

## Case study – trustee duties

A charity's trustees did not have sufficient numbers to form a quorum. They were unaware of their responsibilities and had allowed an employee to take full management and control. The trustees had no clear policies, procedures or contracts in place to manage the charity, or to safeguard its assets.

### What happened?

Over a period of time, the charity's manager had been allowed to assume control. The charity's trustees had absolved themselves of their responsibilities and left the manager to take all of the decisions in the running of the charity.

Alongside this, it was clear that the trustees had not read the charity's governing document and had little understanding of their duties as charity trustees. With the exception of an employee handbook – which the charity had 'informally adopted' from a private company – there were no other policies or procedures in place. The charity kept some financial records, but there were no formal controls or financial procedures in place. The charity shared its premises with a private company on a 'friendship and trust' basis, but without any contract or written agreement.

### Outcome

The charity sought the help of its local Third Sector Interface and arranged formal training for its trustees as well as formal procedures and policies to support them in fulfilling their duties. The charity implemented formal financial procedures and set up a formal agreement with the company sharing its premises. Finally, with the support of the TSI, the charity trustees recruited new Board members and ensured that decisions taken were quorate and in line with its Constitution.

### What can you do to protect your charity?

Charity trustees have an overall duty to act in the best interests of the charity. They must act with the care and diligence expected of someone managing another's affairs.

- You must ensure that you fully understand what is expected of you as a charity trustee – read our Charity Trustee Duties guidance at [www.oscr.org.uk](http://www.oscr.org.uk). You can get formal training on this topic from support organisations such as [SCVO](#) or [your local TSI](#).
- New trustees must receive adequate training in the management and control of your charity. It would also be a good idea to create an Induction Pack and provide it to each new trustee when they start.

- All charity trustees must have a full understanding of your charity's governing document – this is crucial in understanding how your charity must operate and how decisions must be taken. If you do not follow your governing document some of the decisions that you make may not be legal.
- Your charity should have adequate policies and procedures in place to support the trustees in their decision making and ensure its effective operation.
- Your trustees together are responsible for the charity's assets and how the money is spent – so you must ensure that proper accounting procedures are in place and records kept. Your accounting records must:
  - have sufficient detail and be able to show the money received and spent by your charity;
  - record the assets and liabilities of your charity;
  - disclose the financial position of the charity at any time.
- Trustees must ensure that all business arrangements entered into by the charity are formalised in a contract defining the relationship with the other organisation(s) and how the contract will operate.

### **Guidance and support**

- You can read [relevant sections of the 2005 Act here](#).
- You can read our guidance on charity trustee duties at [www.oscr.org.uk](http://www.oscr.org.uk)
- You can read our guidance '[Who's in Charge](#)'
- You can get help and support in setting up policies and procedures, and arrange training, with help from your local [Third Sector Interface](#).