

Audit by Non-Professional Auditors

During the AGM, the National Treasurer gave a presentation on financial governance. Following the presentation, there was a workshop on developing guidelines for non-professional auditors when they are asked to audit Navy League Branch financial records. The following is a summary of the suggestions by participants of the workshop.

President's Role

- Get two volunteers, both with some accounting experience, neither being an officer of the Branch (may be a branch member).
- Have criminal record check
- Interview to ensure they have the necessary time available
- Have Branch AGM approve appointment of Auditors
- Arrange for an experienced member of the executive to provide training and advice. For Alberta, this should include an explanation of the different accounts and what can be charged to each.
- Provide them with a background material from Navy League By-laws concerning financial matters including preparation of financial statements.
- Sign off on the Branch Financial Statements before the start of the audit. If you have any concerns, discuss them with the auditors.
- Arrange to have the Treasurer available to answer questions.
- Make a personal commitment to be available to answer questions the auditors might have.
- Periodically contact auditors to determine how the audit is going and if the auditors need help.
- Create a culture of openness within the Branch Executive. Arrange for the Auditors to brief the Branch Executive on the results of the audit.

What Records Should the Auditors Expect to Receive?

- Minutes from AGM and Executive Committee
- Monthly financial statements, year-end financial statements (signed by president and Treasurer)
- Previous audit reports
- General Ledger (record of all financial transactions)
- Documentation to support entries in the General Ledger (e.g., copies of receipts for purchases, invoices etc)
- Chart of accounts with description of each account
- Documentation of transactions in General Ledger
- Check register
- Bank Deposit book
- Receipt books (should record all receipts of cash)
- Charitable Donations receipt book (government tax book)
- Monthly Bank Statements, cashed checks and copies of Monthly bank reconciliations
- Correspondence with Government concerning grants and contributions
- Records of salaries paid and remittances to government for deductions (e.g., CPP premiums)

What are the Various Steps in the Audit?

Review of Banking Transactions

- Verify Bank statements with general ledger
- Verify bank deposit book and check book against bank statements
- Confirm sequence of check serial numbers
- Verify that checks are signed by two persons authorized by AGM.
- Verify that those signing checks are not the beneficiaries of the check.
- Verify bank reconciliations. Assess reasonableness of outstanding checks and outstanding deposits.
- Confirm with bank that outstanding deposits have been made.
- For large outstanding checks, confirm with payee that the individual has received the check,

Review General Ledger Receipts (Revenues)

- Where there is a requirement to maintain separate records for government grants, confirm revenues have been recorded in the appropriate accounts
- Ensure that appropriate description is included for all receipts.
- Confirm each entry has back-up documentation

Review General Ledger Disbursements (Expenses)

- Confirm each entry has back-up documentation such as the associated receipt or invoice.
- Each expense should be charged against an appropriate account.
- Expenses have been authorized by approved budget or by separate Executive Committee minute if expense was not included in approved budget
- Where there is a requirement to maintain separate records for government grants, confirm expenses have been charged to the appropriate accounts
- An individual should never be the check signing authority for checks in their name. Documentation for these types of disbursements should be checked carefully for irregularities.

General

- Check large expenses and verify accuracy.
- Check for patterns and irregularities that seem unreasonable. Record such instances and discuss with President.
- If during the reviews outlined above you find many errors (or what appear to be errors to you), recommend the President that there be a professional audit.

Audit Report

- Produce a report with comments, concerns and recommendations.
- Both auditors should sign report and discuss with President.