

Advice for Treasurers of organisations not registered for GST

These notes are based on the organisation using a manual cashbook and writing up the accounts from the totals. The principles apply equally where a computerised accounting system is used.

1) Cashbook management

- a) The better you keep your cashbook, the less time your audit will take. You need clearly separate areas to record income and expenditure. Separate books make this simpler.
- b) Income. This should be shown in a way that makes it easy to determine which receipts add to a particular banking. Income analysis columns should be:

Date Name Receipt No. Receipt amount. Banking Analysis columns

- c) Expenses. These should be listed in cheque number order, with any direct debits such as bank charges recorded in the month in which they were charged. You can do this at the end of the month when you get your bank statement – you should get this at least every month.
- d) Expense columns should be:
Date Name Cheque No. Cheque amount. Analysis columns
- e) Note that items such as “General Expenses” should be kept to a minimum. This is used only for small amounts of expense for which there is no need for a specific category, not as a place to put amounts that you can’t think where to put. Also, it pays to have a “Sundry” column for putting the occasional item of larger expenditure into – this column is analysed in detail at the end of the period.
- f) There should be nothing in the cashbook that is not reflected in the bank account. One of the primary rules for any organisation is that ALL income is banked intact, and all expenses are met either through the cheque account or petty cash. Payments to anyone direct from cash income before it is banked, should *not* occur.
- g) From your cashbooks it is a simple matter to produce a set of accounts. The columns all total up to what goes into your accounts, and as most clubs etc. use historical cost, recognising income when received and expenses when paid, there are few if any year-end adjustments required.
- h) Prepare a bank reconciliation regularly, and write it into the cashbook. This is done by checking every entry in the cashbook against the bank statements, and noting any outstanding lodgements and unrepresented cheques.

For example:

Opening Cashbook Balance	1234.56
Lodgements	<u>1547.08</u>
	2781.64
Outwards cash	<u>947.04</u>
<u>Cash book balance</u>	1834.60

Less outstanding lodgement 14.50

Add unpresented cheques:

81	23.00	
82	<u>15.00</u>	<u>38.00</u>
Balance per bank statement page 89		<u>1858.49</u>

- i) Store your payment supporting documents (vouchers) in cheque number order, with the number of the cheque used to pay that account clearly noted on the top document. If a number of documents support the payment, make sure all of them are attached to a master sheet for that payment. This makes it very easy to find the documents for a particular payment. There must be a supporting document from the supplier for every cheque you pay.
- j) If you have to cancel a receipt or a cheque, keep the original in the receipt book or cheque book – cancel them very clearly, then fold them over and staple them in.
- k) And as mentioned earlier, all cheques should be listed in the minutes – this shows that the members were happy about the payments. All that is needed is for a list of the payments to be stapled or glued into the minute book, and the minutes themselves should record that (for example) “Cheques numbers 104 to 118 totalling \$432.11 as per the attached list were approved for payment”.
- l) There is no need to wait for a meeting to pay routine accounts. All that is needed is for approval for payment of normal accounts to be given to the Treasurer – by the time he or she gets the account it is too late to avoid the liability anyway. If you want to control expenses you will need to stop anyone making orders to be charged to your club – this can be done by requiring an official order to be issued, and limiting who has the order book/s. But this in itself can create a security risk – order books need only one signature, while a cheque book should need at least two. But you must pay your normal day to day expenses – such as rent, power, insurance, repairs & maintenance, phone, and of course audit fees – promptly, to protect your creditworthiness.
- m) Also, when advising the club how much money is in the bank, the common practice of saying what the latest bank statement shows, or saying that a figure can't be given because no bank statement has been received, is not correct. The figure on a bank statement can be very misleading – a large cheque may not yet be presented, or a large lodgement may not be made until the day after the statement was issued. You should do a bank reconciliation just before each meeting, and advise the exact cash position. Take the opening cash book position, add all amounts banked and take off all cheques drawn since then, and advise the result. That result is the start point for the next report at the next meeting. In the example above under item h), the figure to be given is \$1834.60. That is what the bank statement would show if all the lodgements were showing and all cheques drawn had been presented.
- n) Your bank account should require at least two signatures on every cheque. Blank cheques should **NEVER** be signed in advance. This is a relatively common practice for the sake of expedience, but it totally negates the whole point of having two people sign all cheques. Too often the trust of the person who signed in advance has been misplaced, and they have become party to a fraud.

- o) Petty cash frequently causes a problem. Often, a Secretary is given some petty cash for such as postage and small items of stationery etc. Let's say he/she is given \$100. Over a period of time, \$56.80 is spent on various items. That is the amount that should be reimbursed, bringing the petty cash on hand back up to \$100. In your cashbook, the reimbursing payment will be analysed into the various columns as appropriate.
- p) Keep your cheque book safe, so no-one can get at it. One of the more uncomfortable frauds to find is where an unauthorised person has got hold of the chequebook and used some of the cheques fraudulently. If, as sometimes happens, the last few cheques in an otherwise reasonably full book are the ones stolen, it may be months before you come across the problem – unless of course you are keeping your books written up and reconciled every month.
- q) Minute book. Your auditor will need to sight all minutes for the year, and probably a few meetings either side of the beginning and end of the year. There are three things in particular you can do in your minute book to make your audit quicker:
 - i) When recording approval of the previous meetings minutes, record in the approval the date of that previous meeting. That way the auditor can be sure he is seeing all the minutes.
 - ii) All payments should be approved. When recording this approval, note in the minutes the cheque numbers and the total amount of those cheques that have been approved. For example, "Cheques numbers 104 to 118 totalling \$432.11 as per the attached list were approved for payment".
 - iii) Ensure the minutes, once approved, are signed by the person chairing the next meeting.

2) Preparing for the audit, and saving money.

- a) Your auditor should not be expected to actually prepare your accounts, although you can negotiate this with him/her if you wish – but it will cost you more. If you have written up and reconciled your cashbook as set out above, preparation of a draft set of accounts is a straightforward process. If the auditor has to draft your accounts, the best you can expect is a review or compilation rather than an audit.
- b) You will need to produce a list of all your assets. Ideally, you should have these set out on a proper schedule, and provide depreciation at an appropriate rate (which can be very different from the IRD rates because you don't pay income tax unless part of your club is trading). This is something that many organisations overlook, and as a result tend to be significantly underinsured. Your auditor will want to verify these assets from time to time.
- c) Your auditor may require independent verification of your bank account balance/s by way of a certificate from your bank. Discuss this with your auditor, as it will cost you a bank fee of something around \$25, but if it is required, arranging it yourselves for sending to your auditor annually immediately after balance date will reduce audit time. As an alternative, by arrangement with your auditor, a document signed by two members of the

executive of the organisation (eg. Chairman and Treasurer) verifying the balance, may be acceptable.

- d) If you have borrowed any money during the year (eg a Sport and Recreation loan from the local Council), verification of the balance will be required. You will save money if you arrange this – with a copy to be sent direct to your auditor. If you have a lot of loans, your auditor may require verification of only a proportion – which he/she will select from a list you can provide. Send your request with a SAE addressed to your auditor.
- e) You will also need to determine the extent to which any grants received have been expended during the year. Grants may be spent only on the purpose for which they were given. Depending on the terms of the grant, any unspent balance may be able to be held over to a future year, or may have to be refunded if not spent within the allowed time (unless an extension of time is granted).
- f) If you have loaned any money to anyone, you will need to provide verification, again direct to your auditor. And again, if you have made a lot of loans, your auditor may require verification of only a proportion – which he/she will select from your list. The request for verification should contain comment that the request is only confirmation of the balance for audit purposes, not a demand for repayment of the loan. Again, send your request with a SAE addressed to your auditor.
- g) So:
 - i) Complete and reconcile your cashbook for the year.
 - ii) Ensure all your payment vouchers are present, and in cheque number order.
 - iii) Ensure all your receipt books are available.
 - iv) Provision of your cheque butts may not be necessary, but have them ready just in case.
 - v) Prepare a list of all your assets, and if appropriate decide on the amounts of depreciation to be provided annually. This can be discussed with your auditor.
 - vi) Prepare a draft set of accounts. If you want the auditor to do these for you, you will need to negotiate this.
 - vii) Obtain or provide verification of bank account balances (including any investment accounts) if required, and of loans received or made, or provide certification as mentioned in 2(c) above.
 - viii) Provide your auditor with your minute book, and copies of all workpapers used in collating the accounts.