



ACCOUNTING SERVICES FOR THE VOLUNTARY SECTOR

FACTSHEET NUMBER 5 - BEING A TRUSTEE

It is a great thing to act as a trustee for a charity and provides an opportunity to give something back to the community. Becoming a trustee however, involves a certain commitment and level of responsibility which should not be underestimated. Whether you are already a trustee for a charity, be it a local project or a household name, or are thinking of becoming involved, there are a number of responsibilities that this places upon you. This factsheet summarises those responsibilities

1. Background

The charities sector is overseen by the Charity Commission. The Commission is a government agency that plays an important role in the charity sector and is in place to give the public confidence in the integrity of charities.

Since 1 April 2008, new charities have needed to demonstrate that their aims are for the public benefit, as part of their application process to the Charities Commission.

A key part of the Commission's work is to provide advice to trustees. This is primarily achieved through various Charity Commission publications. These are available from the Commission's website .

2. Who is a Trustee?

The Charities Act 1993 defines trustees as 'persons having the general control and management of the administration of a charity'. This definition would typically include:

- for unincorporated charities, members of the executive or management committee
- for limited company charities, the directors or members of the management committee.

3. Trustees' Responsibilities

Trustees have full responsibility for the charity and must:

- act prudently at all times in the best interests of the charity and its beneficiaries
- ensure that they carry out their charity's aims for the public benefit (see separate factsheet)
- be personally accountable for the proper management of the charity and its assets.

The Charity Commission publication CC3, 'The Essential Trustee - What you need to know' provides guidance concerning trustees' duties and responsibilities.

4. Trustee Restrictions

In addition to the responsibilities of being a trustee, there are also a number of restrictions which may apply. These are aimed at preventing a conflict of interest arising between a trustee's personal interests and their duties as a trustee. These provide that generally:

- trustees cannot benefit personally from the charity, although reasonable out of pocket expenses may be reimbursed
- trustees cannot be employees of the charity.

6. Trustee Liabilities

In the case of unincorporated charities, the trustees are ultimately personally liable for unpaid debts of the charities. One of the great attractions of the corporate structure is that this generally does not apply.

In addition, in both incorporated and unincorporated charities where trustees do not act prudently, lawfully or in accordance with their governing document they may find themselves personally responsible for any loss they cause the charity. For this reason, some trustees take out trustees' liability insurance.

7. Accounting requirements

There are particular requirements for most charities to:

- keep full and accurate accounting records, including records of specific funds
- prepare charity accounts and an annual report
- to ensure an audit or independent examination is carried out
- to submit an annual return, annual report and accounts to the Charity Commission (and, for limited company charities, to Companies House).

Disclaimer

This factsheet is for general information only and is not intended to be advice to any specific charity. Professional advice should be taken in respect of individual circumstances. The checklist represents my understanding of law and practice as at December 2010, which is subject to change.