

Accounting audit in the association

Author: Elsbeth Fischer-Roth, accounting clerk, Vitamin B competence center

Fundamentals

Even though only large associations are legally obliged to select an independent auditor under Art. 69b of the Swiss Civil Code, it is highly recommended that such an auditor be stipulated in the articles of association. The stipulation must specify who will audit the accounts and in what way (number of auditors, a third party, term, etc.). As a rule, the auditors are elected by the General Meeting. The accounting regulations in the Swiss Code of Obligations - Art. 957 ff. apply for associations that are entered in the commercial register.

The audit must be carried out in a serious manner, with a level of expertise commensurate to the scope and complexity of the accounting. Small associations are also subject to the statutory regulations (duty of due diligence, true and faithful management). In the event of gross negligence, the Executive Board members are personally liable for errors - including those arising from ignorance or a lack of due diligence (see working aid "Haftung des Vereinsvorstands" (liability of the association's management board)).

The person(s) carrying out the audit must be independent; no "courtesy audits" may be carried out. They may be members of the association, but under no circumstances members of the Management Board.

Documents for the audit

The following documents must be provided for the audit:

- balance sheet for the previous period (assets)
- balance sheet as at closing date (signed and dated)
- income statement for the current period (signed and dated)
- report on the accounts (if available)
- all account sheets from all accounts, booking journal
- all receipts
- any inventory records (cash register, inventories, etc.): signed and dated
- any ancillary funds (e.g. from catering, courses, etc.)
- Board resolution that the accounts be accepted in their present form
- Articles of association, expense regulations and possibly rules of procedure with spending powers of the board, possibly budget (if the general meeting is competent to approve the budget)

Procedure for the audit

The audit checks,

- whether all balance sheet accounts from the previous period have been reopened with the correct amounts.
- whether all profit and loss accounts start with 0.
- whether the reverse booking of accruals and deferrals has taken place.
- whether reported balances correspond with supporting documents (balance sheet).
- if inventories have been taken: check balances and records
- if an accounting programme is not being used:
 - o whether balances have been transferred correctly to the balance sheet or income statement.
 - o whether all opened accounts have been transferred to the balance sheet or income statement.
- the bookings - either randomly or for each individual booking:
 - o correct amount?
 - o correct booking? o
 - are receipts available?
 - o competence to sign off on expenses (rules of procedure, expense regulations)?
- (possibly) external bookkeeping/ancillary accounts (payroll accounting, catering, etc.) with all receipts
- checking whether legal and statutory requirements are met
 - o legal:
 - If the association is subject to tax, a tax return may have to be submitted.
 - if the association is subject to VAT
 - social security contributions are due for compensation/salaries above CHF 2,300 p.a.
 - if salary statements are submitted for remuneration for work performed
 - if the withholding tax has been reclaimed
 - o statutory
 - there are major budget overruns
 - compliance with signature regulations
 - possible compliance with further regulations

Audit report

The auditors write the audit report for the attention of the General Meeting.

Sample

I/we have checked the accounts of association xxx from (period) with closing as of (date). With expenses of CHF and income of CHF, the accounts close with a profit (or loss) of CHF

The balances entered in the balance sheet match the receipts. The receipts for the bookings audited on a sample basis are in order. The accounting was completed in an orderly and correct manner.

I/we propose that the General Meeting approve the accounts (period) as presented and hereby discharge the Treasurer, Ms xxx and the Management Board.

The Management Board is responsible for the annual accounts, and our/my task is to audit them. I/we confirm that I/we fulfil the requirements regarding qualification and independence.

If the accounts are incorrect (incorrect amounts, incorrect accounting, missing receipts): in the case of minor issues, the person responsible is instructed to make the corrections; in the case of larger discrepancies, a new (partial) audit must be carried out.

If the audit reveals (imminent) over-indebtedness, serious errors or even violations, the auditing person or body is obliged to inform the Management Board or, if necessary, the General Meeting in writing. For the sake of convenience, the auditors shall contact the Management Board directly and explain the inconsistencies - ideally always in a spirit of supporting the Management Board (and not just monitoring).

How do small associations find auditors?

Ask people directly who work in accounting. It is not a big effort for professionals and there are many people who are happy to volunteer their services for your organisation. The advantage of having an expert in the background is that the club treasurer can also competently obtain information during the year if questions arise.

Literature

- Working aid Liability of the (honorary) association board, https://www.vitaminb-e.ch/tools/work-aids?_locale-en
- Working aid on association law, https://www.vitaminb-e.ch/tooks/work-aids?_locale-en/
- Baumann, Andreas / Exer, Arthur / Zöbeli, Daniel: Accounting, Auditing and Taxes for Associations. Orell Füssli Publishers, Zurich 2010