



## Financial management

### Section nine Finance reports

#### 9.1 Why do you need to produce finance reports?

The finances of an organisation are important, since without money it becomes difficult for an organisation to carry out its functions and deliver its services. It is therefore vital that the management committee (MC), who is ultimately responsible for the running of the organisation and the delivery of services, manages the finances professionally and prudently.

It is crucial to remember that it is the MC collectively, not just the treasurer, who are responsible for managing your organisation's finances [see toolkit on **Governance** for information on MC responsibilities]. The MC can only do this effectively if they are kept regularly informed of the organisation's financial situation.

A fundamental part of any system of financial management is the preparation of regular finance reports. These do not have to be very complicated or intricate. On the contrary, the purpose of the reports is to show the true financial situation of the organisation, and like everything else, they should be clear and easy to understand.

#### 9.2 Preparing a finance report

Every MC meeting should be presented with a finance report. This may sound like a lot of work, but if your organisation is maintaining a proper bookkeeping system and carrying out a monthly bank reconciliation, as outlined in other sections of this toolkit, then the preparation of a finance report should not take longer than an hour. The simplest form of finance report is one which details the actual expenditure of the organisation and compares it to the planned expenditure, as outlined in the budget and cash flow forecast. This enables the MC to see at a glance how the income and expenditure varies from what was planned.

You regular finance reports should include:

- A summary of the receipts and payment for the year to date, compared to the budget
- A written explanation for the person in charge (for example, the treasurer or another MC member) of any significant differences between the budget and the actual figures

- A statement of what you have (your assets) and what you owe (liabilities) at the date of the report – this might be something complex like a balance sheet, or simply a list
- A cash flow forecast for the next 12 months, if you have one
- A written comment on what the past tells you and what the future may bring, so that the MC can look beyond the numbers

Figure 9- sample 'finance report'

Finance report for April 220XX				
	Budget	Actual	Difference	Notes
<b>Income</b>				
Revenue Grant	4,500	4,500	-	
Capital Grant			-	
Membership	600	510	(90)	1
Donations	40	75	35	2
Fundraising			-	
<b>Total</b>	<b>5,140</b>	<b>5,085</b>	<b>(55)</b>	
<b>Expenditure</b>				
Salary and National Insurance	1,590	1,590	-	
Volunteer expenses	200	140	60	3
Training		35	(35)	4
Rent	1,500	1,500	-	
Heat and light			-	
Telephone		56	(56)	5
Postage	150	180	(30)	6
Stationery	40	77	(37)	7
Insurance			-	
Professional fees			-	
Office equipment			-	
<b>Total</b>	<b>3,480</b>	<b>3,578</b>	<b>(98)</b>	
<b>Deficit for April:</b>	<b>1,660</b>	<b>1,507</b>	<b>(153)</b>	8

### Notes

1. Due to less volunteer support than expected, we were not able to 'phone all members to remind them to pay their subscriptions.
2. We received a generous donation of £55 from Mr G Brown, and £20 from Mr C Smith. Letters of thanks have been sent.
3. Due to work commitments and sickness, John, Maria and Helen were unable to help in the office this month.
4. Julia attended a one day training course on stress relief and time management.
5. Connection charge and line rental for the extra 'phone line, for internet access.
6. Although we spent more than was anticipated, there are still a lot of stamps in the petty cash box, so next month's expenditure will be lower.
7. Julia took advantage of going to the shops in her car, and bought enough stationery for the next 3 months!  
in hand (stamps and stationery) so expenditure in May should be lower. **We need to prioritise the collection of members' subscriptions.**

As well as the notes explaining the figures, the MC will need to be made aware of any important forthcoming income and expenditure, for example, when the next grant instalment is expected. This is so that any action which needs to be taken, such as a letter from the chair of the organisation, can be organised in plenty of time. Also, it may be necessary to adapt planned activity in the light of the finance report, for example, delaying the purchase of a new piece of office equipment.

If the finance report shows that the actual income and expenditure is different from that planned in the budget and cash flow forecast, then the MC needs to consider what action to take, which may include looking for extra sources of funding, reducing expenditure on particular budget headings (such as decreasing the use of the phone), or taking money from the reserves to cover extra spending. The MC cannot ignore problems or refuse to take action. **The committee is legally responsible for the organisation, and finance problems do not go away if ignored – they only get bigger!**

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