

NPO GOVERNANCE TOOL BOX SERIES

Vol. 2, Issue 4, Jan. 2013

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TREASURER - ROLES & RESPONSIBILITIES



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Issue 6: Board Size- [Click here to download](#)

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Issue 4: Treasurer– Roles and Responsibilities

Issue 5: Board Members– Roles and Responsibilities

Vol. III: Board Evaluations

Issue 1: Board Evaluation Form

Issue 2: CEO performance appraisal form

Vol. IV: Board Committee

Issue 1: Executive Committees

Issue 2: Audit Committee

Issue 3: Finance Committee

Issue 4: Human Resource Committee

Issue 5: Program Committee

Vol. V: Policies

Issue 1: Human Resource Policy

Issue 2: Finance Policy

Issue 3: Conflict of Interest Policy

Issue 4: Gender Policy

Vol. VI: Conducting Meetings/Making Decisions

Issue 1: Notice

Issue 2: Setting the Agenda

Issue 3: Writing Minutes

Issue 4: Taking Resolutions

Issue 5: Attendance

Issue 6: Following up on Decision

Issue 7: Evaluating a Board Member

Vol. VII: Creating a Board Manual

Issue 1: Need for the Board Manual

Issue 2: Organization Essentials

Issue 3: Board Structure and Processes

Issue 4: Board – ED Relations

Issue 5: Executive Parameters

Issue 6: Review of Board Manual

JOB DESCRIPTION (INCLUDING DO'S & DON'TS)

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CONTENTS

INTRODUCTION	4
WHO IS A TREASURER?	5
WHAT ARE THE KEY CHARACTERISTICS OF A TREASURER?	6
ELECTION OF TREASURER VIS-A-VIS INCORPORATION LAWS	6
WHAT ARE THE ROLES AND RESPONSIBILITIES OF A TREASURER?	8
CONCLUSION	10

1. INTRODUCTION

Accountable and transparent financial management practices play a major role in enhancing the effectiveness of an organization. If the stakeholders lose faith in an organization's ability to control and account for finances, the entire organization is seen in bad light. The Treasurer is the person who has to ensure that bank accounts are managed well, cash and cheque are deposited, bills are paid, records are kept, budgets are prepared and adhered to and incoming as well as outgoings are backed properly.

In large organizations, the Treasurer is usually supported by a Finance Committee and provides a link between the management and the Board on financial matters. The Treasurer maintains an overview on monthly finances to ensure that appropriate procedures are in place so that programs can be implemented without any delay or disruption.

Most importantly, the Treasurer works with the Chair, other Board members, and the staff to ensure that the annual budget is drawn and approved by the Board for implementation. The Treasurer needs to ensure that quarterly/half-yearly/annually reports are duly prepared by the management and reviewed by the Board, as and when required. He needs to advise the Board in decision-making on emerging/contingent financial liabilities and risks so that necessary decisions can be taken in time to avoid loss of revenue and other risks.

2. WHO IS A TREASURER?

The role of the Treasurer is very crucial for any organization. Generally, the organization aims to appoint individuals to the positions of Treasurer who have adequate knowledge in the areas of financial management and at the same time understand financial governance. Here it is important to make a clear distinction between financial management and financial governance. While, the financial management falls in the domain of management, financial governance is more of a larger issue and is addressed at the governance level. The Treasurer should understand the above difference clearly and take up his/her role in the context of financial governance. In other words, financial governance would imply financial oversight. Financial oversight is basically to ensure that:

- ◆ The financial management practices within the organization is adequate;
- ◆ The various controls and policies are in place;
- ◆ The reporting structures exist and are clear;
- ◆ The compliances are regular and adequate.

As a part of the oversight functions, the Board needs to be assured that above four areas within the organization are in place. The Treasurer on behalf of the Board ensures it. The Treasurer is also a person who acts as a bridge between the Board and the management. Further, among the office bearers, the Treasurer's role demands enough time and physical presence. Therefore, it is prudent on the part of the organization to select/elect a Treasurer who has physical proximity to the office of the organization and has the required availability.

For generating accountability within and outside the organization and preventing the diversion of funds for personal gains Treasurer play critical role. Hence, it is necessary to attach adequate importance to the position of the Treasurer, despite the responsibilities being invisible to the outside world.

3. WHAT ARE THE KEY CHARACTERISTICS OF A TREASURER?

“Treasurer” as the name suggests is confided with the responsibility of the “treasure”. And, “treasure” in accordance with the Oxford English language, mean a valuable or valued item. Therefore, it is of utmost importance to find a suitable person conforming to the virtues and skill set necessary for the job. Since the job requires an oversight of funds and financial processes, the Board benchmarks and determines the accountability standards for the organization. The Treasurer also holds the stewardship functions of the organization; hence it is very important to have high integrity and accountability at a personal level. The Treasurer is required to set the tone at the top in the areas of accountability and transparency. It also needs to be understood that NPOs have different sizes. In case of small organizations, it is difficult to segregate oversight functions from management functions, since such organizations do not have adequate staff to run the management. Therefore, in such situations Board Members also take up management responsibilities and the distinction between the management and the governance becomes blurred. Realistically, such situations emerge in various small organizations and this is the fact which cannot be ignored. In such scenarios, the Treasurer crosses the line of governance and gets involved in the management of the organization. However, while discharging governance role the Treasurer needs to keep in mind that the controls and the oversight functions are not diluted, since those are the primary functions of the Treasurer.

4. ELECTION OF TREASURER VIS-A VIS INCORPORATION LAWS

The term of a Treasurer is determined in the Trust Deed for the Trust and in the Bye-laws for the Society. The procedures and guidelines for electing/selecting a Treasurer are prescribed in the Constitutional documents.

- ◆ The Board is selected/elected in the General Body meeting (in case of Society). Sometimes, the Bye-law provides that the Society also elect the Treasurer while electing the Board Members, the Chairperson, the Vice-chairperson and the Secretary. In that case, the Treasurer is elected as a Board Member first and only then as a Treasurer.



The second method of selecting/electing a Treasurer is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board, the Treasurer is elected again, as stated above. These processes are prescribed in the Bye-laws/ Trust Deed of the organization.



4.1 Election of Treasurer in a Trust:

- Unlike a Company or a Society, the Trust does not have a General Body, from which the Governing Body is elected. Therefore, all the Trustees form the General Body as well as the Governing Body of the Trust.
- The Treasurer is elected in accordance with the provisions laid down in the Trust Deed. Generally, Trustees elect a Treasurer from among themselves by voting. The term of the Treasurer shall be applicable as defined in the Trust Deed.
- It may be noted that, it is not mandatory for a Trust to elect a Treasurer. Many times Trustees perform the role of the Treasurer in the Trust.

4.2 Election of Treasurer in a Society:

- The Board is selected/elected in the General Body meeting. Sometimes the Bye-laws provide that the Society also elect the Treasurer while electing Board Members, Chairperson, Vice-Chairperson and Secretary. In that case, the Treasurer is elected as a Board Member first and then as a Treasurer.
- The second method of selecting/electing a Treasurer is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board, the Treasurer is elected along with the Chairperson, Vice-chairperson and the Secretary, as stated above. These processes are prescribed in the Bye-laws of the organization.

4.3 Election of Treasurer in Section 25 Company:

As per the provisions of the Companies Act, 1956 the Companies are required to appoint a *Company Treasurer*, who is a member of the Institute of Company Secretaries of India. However, for Section 25 Company it is not mandatory to appoint a Company Treasurer. The Company can appoint a Company Treasurer for the responsibilities of a Treasurer or they can delegate the responsibility of Treasurer to any competent person within the Board.

5. WHAT ARE THE ROLES AND RESPONSIBILITIES OF A TREASURER?

The roles and responsibilities of a Treasurer in a non-profit organization vary with the size and form of the organization. Primarily, the roles and responsibilities are enshrined in the registration document (Trust Deed/Article of Association/ Rules and Regulation) of the organization. However, these are very basic and may not be exhaustive. When the organization is small, with limited resources and staff, the role of the Treasurer is confined to ensuring financial, legal, contractual compliances. As the organization grows, the role of the Treasurer evolves and primarily gets focused in the area of financial and governance oversight functions.

The financial management oversight of the Board is basically undertaken by the Treasurer. The Treasurer ensures that robust financial management systems exist in the organization. This would ensure that adequate documentation and reposting exists so that accounting trails can be tracked. The following are some key functions of the Treasurer in the area of financial management:

5.1 Budgeting

- Ensures that project-wise budgets are prepared with clear budget heads corresponding to the activity plan
- The budget prepared should be presented to the Board and approved for implementation
- The budget is adequately implemented and monitored
- Regular reports are generated and shared with the Board on budget variance

5.2 Accounting

- Ensure that adequate books of accounts are maintained by the organization
- The books of accounts should be regularly updated
- Adequate accounting and vouchering documentations are prepared
- The budget heads should match with the accounts head
- Authorization for payment should be in place
- Regular accounting reports (Bank Reconciliation Statement, Trial Balance, etc.) are generated and reviewed by the management

5.3 Asset Management

- Ensure that adequate control exists in physical assets of the organization
- Insurance cover are taken for the assets
- Policies for use of assets are in place
- There is adequate control over custody and disbursement of cash
- Bank account operational procedures are adequate



5.4 Investment

- Ensure safe custody of the investment instruments
- Ensure that investment policy is in place
- Details of investments are available

5.5 Audit

In large organization, the Treasurer chairs the Audit Committee.

- Has direct interface with the auditors
- The management letter issued by the auditors are adequately addressed
- Ensure full co-operation from the organization for audit process
- If needed design a proper internal audit process for the organization

5.6 Compliances

- Ensure that legal compliances are adhered to by all organization well within time
- The donor's compliances are met as per donor contract

The most important issue for a Treasurer is to ensure that the policies and procedures manual is developed for the organization so that expectations and the framework is clear to all stakeholders.

For a non-profit organization that operates on donated funds, good financial management system provides a safeguard from potential risks. Also, many a time organizations cannot afford to hire a full-time or experienced accountant. In these cases, having an experienced Treasurer is very helpful.

6. CONCLUSION

The Treasurer's duty varies from organization to organization based on the organization's size and resource-base. The Treasurer, the Chair, Members of the Governing Body and other staff must work closely to develop a robust financial management system and monitor the process, for the organization.

The Treasurer is the most important office-bearer in finance related issues. Thus, he/she greatly propels the public's perception, trust, and assurance in the organization's management. Therefore, the importance of desired skill sets and qualifications for being selected as a Treasurer is indispensable. The Treasurer is the key office-bearer within an organization for ensuring the financial health of the organization. However, for the external world, the Board is ultimately accountable. Therefore, the rest of the Board members must also take an active part in ensuring financial accountability and compliances of the organization.

DO'S	DON'TS
Always be accessible	Be far away from the organization
Ensure documentation of all transactions, irrespective of the transaction size	Neglect processes and procedures
Demonstrate accountability	Neglect responsibilities
Be well-informed on financial and accounting systems	Show passive attitude
Take the Board's approval on major financial issues	Exercise authority beyond mandate
Ensure that the books of accounts are maintained and updated regularly	Leave it to "good faith"

Watch out for the next volume on "Board Members– Roles and Responsibilities".



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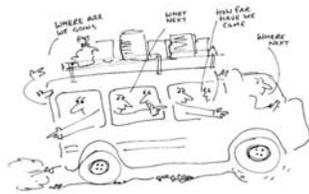
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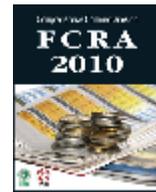
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