwards is irritating, difficult, and unreliable.



Spreadsheets

“Entry level” computer accounting involves the use of a spreadsheet program like Microsoft Excel (which not-for-profits can usually get cheaply from Connecting Up) or Google Drive (free) or Open Office (free and open source). These programs are easy to use for simple work and harder to use for complicated work. If you know what you're doing, everything will come out right; if you're a novice, not so much.

Some of the problems with spreadsheets arise directly from their advantages. If you have to make a correction to a written ledger the problems are unpleasantly obvious and involve a lot of crossing out and scribbling in. Spreadsheets, on the other hand, can be altered at any point without a correction being evident. This means it's easy to muck things up. It also means every spreadsheet needs regular downloading to hard copy and full documentation. Imagine that at any moment you may be called to relinquish the books to a new treasurer, one who's been recruited from outside the organisation and who needs to have everything explained in detail.

MYOB Accounting programs

Accounting programs such as MYOB, Calxa, Xero and QuickBooks cover all the common financial operations; you don't have to reinvent the wheel. They have to be learned, though, and you may have to undertake training (and send other people off for training) in how to use them, which will probably cost more than the program itself.

MYOB, Calxa and QuickBooks all have versions that are specially built for not-for-profits. This software allows for reports of revenues and expenses by function (programs, fundraising, management and general), by the nature or type of expense (salaries, electricity, rent, depreciation, etc.), and by grant.

Accounting programs specific to not-for-profits are also available; Blackbaud and Aplos are just a couple of examples. These sector-specific programs have some advantages. For example:

- They combine financial accounting with fundraising marketing, keeping your donor database in the same format in the same system
- They make program budgeting and the use of restricted funds easier.

They generally cost more, however, than MYOB, QuickBooks and the like. Decide whether you need that functionality.



Backing up

A computer system is not a substitute for paper records. Computers are governed by Murphy's Law: hard drives do crash, and data does get lost. Make sure you keep a hard copy audit trail of all your financial transactions, including receipts, chequebook stubs and tax invoices.

Most importantly, ensure you make regular back-ups of your computer records. Store your back-ups off-site or in the cloud, so they're safe in case of fire or burglary.

Ideas we love: accounting for more than the dollars



According to the entries received in the Commonwealth Bank Not-for-profit Treasurers' Awards 2015, a growing area of concern for a number of treasurers is the need to account for more than just the dollars and cents involved in running an organisation. They talked about the need to take proper account of the voluntary inputs into their organisations, and their difficulties in accounting for outcomes (and connecting those outcomes to allocation of funds).

"Treasurers are tasked with the financial accountability of an organisation which is demonstrated in dollars and cents. However, this fails to truly reflect the organisation's value," wrote one entrant. "Treasurers need help in developing Social Statements that include items such as volunteer in-kind contributions and the social return on investment. Community groups provide at least 200% more value than the dollars indicate."

On a related note, Our Community, in conjunction with Think Impact, now offers how-to seminars on measuring social impact. These practical seminars examine how you can measure, manage, monetise and communicate the effect of your work. [More information here.](#)

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The bogeyman: fraud



Unlike the bogeyman, fraud is real. Yet the not-for-profit sector is in denial, and many organisations are putting themselves at risk, according to the results of the 2015 Not-for-Profit Finance Survey conducted by the Commonwealth Bank and Our Community.

Around 6% of respondents indicated their organisation had been a victim of fraud in the past three years (and 8% did not know or did not want to say).

Some alarming losses were documented: the largest amount was \$250,000 but this was not the only one over \$100,000. The average loss was \$33,769. If we were to extrapolate across the entire Australian not-for-profit sector, our figures indicate a possible total loss of more than \$1.3 billion over three years, or more than \$420 million lost to fraud annually.

But despite this overwhelming evidence that a problem exists, many not-for-profit organisations favour trust ahead of systems. This is a very dangerous attitude indeed – the survey data shows 79% of fraud is perpetrated internally, by trusted personnel.

This survey investigated the sector's approach to financial risk management, in an effort to identify the links between processes and practices and organisations' susceptibility to fraud.

For every single financial risk management tool we proposed – from risk managers to policies to risk assessments – the majority of respondents have no such system in place.

A total of 31% of respondents say they have “no need for any formal financial risk management process as we are very trusting of our staff”. These organisations are putting themselves at great risk. Remember, 79% of frauds reported in this survey were perpetrated by insiders – staff, volunteers: trusted personnel. For small organisations, the risk is arguably even greater than for large organisations – just one bad egg could do enough damage to force their closure.

The loss of precious funds to criminal activity can be financially crippling to a not-for-profit organisation. The loss of confidence and stigma associated with being the victim of a fraud can have an even more significant lasting impact on an organisation, affecting its (and individual board members') reputation, morale, ability to generate funding, and indeed ability to function at all. With the huge rise in online communications, online banking, online payments and online fundraising, the potential for cyber-crime is likely to increase.

Managing the risk

As treasurer, you're tasked with monitoring and managing risk. Never assume that – just because you're a not-for-profit and everyone's committed to working unselfishly for the greater good – you can afford to ignore the possibility of fraud. Trust everybody, but cut the cards. If you want trust, work within a framework of suspicion. The following principles and practices are important elements of that framework:

- The person who receives goods shouldn't be the person who authorised the purchase order.
- All outgoing payments (whether by cheque or online payment) should have to be signed off by at least two authorised people.
- Select signing officers (for cheques, and for online banking) with care – they need to be both available for authorising payments at short notice and above reproach. Select more than two signing officers in order to provide coverage if one of the regular officers is unavailable.
- Never ever EVER sign a blank cheque.
- Anybody who handles significant amounts of cash should probably have a criminal records check.
- Formulate and circulate a Fraud Risk Management Policy (see [here](#) for a sample policy).
- Include fraud prevention and detection procedures in relevant staff/volunteer induction and development activities.

- Make it clear that all complaints of suspected fraudulent behaviour will be investigated and, if warranted, reported to police. You will begin, of course, with a bookkeeping system that can keep track of where money comes from and where it goes. Any bookkeeping system can be subverted by false entries, though, and so you will need to ensure that no one person has easy access to all points of the system and that regular reviews and checks are built in. The treasurer must be confident that these systems will guard against fraud or user error, and has to be able to demonstrate that to board members.

For many more policy templates and resources aimed at managing the risk of fraud, visit www.communityfinancialcentre.com.au.

More resources for not-for-profit treasurers

Community Financial Centre

The Community Financial Centre (www.communityfinancialcentre.com.au) has been established by Our Community in conjunction with Commonwealth Bank Not-for-Profit Sector Banking to provide tools and resources to help improve the financial management of not-for-profit groups, and provide access to better and more cost-effective banking services.

The centre's downloadable financial management policies provide the information and support you need to safeguard and grow the finances of your not-for-profit organisation.

Financial literacy help sheets, financial tutorials and checklists provide the advice a treasurer needs to keep the organisation's books balanced, and downloadable sample policies help you improve the structures that underpin your work.



“Damn Good Advice” guides

This issue of Board Builder incorporates information from *Damn Good Advice for Treasurers*, a free 100-page guide providing practical advice to treasurers of not-for-profit organisations.

Damn Good Advice for Board Members provides similar advice but is aimed at board members.

Damn Good Advice on Cyber-safety and Fraud Prevention offers exactly what it says on the tin.

You can download all these guides for free from www.ourcommunity.com.au – type “damn good advice” in the search box, and keep an eye out for more guides in the same series, coming soon.



Fundraising help

Our Community has developed a range of resources and tools to help community groups raise more funds. Go to the Community Funding Centre (www.fundingcentre.com.au) to get information on grants and fundraising in Australia. The Funding Centre's grants database, help sheets and tools are specifically designed for not-for-profit organisations and schools, no matter your location, size or type.



Donations hub

Through the GiveNow.com.au online giving service, Our Community is helping Australians give more to the community – through donations of money, time and goods. GiveNow Week, held in December every year, aims to focus attention on the many ways that individuals, families, businesses and groups can make a difference to the community.



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