



The Role of an Auditor

Congratulations on becoming a member of your Lodge/Chapter Audit Committee.

Your role is to audit the accounts of your Lodge/Chapter which have been prepared by the Treasurer, and to report verbally thereon to the Brethren/Companions at a regular meeting when the accounts are proposed for approval. Before the accounts can be presented in Open Lodge, you are to sign and date the Auditor's report, which is an integral part of the accounts and which, (unless there are substantial problems) should be in the following format:

Auditor's report

In accordance with Rule 153 Book of Constitutions, we have examined the above Balance Sheet and the attached Income and Expenditure Accounts, and have verified the bank and other balances shown. In our opinion they are in accordance with the books and records and give a true and fair view of the state of the affairs of the Lodge/Chapter as at 'Day Month Year' and of the surplus/deficit for the year ended on that date.

Some brethren may ask, what is meant by 'auditing the accounts'? Why can't I just sign the accounts which the Lodge/Chapter Treasurer has prepared? The reason is that you are independent of the Treasurer and have a duty to audit his accounts under Rule 153 Book of Constitutions. You should be thorough in your audit and, in performing your work, you should carry out the following **as a minimum**:

Presentation

1. Ensure that the accounts presented to you include an Income and Expenditure Account and Balance Sheet for both the General and Benevolent/Charity Fund and ideally, are presented in the *suggested* format as set out on the Provincial website, under the drop down menu of '*Information*'.
2. Ask the Treasurer to briefly explain the accounts in general terms and to point out where his figures originate from that make up the accounts.
3. Ensure that the accounts have been correctly added up.

Bank Account(s)

4. Ensure that a cashbook has been written up, either in a manual or computerised format, for each bank account held in the name of the Lodge/Chapter.



5. Review the bank reconciliation; ensure that the Treasurer has balanced his cashbook to the year end bank statement for each bank account held.
6. Try and establish if any un-presented cheques at the year end have been presented by the bank in the next financial year.
7. Cross reference the balance on the Treasurer's bank reconciliation to the bank balance disclosed on the Balance Sheet of the accounts.

Income

8. Reconcile the total number of members in the Lodge/Chapter to the annual subscriptions receivable in the accounts, noting amounts paid in advance or in arrears. If the reconciliation doesn't agree, enquire about new initiates where a pro rata subscription may have been paid.
9. Where members are in arrears with their subscription, check whether they are liable to exclusion for non payment in accordance with the Lodge/Chapter By-Laws and Rule 181 Book of Constitutions.
10. Select a Lodge/Chapter meeting at random (during the year under review) and ensure that dining income, alms collection, raffle monies, subscriptions and any other income has been properly accounted for in the cashbook and is included in the total that makes up the resultant figure in the accounts.
11. Finally, ensure that all alms collections, raffle monies, miscellaneous donations, have been disclosed in the correct Income & Expenditure Account, i.e. General Fund or Benevolent/Charity Fund.

Expenditure

12. The figures in the Income and Expenditure account for the year you are auditing should be for that year and no other. If these expenses have not been properly recorded in the past, a *prior year adjustment* will be required to avoid showing two years expense of these items in your accounts. The Provincial Grand Treasurer can provide assistance on how this should be disclosed in the accounts.
13. Ensure that payments for United Grand Lodge of England and Provincial Grand Lodge dues have been disclosed in the correct year. These dues are usually notified after the year end you are reviewing and should be included as an accrual.



14. Prove that the UGLE and PGL dues figures are correct by reviewing the annual returns. Payment of dues should be made very shortly after a Lodge/Chapter's year end, so the Treasurer ought to have this information readily available.
15. For all other expenses in the year under review, look to see what the comparative figure was for the previous year and ask the Treasurer to explain any significant variances.
16. As a final check, select a few of the expense headings (temple rent, stationery, etc) and ask the Treasurer to break down the figure from his cashbook. Please note that every item of expenditure **must** be supported by a receipt/voucher.

Balance Sheet

The balance sheet is a schedule which gives a *snapshot* of the financial position of a Lodge/Chapter. It shows the value of assets, liabilities and accumulated funds at a given date, usually at the year end. It only captures this information as of that date; it does not cover a period of time.

17. The main asset of a Lodge/Chapter will usually be their bank account(s). The audit of bank account(s) has already been covered in points 4 to 6 above.
18. The main liability of a Lodge/Chapter will be creditors; either amounts due to UGLE/PGL for the year under review or subscriptions paid in advance. The former has already been dealt with under point 13 above. Other liabilities may also include accruals; those items that are due in the year you are reviewing, but have not yet been physically paid or received. Examples of accruals may be secretary's expenses (printing, postage or stationery) or outstanding subscriptions.
19. Finally, ensure that the balance sheet adds up and that the surplus/deficit figure from the Income and Expenditure Account has been transferred correctly.

If during your audit no problems have arisen and you are happy with the accounts you can then sign and date your report. If however you do have any problems or there are issues that the Treasurer cannot answer, please contact the Provincial Grand Treasurer or the Lodge/Chapter Support Team for assistance.
