

ANNEX A TO APPENDIX 1
2GR SIRMOOR SATHIES ANNUAL AUDIT REPORT 2017

AUDIT OF THE ACCOUNTS OF THE 2nd GURKHA RIFLES ASSOCIATION UK (SIRMOOR SATHIES) FOR THE PERIOD 1st JANUARY 2016 – 31st DECEMBER 2017

BACKGROUND

An audit of the accounts of the 2nd Gurkha Rifles Association UK (Sirmoor Sathies), which is referred to in this document as the Association, was conducted in February 2018.

The point of reference was the last audit conducted in January 2016, the recommendations from which and their current status are discussed at Annex A. The main issues to be addressed were:

- segregation of duties between Chairman, General Secretary, Treasurer and Deputy Treasurer;
- regular checks of accounts and bank statements signed as being correct by the Chairman;
- procedures for purchasing insurance cover for one-off events;
- payment of invoices;
- ordering and sale of goods, including administrative charges and disposal of surplus income;
- the write-off of unsaleable or damaged stock.

AIM

The aim of the current audit was to:

- evaluate the effectiveness of action taken in response to the recommendations in the last audit report (dated 18th January 2016);
- assess the effectiveness of the current financial controls, systems and processes to minimise the likelihood of risks occurring and their impact should they occur;
- identify any new risks;
- make recommendations if necessary.

SCOPE

The last audit covered the period ending 31st December 2015. This audit covers the period 1st January 2016 to 31st December 2017.

The audit focused on the financial and reputational risks.

As this report has been prepared by exception it addresses only those areas of weakness and not the outcome of all testing undertaken which, if not referred to in the document, can be assumed to be satisfactory.

METHODOLOGY

The main purpose of this audit was to ensure that accounts are being managed fairly, efficiently and effectively. In particular, I examined the control framework for the management of accounts and the degree to which the Association complies with UK accounting standards.

The process was based on selective testing of accounting records and supporting data and a meeting with the Chairman, General Secretary and Treasurer in order to evaluate the effectiveness of the financial controls in place.

DATA ANALYSIS

The conclusions of the audit are also based on the data contained in the Association's accounts and supporting documentation. To this end I asked to see:

- evidence of decisions taken to address the recommendations in the last audit report,
- balance sheets,
- bank statements,
- invoices and payment vouchers,
- Statement of Financial Activities,
- Stock Record.

The main sources of Income to the Association are:

- the fees paid by individuals attending the main annual reunion,
- an annual Delhi Day grant from the Sirmoor Rifles Association Trust Fund UK to contribute to the costs incurred by the Association in running its annual reunion,
- a one-off subscription of £5 by individual members to the Last Ritual Fund,
- the sale of goods of a regimental nature.

The Association's accounts showed:

- cash in bank at 1st January 2016 - £11,598
- income 2016-2017- £ 60,768
- expenditure 2016-2017 - £64,788
- closing balance 31st December 2017 - £7,788
- remaining stock 31st December 2017 - £1,745 (at cost price value)

Bank statements showed:

- balance at 1st January 2016 - £11,598
- balance at 31st December 2017 - £7,788

COMMENT

Frequency of Audit. It is normal practice for accounts to be audited annually. However, the Association decided in early 2017 that an audit for that year was not necessary as there had been little financial activity in 2016 apart from the annual reunion. Since then, some Committee appointments, I believe, had changed and at our initial meeting the Committee could not answer some questions concerning some anomalies in the balance sheets. In addition, documentary evidence for the 2016 accounts was not made available initially. It took a further week for these documents to be found and submitted.

Supporting Documentation. The audit had access to bank statements, balance sheets for 2016 and 2017, the Statement of Financial Activities and Stock Record and a random 25% sampling of invoices and payment vouchers was made. The financial accounts for 2016 and 2017 were reconciled with bank statements and supported by invoices and payment vouchers.

Risk Management. The internal controls, processes and systems that the Association has developed to counter significant risks are effective. Also, accounting systems and financial procedures have been developed and transactions are well documented. There were no unaccountable issues. There is sufficient evidence that the risks to the achievement of the Association's objectives are well managed and effectively controlled by the Committee

OPINION ON THE FINANCIAL STATEMENTS

In my opinion the Association's accounts:

- Give a true and fair view of the state of the Association's affairs as at 31st December 2017.

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| | <ul style="list-style-type: none"> - Last Ritual Fund payments - Events - Purchase of goods - Administration (includes AGM) <ul style="list-style-type: none"> • The value of remaining stock at cost price should not be included under Income but listed separately. | Agreed |
| Stock Records | <p>The record should include:</p> <ul style="list-style-type: none"> • quantity and value of goods (at cost price) when received from named supplier • goods sold at retail value between 1st January and 31st December each year • goods remaining in stock at year end at cost value (not at retail value) • write offs by quantity and value at cost price • payments to suppliers • profit/loss <p>Stock should be checked at least annually and the findings formally recorded and signed</p> | Agreed |
| Delhi Day Reunions | <p>With some 3,220 members plus dependents and widows, many of whom live some distance from Aldershot where the main Delhi Day reunion is held annually, the Association has decided provide insurance cover and a financial subsidy to the 2 smaller official Delhi Day reunions in the West Midlands and Yorkshire. A responsible individual for each should be made accountable for this subsidy and payment vouchers should be retained by the Treasurer as evidence.</p> | Agreed and recommended |

ACKNOWLEDGEMENT

I wish to thank the following for their cooperation and assistance:

Captain (Retd) Raju Gurung – Chairman

Major Samundra Gurung (Retd) – General Secretary

Captain (Retd) Shamsheer Gurung – Vice Chairman and Treasurer

Sergeant Krishnakumar Gurung (Retd) – Assistant Treasurer

Captain (retired) Gopal Bishawkarma (Retd) – Committee Member

Lance Corporal Bhuwani Gurung BEM (Retd) – Committee Member

V.J. Beauchamp
Brigadier (Retd)

19th February 2018

Annex:

A. Status of Recommendations in the Last Audit Report

STATUS OF RECOMMENDATIONS IN THE LAST AUDIT REPORT

| Activity | Recommendation | Current Status |
|--|---|--|
| Segregation of Duties | <p>Written procedures should be produced as an annex to the Constitution document.</p> <p>The Chairman should regularly review all transactions made by the Treasurer and sign bank statements and the account on a quarterly basis to indicate his agreement</p> | <p>Comprehensive procedures have been written</p> <p>Whenever expenditure is recommended by an Executive Committee member the other members are to be informed and, if they agree, a written record is retained for presentation at the Chairman's quarterly check. If that is not possible then the Treasurer must be able to present either a cheque counterfoil or bank statement as a suitable record. If the Chairman is not available then one of the other Committee members will be formally nominated to carry out the quarterly check</p> |
| Insurance Cover for the Delhi Day Reunion | The Committee should obtain at least 3 quotations from different companies. | The Committee now obtains 3 quotations. In liaison with the Venue Management Team the Committee then selects the most appropriate insurance policy, which might not necessarily be the cheapest . |
| Stock | <p>There should be formal written procedures which should cover:</p> <ul style="list-style-type: none"> • Ordering arrangements from suppliers • Storage of goods • Surcharges to recover administrative charges • Billing • Postage • Payment to suppliers and other creditors | <p>Formal written procedures have been produced which address the suggestions made by the Auditor</p> <p>Payment of goods for sale is made within 14 days of receipt. For regimental memorabilia or items sent by the Sirmoor Club Nepal (SCN) the Committee will agree with SCN a recommended retail price to which they will then add a 20% surcharge to cover courier, air freight, transport and any other anticipated handling charges.</p> <p>The Committee will keep SCN goods sent in 2015 until December 2018. At that time, the Committee, in liaison with the Sirmoor Club Nepal, will take</p> |

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| | <ul style="list-style-type: none"> • Recovery of debts • Write offs of unrecoverable debts and deteriorating goods <p>If the Treasurer determines, after consultation with the Chairman, that goods have perished or deteriorated, or for any other reason cannot be sold then they should be written off from the Association's account. All write-offs should be approved in accordance with a formal written authority as described in a Rules and Procedures for Financial Accounts document.</p> <p>To record a write-off, the Treasurer should use the "adjustment" function in the account and choose "write-off" as the adjustment type.</p> | <p>write-off action for goods for which there is no market interest or for any other reason, such as deterioration</p> |
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