**Overview of your financial obligations**

**When you join a board you accept the obligation to look after your organisation's finances. In some cases, a board's financial responsibilities may be quite extensive (for example, for a board that is responsible for overseeing a large organisation with debts, income, staff, etc.).**

In other cases (say, for a small community group board that does not perform many or any financial transactions) these responsibilities might be simple or non-existent.

Any board that oversees a budget, no matter how small, needs to have a good understanding of its financial duties and take them very seriously.

This help sheet is offered not as a definitive guide to your financial responsibilities – these will differ from board to board. You should seek legal or financial advice whenever you are in doubt about your roles and obligations.

**Financial competence**

Although board members are not generally required to have particular qualifications to be appointed, the law does impose standards of financial competence. This is particularly relevant to the laws of insolvent trading.

The board is expected to be capable of understanding the affairs of the organisation or facilities it is governing well enough to reach a well-informed opinion of its financial capacity. And it must be sufficiently up-to-date with the organisation's dealings to allow it to respond properly to the organisation's changing financial capacity. Naturally, this requires some familiarity with financial reports.

Every year, most boards will prepare a financial report. The preparation of such reports is not always simple and many boards seek professional help in doing so. Generally, these reports will include:

* A review of the year's operations and details of any important changes;
* Information regarding the organisation's primary activities;
* Details of any circumstances that have affected, or could affect, the organisation's operations or likely developments in future years;
* Names of board members and the period for which they have filled the position;
* Information regarding board members' fees;
* All earnings from the organisation and related organisations;
* Information regarding the solvency of the organisation, including income and expenditure.

Different or additional reporting requirements may exist for your particular board, depending on the law or rules under which it operates.

It is worth noting that individual board members are not required by law to attend to the financial affairs of the organisation personally, but they must ensure that they engage people who are competent enough to handle the requirements of the specific situation. It is not sufficient to appoint someone qualified only to do basic accounting where only the resources of a large accounting firm could cope with the task at hand.

You should also know enough about financial matters to be able to understand the workings of the budgets and accounts. If you do not know what words like "revenue," "assets" and "income" mean, you will need to do a lot more homework before taking on any board role that requires overseeing a budget.

**Keeping you and your board safe**

**Directors and officers liability insurance**

Some boards will take out directors and officers' liability insurance to provide protection for board members sued individually for acts of negligence by the board. It is important that you find out what sort of insurance is provided for you as a board member, the level of cover and whether or not you will continue to be covered after you have left the board.

**Professional indemnity**

Professional indemnity insurance covers individuals against claims for breach of "professional duty" arising out of any negligent act, error or omission committed or alleged to have been committed by the insured in the conduct of his/her professional activities. Again, find out if you need this sort of coverage and if your board will provide it.

**Fidelity (fraud) insurance**

Fidelity insurance provides cover for your organisation against misappropriation of funds by employees or committee members. The need for such insurance is generally weighed up against the cost, the level of the budget and the level of risk.

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