

Provincial Grand Lodge of Somerset

# **Guidance for Lodge Treasurers**

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## Contents

Pages 3 – 8	Grand Lodge requirements
Pages 9 - 10	UGLE Rules to watch
Pages 11	Accounts preparation
Pages 12 - 15	Auditors/Examiners/Scrutineers

## Introduction

These notes, formerly written by my predecessor W Bro Michael Webb PJGD, have been updated by me, and serve to give guidance to Lodge Treasurers without being too prescriptive. The guide has the constitutional finance rules all in one place.

Keith R S Surry Provincial Grand Treasurer

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The main purpose of this booklet is to provide Treasurers with guidance on their duties and responsibilities. Detailed advice on bookkeeping and the preparation of the annual accounts is not included, further information on these matters can be obtained from the Provincial Treasurer.

## **Grand Lodge Requirements**

**The definitive rule for Treasurers and Auditors is Rule 153 Book of Constitutions which is reproduced in full below in Bold type.** In a different font are the points raised by UGLE in their publication Information for the Guidance of Members of the Craft which being an Extract from Report of Board of General Purposes, adopted 13 March, 2013 are mandatory.

*Some explanation has been added to each point raised shown in italics*

### **Rule 153 Book of Constitutions:**

**1. Save where a payment is made direct into the bank account of the Lodge, all moneys due to, or held for, the Lodge shall be paid or remitted, to the Treasurer direct, who shall without undue delay deposit the same in an account in the name of the Lodge at a bank to be approved by resolution of the Lodge. The Lodge may by resolution authorize the Treasurer, but on no pretence any other Brother, to make payments from the Lodge's accounts by electronic means; in the absence of any such resolution all payments from Lodge funds shall be made by cash or cheque.**

(a) Except where a payment is made direct into the bank account of a Lodge, it is the Treasurer to whom all subscriptions or other moneys due to the Lodge are to be paid, and he alone can give a discharge. That is not to say that a Brother cannot send cash or his cheque via the Secretary or some other Brother, but he does so at his own risk until the money reaches the Treasurer (or the Lodge's account).

The words "without undue delay" deliberately leave some flexibility to the Treasurer as to the time within which moneys must be deposited (which is largely a matter of common sense, depending on the amount involved and the Treasurer's location and circumstances); the important word is "undue". In appropriate circumstances the Treasurer may reasonably delegate the task of paying in moneys to a trusted individual, but there should be no further delegation by the individual so chosen.

The bank and, where appropriate, the branch must be approved by a resolution passed in open Lodge, so that it may be known to the members and duly minuted; under no circumstances may this be delegated to the Lodge Committee. Similarly, if it is wished to enable the Lodge to make use of electronic banking, a resolution must be passed by the Lodge authorising the Treasurer to make electronic payments from the Lodge's account. *Only* the Treasurer may be so authorised.

- 1.1 *This means that others should not hold on to lodge monies and should pass them without delay to the Treasurer, who should promptly pay monies into the Lodge bank account.*
- 1.2 *In view of the closure of many local banks, the delegation of the banking of moneys can be made to a trusted individual but no further delegation.*
- 1.3 *The Lodge bank accounts must be in the name of the Lodge and not in any circumstances in the Treasurer's or any other individual's name. Details of new bank accounts must be approved by a resolution passed in open lodge and not just by a Lodge committee.*
- 1.4 *Electronic payments are allowed to be made but only by the Treasurer and only if a resolution is passed by the Lodge.*

**2 The Treasurer, if available to do so, shall make such payments as are duly authorised, or have been sanctioned by the Lodge. All cheques must bear the signature of the Treasurer and (unless the Lodge resolves to the contrary) at least one other member authorised by the Lodge, provided that if it be impracticable for the Treasurer to sign any cheque it shall be sufficient for such cheque to bear the signature of two members authorized by the Lodge.**

(b) The Treasurer is primarily responsible for making payments out of the Lodge funds under his control, provided that they are for authorised purposes (e.g. regular payments such as Grand Lodge dues or dining charges) or have been specifically approved by the Lodge (in which connection, see the model by law "Payment of any sum exceeding £\_\_\_\_ if for other than ordinary purposes may be made only by resolution of the Lodge, of which notice has been given on the summons, except in a case of emergency when such payment may be authorised by the Master and reported to the Lodge at the next regular meeting.").

The Treasurer must normally sign every cheque. Since he has responsibility for the safe keeping of the Lodge's funds it is right that he retain control over payments and it would be inequitable that others should be permitted regularly to make payments without his knowledge. Under the Rule, in its amended form, the Treasurer can be solely authorised to make electronic payments and sign cheques , but if the Treasurer cannot do so, two or more signatures will be required on every cheque. The second signatory should be one out of *several* Brethren authorised for the purpose; any such authorisation must be of a named Brother (rather than the holder of a particular office) and must be given by resolution passed in open Lodge; under no circumstances may this be delegated to the Lodge Committee. Every signatory is under a duty to satisfy himself that the sum stated in every cheque he is called upon to sign is properly due from Lodge funds.

*2.1 This means that only payments that are legitimately made on behalf of the Lodge and have been agreed by the Lodge members should be made out of the account.*

*All cheques must have two signatures one of which should be the Treasurer.*

*2.3 In order to provide flexibility and convenience it would be best practice to arrange with the bank for any two from three signatories, e.g. the Treasurer and either the Secretary or one other member and be subject to a resolution passed in open lodge.*

*2.4 The signatories must always satisfy themselves as to the validity of the payments being made before signing a cheque.*

*2.5 The common practice of a signatory signing blank cheques in advance which, although convenient, is dangerous and should be discontinued.*

**3 The Treasurer shall regularly enter a complete record of all moneys passing through his hands in proper books of account, which shall be the property of the Lodge, and which, together with all Lodge funds and property in his possession, shall be transferred to his successor upon investiture.**

(c) The traditional method of the Treasurer keeping a record of the moneys which pass directly or indirectly through his hands is by the use of a cash book. There can be no objection to the cash book taking an electronic form such as a spreadsheet, but in that case it is essential not only that regular “back-ups” are made of the electronic record but also that the data is printed out regularly and kept as “hard copy”, so that there is available a written record showing every transaction.

Some flexibility is implied by the word “regularly” in the Rule, and a similar degree of flexibility should apply to the printing out of data held electronically; it is suggested that whenever a significant amount of money flows in or out of the Lodge’s funds a hard copy should be made.

A Lodge’s accounting year does not have to be the same as its subscription year (although that is usually the case), but any change requires a resolution of the members passed in open Lodge.

The Brethren elected to the Audit Committee should generally be senior members and, wherever possible, they should also be Brethren with some knowledge of accountancy or book-keeping. The practice adopted in some Lodges of appointing only junior members to the Audit Committee (unless they do have significant knowledge of accountancy or book-keeping) is disapproved and should be discontinued.

*3.1 This means that the Treasurer must keep proper and accessible books and records on behalf of the Lodge and pass these together with any other property and money to his successor promptly at the appropriate time.*

*3.2 If using a computerized system, such as a spreadsheet or bookkeeping program be sure to make regular back-ups and printouts for the information of the committee and members of the Lodge. Print outs should be retained as a ‘hard copy’.*

*3.3 Be aware that your successor should be able to follow your workings, and of course the Examiners must have access to everything.*

*3.4 There must be at least two Auditors/ Examiners and it is preferable, where possible, that they have some knowledge of accounting or bookkeeping. Unless suitably qualified/experienced, the appointment of junior members is not appropriate and should be discontinued.*

**4 He shall prepare a statement of accounts annually, at a date to be determined by the members, showing the exact financial position of the Lodge, which statement shall be verified and audited by a committee of members of the Lodge annually elected for that purpose.**

(d) The form of the certificate of the Audit Committee is effectively set out in this paragraph of the Rule, and it should be noted that the audited accounts bearing the certificate must be sent out with the Lodge's summons so that every member has the opportunity to raise any issues whether or not he is able to be present at the meeting. For this reason it is not permissible for the accounts to be distributed at the meeting at which they are to be considered.

*4.1 This means that the Treasurer must prepare accounts that truly reflect the financial position of the Lodge based on the properly kept books and records and pass these to the Audit Committee for review and verification.*

*4.2 This means that the accounts for all bank accounts should be sent out in good time to enable members to consider them prior to the meeting. The accounts should not just be handed out at the meeting, as is often the case.*

**5 Copies of the accounts and of the certificate signed by this Audit Committee that all balances have been checked and that the accounts have been duly audited shall be sent to all the members of the Lodge together with the summons convening the meeting at which they are to be considered.**

(e) Every fund maintained by or in connection with the Lodge must be the subject of annual accounts, which must be audited and formally presented to the Lodge. This paragraph does not require that the Lodge's Treasurer be a signatory on cheques making payments from those funds, or that he be the person who keeps their accounts. It is, however, essential that the Lodge approve the bank at which such funds are held as well as the signatories on the respective accounts.

**6 Such meeting shall be not later than the third after the date to which the accounts are made up. The books of account shall be produced for inspection in open Lodge at such meeting, and on any other occasion if required by resolution of the Lodge.**

*6.1 This means that the accounts should be prepared and audited/ examined as soon as practicable after the year so that they can be presented to the members no later than the third meeting after that date.*

*6.2 The books and records should also be available at the meeting and it is also a good idea if the Treasurer brings them to each meeting (see the comments above about computerized accounting).*

**7 The same procedure of annual accounts, audit and presentation to members shall, mutatis mutandis, be followed in relation to any other funds maintained by or in connection with the Lodge (whether by the Treasurer or by a Charity or other Steward or by any other member of the Lodge) such as, but not limited to, a Lodge Benevolent Fund, the funds of Charity or Benevolent Association, Dining Fund, Charity Box collections or other monies receivable from individual members of the Lodge or any of its Officers.**

*7.1 This means that all subsidiary accounts or activities of the Lodge that do not form part of the main Lodge accounts should have their own set of accounts which should be audited and signed off. The Treasurer is not required to be a signatory to cheques from these accounts or keep the accounts, but in every event the lodge should pass a resolution approving the bank and signatories.*

*7.2 The different functions may mean that the format of the accounts varies but the procedure should be the same, mutatis mutandis (i.e. adapted to suit the circumstances).*

*7.3 Note that in “Information for the guidance of members of the Craft” it states that “Receipts and disbursements for Ladies Nights and similar functions must never be included in the accounts relating to Lodge funds”. Whilst a separate account ought to be shown to the members, these monies should never appear in the Lodge General Fund.*

## **UGLE Rules to watch**

**The other rules in the Book of Constitutions that the Treasurer must be familiar with are:-**

### **8 Rule 146 – Annual Returns**

The Secretary is obliged to make an Annual Return after each Installation date, showing details of all members. On that Return should be noted, for any member who is in arrears, the date to which he is paid up. Some Secretaries do not realise this and the Treasurer should regularly make him aware of those members who have not paid their subscriptions, especially where Rule 148 applies.

### **9 Rule 147 – Remittance of Fees.**

The fees due to Grand Lodge should be remitted promptly with the Annual Return

### **10 Rule 148 – Cessation of membership (not to be confused with Rule 181)**

Any member who has not paid his subscription for two full years ceases to be a member. His membership expires immediately and automatically. There is no need to give him due notice of this event (though reminders will no doubt have been sent to him previously). The fact that his membership has expired should be reported in open Lodge at the next meeting and recorded in the minutes. A member thus expired can apply to rejoin the Lodge under the usual procedures of proposal, ballot etc but must first pay any arrears.

### **11 Rule 152 – Out of time payment penalty**

This sets out the penalties on the Lodge of filing late returns.

### **12 Rule 181 – Exclusion of a member.**

This sets out the strict procedure to be followed if a Lodge wishes to exclude a member – usually for late payment of his subscription. Exclusion is by ballot in Lodge. Note that a written notice must be sent to the member by Recorded Delivery (Registered post is no longer available) at least 14 days before the meeting, and the members must have at least 10 days notice of the ballot, usually by an item on the summons. The notice to the members must not name the offending brother, and of course if he pays up before the meeting the ballot will not be necessary. If the member is more than twelve months overdue at the date of the meeting there is not much point in applying Rule 181 as the Lodge will already have incurred Capitation Fees etc for the second year, and if he does not pay up his membership will expire under Rule 148 without the need for the extra

paperwork and ballot.

The Lodge Secretary should ensure that cessations of membership for whatever reason are reported to Province and Grand Lodge on the appropriate Returns, otherwise the Lodge will be charged Annual Dues for subsequent years.

### **13 Charity funds**

One other area of regulation that Treasurers need to be aware of is the Charities Act 2011 and, in particular, its effect on the uses to which Lodge "charity" monies can be put. The Act states that a charity's funds can only be used for "charitable purposes" and as far as Lodges are concerned this generally means "for the prevention or relief of poverty" or payments to other charities both Masonic and non-Masonic. The area of difficulty for Lodges is whether Christmas gifts to widows, flowers to brethren and their dependants, cards and other items of a similar nature fall within this definition. Whilst such payments are in the best Masonic tradition they are not, in law, regarded as charitable purposes and must not be provided from any fund which is in law a charity. Grand Lodge strongly discourages the use of Lodge Charity funds for this purpose.

## **Accounts Preparation**

Throughout the Province there are many variations of annual accounts presentation and it would not be correct to dictate a structure to be followed by all Lodges. However the following are suggestions for best practice.

The format of the accounts should preferably be an Income and Expenditure Account with Balance Sheet or maybe a Receipts and Payments Account with bank balances, investments, debtors and creditors listed.

The Income and Expenditure Account allows a full picture to be given to the Lodge by including monies owing either to or by the Lodge (including subscriptions) at the Balance Sheet date.

Lodges are liable to taxation on any untaxed interest received in non charity registered accounts

The same procedure of annual accounts, audit and presentation shall be followed in relation to any other funds maintained by or in connection with the Lodge, such as Lodge Benevolent Funds, Dining Account, Charity Box, Social Functions etc. Funds held by a registered charity must be kept in a separate bank account and administered by Trustees in accordance with the Trust Deed as well as the Charities Acts

Keep in touch... Finally, the management of a Lodge's finances and the preparation of the accounts are not easy for all and it is not possible to cover everything in a handbook of this kind. Please remember that Province exists for the benefit of its Members so no one should feel any reluctance in asking for advice. The Provincial Treasurer will always be happy to help so please do not hesitate to seek his assistance with any problems you encounter in performing the duties of your very important office.

## **Auditors/Examiners/ Scrutineers**

### **Auditing the Finances of a Masonic Lodge**

The Lodge requires assurance in order to be confident that the Treasurer is doing his job correctly and keeping the necessary records. It is the auditors' role to provide this assurance. Competent auditors will be able to verify that the records are appropriate, complete and accurate and reassure the members of the Lodge that - to the best of their knowledge - all monies have been correctly accounted for.

A Lodge appoints two members to carry out the audit and, ideally, they should work as a team and agree each stage of the audit process together. Checking accounts is not always a simple process so two heads are better than one.

Grand Lodge recommends that the Auditors should be senior members of the Lodge, preferably with an understanding of accounts

Due to legislation many Lodges call the Auditors "Examiners" or "Scrutineers"

Following these simple guidelines will help to ensure that the checks made are purposeful and give the assurance needed.

### **Preparation**

It will be helpful to ask the Secretary to provide certain information: For example, a full list of members from whom subscriptions have been required. Also, details of the value of Alms collected and raffle proceeds throughout the year. These sums should be announced at each meeting and duly recorded. The Dining Steward may provide details of how many dined at each meeting and the cost of each meal.

It may well be necessary to raise queries with the Treasurer which arise during the audit. The Auditor should always be confident in doing this and indeed would be failing in his duty to his lodge to shirk this responsibility. It may be helpful to arrange a meeting between the Auditors and the Treasurer to resolve the queries.

Remember that the Auditors have to sign a declaration that the Accounts have been checked and found to be accurate - therefore, do not underestimate the importance of this job!

**The following documents / information should be obtained:**

**Annual Accounts**

Receipts and Payments Accounts / Ledgers. If records are kept on computer, these must be made available and preferably printed. Bank statements, Cheque Books, Paying in Books

Record of subscriptions received, invoices for all expenditure, dining records.

Reports on funding activities and donations made.

Records of Lodge expenses held by any other party eg Almoner.

A copy of the Minutes for each Lodge meeting and also Committee meetings, which may record the authorisation of expenditure. Any other records which have been kept.

**Conducting the Audit**

**Annual Accounts**

This is the document that the auditor has to sign with the declaration that all balances have been checked and the accounts have been duly audited.

Check that all columns on this document are correctly totalled.

Check that all bank balances shown are correctly recorded by comparing to bank statement details at the appropriate dates.

Examine the Receipts Account, ensuring that all totals under each heading have been correctly brought forward.

Examine the Payments Account likewise, ensuring that all totals under each heading have been correctly brought forward.

**Receipts**

Check that columns have been correctly added up. If they are too numerous do this at random .

Verify that the deposit values shown on the bank statement are correctly recorded and consistent with the Receipts Account. For example adding the recorded amount of dining fees - alms - raffle proceeds and any other miscellaneous income at any one meeting should total the amount deposited into the current account following that meeting. If the figures are not consistent raise a query.

Note: Time may not permit every suggested check to be carried out for every deposit in which case review enough deposits, at random, to feel comfortable with the accuracy of reporting.

Verify that deposits made for all activities match the amount reported. e.g., if the Lodge minutes recorded that £250 was raised at the raffle, there should be a £250 deposit.

If any deposit amount differs from the recorded values raise the question with the Treasurer.

### **Payments**

Check that columns have been correctly added up - at random if necessary.

Compare cheque reference numbers and values to the bank statements and also compare to cheque stubs to ensure that all expenditure is accounted for.

Ensure that no money has left the account which cannot be traced to a cheque stub (for example from a cheque book bearing a different sequence of numbers or an unaccountable miscellaneous transfer). Verify that every cheque stub is present and legible. In cases where a cheque is not issued (due perhaps to a mistake in its completion) it should be retained and both it and the stub should be marked CANCELLED.

### **Invoices**

Endeavour to trace each cheque stub to an invoice or reference in the minutes which authorizes the payment. Each payment should be recorded in the Accounts.

Depending on the volume of transactions, random selection may be appropriate.

Note: All cheques should have an accompanying invoice. It is good practice for the Treasurer to note the cheque number on each invoice and retain them in order to help facilitate an audit trail.

Reimbursements for expenses – e.g. Secretary or Almoner - should include individual invoices for each item and a schedule which is totalled to show the sum claimed.

## **Conclusion**

This guidance offers advice on conducting the most basic of audits and it is hoped it will prove helpful to any Lodge Auditors who feel unsure about the process.

Remember that you are not there to catch the Treasurer out, but merely to reassure your lodge members that the money they pay in subs, for meals and donations to charity has been correctly received, accounted for and deposited into the bank.