

# Appendix 03 - Report on the 2015 Fin Statements

Dear Mr Mandra,

The newly elected committee have serious concerns about the draft version of the Financial Statements for the year ended 31<sup>st</sup> December 2015 which Vallance Lodge & Co have produced. Having reviewed the statements it is our opinion that they are neither true nor fair.

Based on documentary evidence that has been brought to our attention it would appear that even at this late stage of the production of the accounts there are a series of omissions and in some cases figures have been overstated, which we consider to be significant enough to warrant an investigation into the validity of the figures that your company, Vallance Lodge & Co have produced.

## Disclosure items

- There should be a general information page at the front of the Financial Statements showing the names of the officers who served that year and their term of office, plus the name and address of the Associations bankers.
- We refute the following statement on page 1; "The Management Committee is responsible for the preparation of the accounts and they consider that an audit is not required for this year and that an independent accountant's report is needed". **This motion was not voted upon by the members at the last AGM held in October 2015 giving the former committee the authority to abate the associations rules for not having the 2015 accounts audited.**

The following statement under item b) is not entirely correct; " the club satisfied the financial criteria enabling it to dis-apply the requirements to have an audit of the accounts for the year as specified in the Co-operative and Community Benefit Societies Act 2014.

**Is it a fact that the club does meets this criteria, however, the FCA guideline is specific under 'Society rules on accounts and audit section 7.36' The small society exemption and dis-application provisions do not override society rules. Our Association rules states that an annual audit is required. Therefore statements is not entirely correct.**

- We disagree with item 1.2. Statement of Committee's responsibilities on page 4 **We do not believe that the former committee have kept accurate accounting records as will be revealed in the body of this report. They certainly did not take reasonable steps in their duties to prevent the detection of fraud and financial irregularities hence the FCA fine of £1,500 levied against the association in 2015.**
- We disagree with item 1.3 Stock on page 4. **Our stock is not valued by stockbrokers.**

## Financial Information

### **Cash in Hand £7,083 page 3**

Can you confirm what this amount actually relates to and do you have evidence in your working papers to show that a reconciliation was done to substantiate this figure. It does seem exceptionally high when one weeks cash held on the premises at the end of the year would have been approximately £1,500. We would like a thorough investigation done on this figure.

**Trading hut stock no movement of stock page 5**

There is documentary evidence that shows goods just over £4K was ordered and delivered in the trading hut up to May 2015. Due to a series of events that took place that year the consequence of which resulted in the locks to the trading hut being changed in May 2015. Liseby Hector who was the manager at the time was locked out and denied access to the hut without any prior warning. According to her records at that time there was still some stock and cash inside the hut to an estimated value of £4K. There should be a report in your working papers showing a stock-take after the locks were changed. The hut was reopened in Sept 2015 for a short spell and was run by Jenny Page and Angela Powell.

**Bank Accounts £1,490.47 item 6 on page 5**

Can a report be produced explaining how this undisclosed bank account has been utilised during the year. Our constitution states that we provide a benefit to the community and members actively take part in fund-raising events and raffle sales and therefore would like to see a detailed breakdown of how much fund-raising income is generated and how its is being spent. This lack of information does not provide members with a fair view to compare our efforts with similar societies.

**Sundry Debtors £8,863 page 5**

Can you provide a detailed breakdown of this amount as we find it hard to believe that the association has any sundry debtors. There has been an increase of 84% up on the 2014 figures which is exceptionally high for an association that does not offer any services of a commercial nature to warrant such a figure. Members and guests use the clubhouse as a reception venue for the occasional funeral and wedding which should be paid for in advance. This figure should not include any taxation transactions because the amount of vat inputs during the year would be much less than the VAT outputs . Can an explanation be given for this significantly high figure.

**Brewery Loan £10,000 page 5**

Can you confirm when the additional £5,000 loan taken out in 2015 was approved by the members and what was the purpose of the loan? We think this amount is significant and warranted an approval by members and not just within the committee. Because of the financial ramifications it could have on the members. Have you seen evidence that the loan was sanctioned in accordance with the associations financial procedures. Also is there evidence in your working papers to suggest that a cash-flow projection was prepared by the committee outlining how and when the repayment of the £10,000 loan would be made and what the implications would be in the case of non-payment.

**Trade Creditors £8,236 page 5**

Can you provide a breakdown of this figure and an aged creditors report for an analysis as the age of the debt? We would like to ask the committee why they were continuing to order goods when it was becoming abundantly clear that they would not be met from the associations short term cash-flow requirements and therefore this could be construed as wrongful trading if not fraud.

**Taxation £6,091 page 5**

Can you provide a breakdown of this figure and more importantly over what period has this liability been outstanding? Do you have evidence in your working paper that a year end reconciliation was carried out and that it agreed to the nominal ledger accounts.

**Accruals £10,492 page 5**

A detailed analysis is required as this figure is excessively high, being an increase of £5,885 up on 2014 figure of £4,607. Having deducted the fees relating to Accountancy fees for 2015 alone £1800+£1800+£400+£400 = £4,400 it still leaves £6,000 to be explained. Are these accruals realistic and true? We believe there needs to be an additional provision made for the FCA fine including admin costs totalling £1,900 which was incurred by the committee due to fiduciary negligence in 2015. We also think it is prudent to make a further provision of £500 for the late submission of the 2015 accounts. Our filing date was 31st July 2016 and as you are aware it is 7 months after the financial year end which in our case is at 31st December.

**Bar Sales £123,757 page 7**

Can you provide me with the till readings to support these figures as I believe these need to be validated not just from the stock taking reports but from the actual "Y" and "Z" readings generated from each day from the tills.

**Bar Sales £71,550 page 7**

Can you provide documentary evidence to substantiate this figure.

**Wages £45,456 page 7**

How many staff does it cover ?

Is there any documentation which authorises the hours worked by the staff?

The wages does seem extremely high when compared to the amount of sales taken. Have you seen evidence to support the computation of the wages and taxation figures? Can you provide a breakdown of the figures under the various payroll headings and a payroll reconciliation as at 31<sup>st</sup> December?

**Allotments Income £10,467 page 8**

Can you provide documentary evidence to support the income figure? According to my calculations we believe that this figure is overstated because the occupancy rates for the plots was approx 85%. We also believe the comparative figures in 2014 was understated by £1,771 which is distorting the variances between the two years. It is our opinion that the 2015 figure includes income relating to another activity.

**Allotments Subscriptions £1,987 page 8**

Can you provide a detail breakdown of this figure. Does it accurately reflect the number of associate members? Can you show how many members the association have at the beginning of the year and what movements took place during the year to arrive at a total number of members. A similar exercise should be done for the plot holders. We are readily available to ascertain the figures from the membership records. We would like to see where this information correlates to the membership book

**Allotments Insurance £588 page 8**

It is our understanding that the Bar Steward claims there is no Insurance for the plots only for the clubhouse and if this is the case when did this practice end? Therefore we ask you to confirm if the cost allocated to the allotment account is correct. Our lease agreement clearly states that there should be third party insurance for the plots. We would like to see evidence of a current insurance certificate.

**Trading Hut income and cost of sales page 7**

Trading Hut. Where are the invoices for the goods purchased in 2015 according to the suppliers statements from Horticultural Supplies and Seeds of Italy the invoices totalled

£4K. Was a letter sent to all the association suppliers requesting them to forward a copy of their statement as at our year end. We would like to have the aged Creditors report for the year and the purchase ledger report. There has been a glaring omission made under this section of the accounts, Liseby Hector has signed receipts for money given to Lin Marsh. Why isn't there any money shown in the income? Purchase invoices for approx £4K is also not recorded. Can you provide an explanation as to why these amounts do not appear in the draft accounts?

### **Un-disclosed items**

#### **Stock taker fees omissions**

Can a separate heading for stock takers fees be shown in the accounts as this would help to compare costs with similar societies. We would like to see the stock take report for the good purchased.

#### **Licences**

Why is there not a line for Licences to include TV licences, Club premises licence, performing licences particularly for the monthly jazz entertainment held 2nd Tuesday of the month. Karaoke is also a regular feature. Annual Halloween and Easter events.

#### **Summary**

The association was wrongfully trading as at 31st December 2015 due to the overall deficit of £11,039 and this practice seem to have been continued throughout 2016 without members fully being aware of what the financial implications would be to them if the association is de-registered from the FCA.

No financial information was published during 2016 from the former committee. In November 2016 a request was made to the former committee to produce a debt recovery plan and an explanation into how the rising debts could be dealt with. No response was given to the members.

We look forward to receiving an immediate response to our enquiries and an updated set of the Financial Statements.

Kind Regards

Vivienne Nicholas  
Treasurer