



BRANCH AUDITORS' GUIDE

GUIDE FOR BRANCH AUDITORS

APPOINTMENT

Branch Core Rule 5 sets out the officers of the branch who must be elected at the Annual General Meeting. UNISON's Code of Good Branch Practice, section 12.2.7, states that branches should appoint auditors from within the branch to review financial procedures. There should be two auditors neither of whom should be a member of the branch executive committee. It is preferable but not mandatory for the auditors to have some accounting qualification. This need increases with the size of the branch. Certainly for the larger branches some auditing experience would be necessary. The auditors should be elected at the branch Annual General Meeting (AGM). If it is not possible to make the appointments at the AGM the branch committee should make the appointments. These must be ratified at a subsequent branch general meeting.

DUTIES

The branch auditors' duties are to act in accordance with general principles issued by the National Executive Council (NEC).

The Code of Good Branch Practice (section 12.2.7) states that:

'Branches should appoint two auditors from within the branch to review the financial procedures and to audit the branch's annual accounts and annual return.'

The audit may be described as such an examination of the books, vouchers and documents of the branch which allows the auditor to be satisfied that the accounts are correctly prepared and show a true and fair view of the financial affairs of the branch.

WHAT IS A TRUE AND FAIR VIEW

- i) 'true' "that the accounts are properly based on the facts and correctly include the financial effect of the transactions which the branch has undertaken during the year."

- ii) 'fair' "the financial effects as summarised in the accounts give the reader a balanced understanding of the activities undertaken during the year and of the financial position of the branch at the year end."
- iii) 'view' "in forming this 'view' the branch auditor(s) should be satisfied that judgements made during the year are prudent and reasonable, the accounting policies selected have been consistently applied, and that all unusual items or events are clearly explained. 'Unusual' would include items which are exceptional in amount or are not usually undertaken by the branch, and whether or not they have been approved by the branch members or their representatives."

CONDUCT OF THE AUDIT

The conduct of the audit is a matter for agreement between the two auditors. However, it must always be borne in mind that it is necessary for both to certify all statements and returns. Rule G.10.1 of the Union specifies that branches are required to submit an annual return in the approved format by March 15. Branches that fail to meet this deadline are subject to appropriate penalties.

For a proper audit to be carried out it is essential to begin as early as possible, so that the appropriate returns may be completed and submitted by the due date. Interim audits could be carried out during the year in order to relieve the burden later.

RULES

It is important before starting the audit to understand the rules, both national and local, under which the treasurer is required to operate.

The auditors should be in possession of copies of UNISON's rules and the branch's rules. All branches must adhere to the core branch rules issued by the NEC. Branches can add rules to suit their own circumstances but the case for additional rules must be submitted to regions for approval.

It is important therefore for the auditors to verify that any additional local rules have been formally approved in writing by the Regional Council.

All financial rules are obviously of importance to the branch auditor in a financial audit but where the auditors also assist in the scrutineering of ballots, etc, it will be necessary to have knowledge of the appropriate other rules.

It is not the intention to quote rules in full in this guide since they can be found in the UNISON rulebook.

Further information is also provided in the UNISON code of Good Branch Practice and the Branch Finances Handbook. It is recommended that branch auditors obtain a copy of these guides.

OBJECTS

There are two principal objects of the audit:

- To enable the auditors to certify that the statement of accounts to be presented to the branch is, as far as the auditors can determine, correct;
- To certify the annual return which has to be completed under UNISON's rule G10.1.

The Annual Return is currently a multi part form (AR1 to AR5 and AR6 if appropriate). Many branches will only need to complete forms AR2 and AR5 but branches with industrial action funds will also need to complete AR3, those with other dedicated funds, AR4 and those with any locally collected subscriptions AR1a.

The annual return also asks for data pertaining to the branch funding formula. Any branch that does not complete this section of the return will automatically receive basic funding of 20%.

STATEMENT OF ACCOUNTS

The form of accounts to be presented to the branch Annual General Meeting is an Income and Expenditure Account and a Balance Sheet.

The auditors should ensure that the Balance Sheet has been signed by the treasurer and when the audit is complete should themselves sign an appropriately worded certificate on the Balance Sheet.

A specimen certificate is shown below:

“We have examined the books and accounts of the [name] branch UNISON and in our opinion the Balance Sheet and Income and Expenditure account give a true and fair view of the financial position of the branch at 31st December 20.. and of the income and expenditure for the year ended on that date”.

ANNUAL RETURN

The annual return includes details of income, expenditure, assets and liabilities and presents the branch's annual accounts in a standardised form. To complete this form the audit of the branch accounts must have been finished. Please note that from 2012 the figures for branch funding and the accrual for branch funding are pre populated on the annual return form. In order to bring the local accounts into agreement with the annual return the Treasurer should amend the accounts using the accrual figure notified on form AR1b (See Appendix 1: Subscription Income for further details).

The return must be completed online and has to be certified by the auditors. However, the return will not be acknowledged as complete until the signed authorisation sheet together with a copy of the accounts, copies of 31st December bank statements and copies of building society passbook(s) has been submitted to Head Office. The closing date for submission is 15 March.

Under the Trade Union and Labour Relations (Consolidation) Act 1992 UNISON submits one consolidated return to the Certification Officer and therefore any reference in the Act to the appointment of qualified auditors does not apply to individual branches.

UNISON's auditors have to rely on branch auditors for the accuracy of branch returns which are incorporated into the consolidated return.

For that reason the certificates on the annual return shown below must be signed:

We certify that, we have audited forms AR2 to AR5 in accordance with the Guidance Notes for Branch Auditors issued by Head Office and we have received all the information and explanations we required. In our opinion, the branch as required by Section 28* of the Trade Union and Labour Relations (Consolidated) Act 1992, has kept proper accounting records and a satisfactory system of control of its transactions has been maintained; Forms AR2 to AR5 include all branch union funds and are in agreement with the accounting records. In our opinion this return shows a true and fair view of the financial affairs of the branch at 31 December 200X.

* See Appendix 2 to this guide for details of Section 28.

PENALTIES

The penalties for non-submission of an annual return in accordance with rule G10.1 are serious and are set out in rule D 1.3.3 (i) to (iv).

- i) Branches failing to submit annual returns in accordance with rule G.10.1 shall not be entitled to attend National Delegate Conference and Service Group Conferences for the remainder of the financial year following the year to which the financial return applies, unless otherwise determined by the NEC.
- ii) The NEC shall determine procedures for considering appeals by branches who are disqualified under rule D.1.3.3.1 from attending National Delegate and National Group Conferences.
- iii) Branches which fail to submit annual returns by 15 March in the year following the financial year to which such returns apply may be subject to financial penalty under procedures determined by the NEC.
- iv) Branches which are subject to a financial penalty under D.1.3.3 shall have a right of appeal in accordance with rule H.5.

The above penalties were approved by the 1995 National Delegate Conference.

AUDIT PROGRAMMES

Every UNISON branch is unique, so it is difficult to write a standard audit programme that could apply completely to all branches. A written programme of work should be prepared and each test undertaken should be signed off as having been completed by the branch auditor(s).

In Appendix 1 to this guide, recommended audit procedures and tests are shown which, when followed, will allow the auditors to discharge their responsibility to the branch and to sign the certificates required. It will be for the individual auditor to decide which aspects apply to their particular branch.

PERFORMANCE OF TESTS

Auditors would not normally be expected to vouch every single transaction through the accounts and this is especially so where there are large numbers of relatively small value transactions or there is a sound system of internal checks. What they must do is carry out sufficient tests to satisfy themselves that the accounts represent a true and fair record of the state of the financial affairs of the branch.

Normally this is done by forming a view from results of tests on representative samples. Any exceptions should be reported in writing to the Branch.

WELFARE FUNDS

Welfare funds, national and local, form part of the branch's accounts and must therefore be included in the auditor's duties.

National Welfare Fund transactions divide into two categories:

- a) Receipt of money from head office for subsequent payment to beneficiaries.
- b) Receipt of money or donations from fund-raising activities and its payment to head office.

These transactions should be included in the branch's accounts as a self-balancing item.

Local welfare fund transactions should be shown in a separate account attached to the branch accounts.

REPORTING

Formal certificates are required on the branch accounts and the annual return.

The branch auditor(s) should also submit in writing an 'exceptions' report to the branch which should include any unusual items or events. They should attend the branch meeting at which the branch accounts and their report are presented and discussed.

Such a report might include comments on documentation, use of branch funds, observance of rules, administration etc.

Any comments to be made to the executive should, as a matter of courtesy, first be discussed with the branch treasurer.

CONCLUSION

It will be apparent from reading this guide that the duties and responsibilities of the branch auditors are not to be undertaken lightly and that it is helpful to develop a good working relationship with the branch treasurer.

However, it must be emphasised that the auditors should always make their own independent checks and enquiries.

APPENDIX 1

SUBSCRIPTION INCOME

Central collection of subscriptions has been a rulebook requirement for branches since 1 January 1996.

The subscriptions of all members are paid either by cheque to the appropriate Regional Office or by BACS / direct debit into a bank account nominated by Head Office. For most members subscriptions will be deducted at source by their employer and remitted to the centre as a monthly cheque or BACS payment.

The IMPS Team (Income and Membership Processing Service) estimates how much funding they expect each branch to be entitled to each month.

A BACS payment is made each month for the expected entitlement. The IMPS Team aim to make this payment by the 15th of the month, regardless of when the employer pays the subscriptions to the centre.

For each branch, IMPS will prepare a statement at 31 December showing:

- (i) Amounts collected centrally during the year (Best estimates at 31 December) from all sources (employers, branches, individual members, BAOT, etc.)
- (ii) Monthly payments made during the year by Head Office to the branch;
- (iii) The branch's funding rate (Basic rate 20%);
- (iv) The total amount of funding due to the branch or the amount overpaid that is due from the branch. ;

From 2012 branches are asked to state their funding income on an accruals basis in the annual return and accounts, i.e. the funding that the branch should have received rather than the funding that the branch has received.

The amount accrued has been pre-populated in the annual return AR2 Box 2.1 based on the funding calculations described above. Form AR1b (Funding received from Head Office) of the annual return gives a breakdown of the figures. Please note that this information can only be accessed after logging onto the annual return online. Because by this stage the Treasurer will normally have prepared the branch accounts it will be necessary to amend those

accounts to reflect the accrual and ensure that they agree with the figures in the annual return. The auditor needs to review the details in AR1b and ensure that the branch income in the accounts is revised to agree with the branch funding amount. The appropriate debtor (underfunding) or creditor (overfunding) also needs to be reflected in the balance sheet.

It is a requirement that the subscriptions of all members should be collected centrally. However, it is possible that some branches may receive subscriptions locally for a few of their members. Such amounts collected locally should be banked immediately. The treasurer should send a cheque to the region every two or three months for 100% of such contributions. This cheque should be accompanied by an analysis of the members it covers. The payment will be credited to the branch in Head Office's books in the same way as an employer's cheque in the year it is received.

Any subscriptions collected locally from retired members may be retained wholly by the branch. Subscriptions collected from unemployed or student members must be sent to the region as described in the above paragraph.

As mentioned before, for the purposes of reporting to head office, the local branch auditor only needs to check that the funding paid and payable from head office has been dealt with correctly. If the branch auditor(s) can obtain a copy of the print out of deductions from members from the payroll department of the employer, or the Regional Office can supply a copy, the branch auditor(s) should:

- i) Test that payments made by members are continuous;
- ii) Test that all members per the branch's membership records are paying a subscription;
- iii) Test that members are paying the correct rate;

EXPENDITURE

The amounts paid out by a branch treasurer must be well documented and should provide the auditor with a good base on which to vouch the payments. The number of payments and the variety of purpose will vary greatly from branch to branch, so again the programme will be in general terms. However, the rules of the union and the branch must be borne in mind.

Some items may also be shown under other audit programmes, but they are repeated here for completeness.

- (i) Test invoices paid to ensure:
 - a) that they are addressed to the branch,
 - b) that they are for goods or services normally required by the branch,
 - c) that they refer to the year under audit,
 - d) arithmetic accuracy,
 - e) where possible, that the goods or services were received and correctly signed as authorised for payment.
 - f) that they are not copies or duplicates,
 - g) that, in the event of a copy or duplicate being paid and the original has not also been paid, ascertain the reason for a copy being used,
 - h) where applicable the expenditure is approved by minute,
 - i) where return cheques are available check that payee and amount details agree to invoice.
- (ii) Test payments of travelling and subsistence allowances against attendance record in minutes.
- (iii) Test that expenses payments are in accordance with approved scales.
- (iv) Check that honoraria paid agree with amounts approved.
- (v) Where room-hire is paid, test from minutes that meeting(s) took place on relevant date(s).
- (vi) Test that cash payments have a signature of receipt.
- (vii) Check entries to cash account and where appropriate to bank statement.
- (viii) Test allocation to appropriate expenditure account.
- (ix) Give special attention to payments made in cash and the reasons for them.

WELFARE FUNDS

Care should be taken to distinguish between national welfare fund transactions and the operation of a local fund.

- (i) Vouch donations against any available documentation.
- (ii) Check that amounts received from head office have been paid to beneficiaries, and ascertain that the appropriate receipt cards have been returned to head office.
- (iii) Obtain explanations for any undisbursed grants.
- (iv) Test items approved in welfare or executive committee minutes against the financial transaction.
- (v) Vouch any expenditure from a local fund and ensure that it is within the purpose of the fund.

BANK AND CASH

It is important to ensure that the bank account has been operated correctly.

- (i) Have the treasurer authorise the bank to send direct to the auditor a certificate of all the bank balances at 31 December and details of accounts operated during the year though the balance may be nil at 31 December.
- (ii) Verify cash in hands of officers at 31 December.
- (iii) Check or produce an intermediate bank reconciliation, and verify clearance of outstanding items.
- (iv) Check bank reconciliation at 31 December.
- (v) Check subsequent bank statement for clearance of outstanding items at 31 December. By reference to the paying in book, confirm that outstanding receipts were paid in to the bank on or before 31 December.
- (vi) Count office petty cash (if any) and reconcile the balance back to the year end balance per the accounts.

INVESTMENTS

There are many forms of investment, but the principles of audit are the same for all of them.

- (i) Check that investments are in the name of the branch or its authorised nominees/trustees.
- (ii) Obtain certificates from nominees/trustees of their holdings on behalf of the branch.
- (iii) Obtain certificate direct from building society, local authority, head office etc of all investments held in the name of the branch at 31 December.
- (iv) Check certificates of holdings against passbook, loan certificates etc.
- (v) Check entries in passbook or a new investment against cash and investment accounts.
- (vi) Check that appropriate income was received.
- (vii) Ensure that income is treated correctly in books of account.

DEBTORS AND CREDITORS

“Debtors “ as a heading refers to amounts owed to the branch at the end of the financial year. “Creditors” refers to amounts owed by the branch.

- (i) Ensure that sums under debtors in the previous balance sheet were subsequently received. If not, enquire why. Satisfy yourself that the debt is still good and will be received in full.
- (ii) Trace current year-end debtors to new year bank statements. Also, confirm that receipts banked in the new year do not refer to pre 31 December.
- (iii) Ensure that all creditors in the previous balance sheet were subsequently paid. N.B. Any difference between the amount of the creditor item brought forward and the amount actually paid will increase/reduce the expenditure to be charged to the Income and Expenditure Account in the current period.
- (iv) Check payments made in January/February to see whether they relate to the previous year. If so, ensure that the creditor is provided for at the year-end. Small amounts (under £20 individual items) should be ignored unless there are many such small items adding up to a material total.
- (v) Check the calculation of the amounts provided for debtors and creditors.
- (vi) Compare current year-end debtors and creditors with those at the previous year-end to ensure recurring items are included at the current year-end.

OTHER INCOME

Although the major source of income to a branch is branch funding and if applicable a local levy, nearly all branches will have other receipts of money. The variety of sources is almost unlimited, so the programme set out is in very general terms and must be adapted to suit particular needs. Welfare funds are dealt with separately.

- (i) Vouch entries in cash account to receipts.
- (ii) Apply total checks if possible.
- (iii) Check allocation of cash receipts to appropriate income account.
- (iv) Check all receipts to bank statement.
- (v) Ensure that all monies were banked promptly after receipt.
- (vi) Vouch any documentation available.
- (vii) Agree building society interest received with passbooks, and that dividends or interest payments have been received in the year from other investments.

BALANCE SHEET

The balance sheet audit not only completes the function of some of the other programmes in this guide but also verifies items not specifically covered.

- (i) Check accuracy of description of items.
- (ii) Check the existence of items described as fixed assets (e.g. furniture, equipment, etc.) and the calculation of any depreciation charge. Vouch the additions and disposals in the year.
- (iii) Consider whether the net book value of fixed assets as stated is realistic. Consider whether the depreciation rate being used is realistic.
- (iv) Confirm investments (see Investments audit programme above).
- (v) Confirm cash at bank and in hands of officers (see Bank and Cash audit programme above).
- (vi) Check Debtors and Creditors and ensure that all items have been included and correctly accounted for in the Income and Expenditure Account (see Debtors and Creditors audit programme above).
- (vii) Check valuation of any stocks carried forward and that only current items are in stock.
- (viii) Check all adjustments to balances on accumulated or special funds.
- (ix) Receive explanation for and understand any changes in figures brought forward from previous year.

APPENDIX 2

Excerpt from Trade Union and Labour Relations (Consolidation) Act 1992
Section 28.

Accounting records:

Section 28

- (1) A trade union shall:
 - (a) Cause to be kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) Establish and maintain a satisfactory system of control of its accounting records, its cash holdings and all its receipts and remittances.
- (2) Proper accounting records shall not be taken to be kept with respect to the matters mentioned in sub section (1)(a) unless there are kept such records as are necessary to give a true and fair view of the state of the affairs of the trade union and to explain its transactions.