

The audit was conducted by Mark Ladbrooke and James Gill, lay auditors, on the 18th of April 2019. The financial year of the Socialist Health Association is the calendar year, so the auditors examined income and expenditure between 1st January 2018 and 31st December 2018.

The Socialist Health Association has three accounts: a current account, a savings account, and a PayPal account. Prior to the departure of the SHA Director, the Director was responsible for day-to-day expenditure, with sign-off from the treasurer of amounts over £500. From September 2018, the SHA Chair and Treasurer were the signatories of the current account and savings account, while the PayPal account was controlled by the Chair and Ken Smith who is providing admin support. There were a number of difficulties related to the transfer of authority to operate the SHA finances but they now appear to be resolved.

The balances at the end of 2018 stood as follows:

- Savings: £30,931.65 (up £3,009.37 from £27,922.28 at the end of 2017)
- Current: £709.08 (down £287.36 from £996.44 at the end of 2017)
- Paypal: £1,765.02 (up £1,583.06 from £181.96 at the end of 2017)

The overall increase in cash at bank was £4,305.07.

The auditors recommended that normally any balance over £500 in the PayPal account at the end of the month should be transferred to the current account.

## Expenditure

The auditors were provided with electronic transaction records for all three accounts. The auditors reviewed paper documentation for the largest expenditures, cheques, and a sample of other expenditures. The auditors were satisfied with the records available.

Receipts are not collected for travel expenses paid to central council members attending central council meetings. Given this expenditure amounted to more than £2,000 in 2018, **it is recommended that Central Council review the expenses policy and options to reduce the cost of Central Council** while recognising that transactions are increasingly paperless so provision of receipts may be difficult.

The auditors were made aware of an incident in which a branch incurred a significant cost which was invoiced to the national SHA. We wish to emphasise that branches **must not** do this. If branches wish to expend more than they raise locally, they must approach the national officers **in advance. The Governance Review may wish to review the financial relationship between the branches and centre.**

Since September, the officers have paid an individual to undertake administrative duties. This was an emergency measure and we recommend the officers make long term staffing proposals. In passing we should thank Ken Smith who has undertaken his duties with admirable efficiency, dedication and has provided us with invaluable summary information.

The officers informed the auditors that two significant expenditures incurred in 2018, totalling approximately £5,200, were not paid out in 2018 and will instead appear in the 2019 accounts.

Transactions are recorded on a legacy database that has been in use since around 2001. This database appears to be overly-complex and not to have user or technical documentation. It may be no longer fit for purpose. **We recommend the officers investigate replacing this system with a modern book-keeping system.**

## **Income**

The legacy book-keeping system is also used to manage membership information, and so its inadequacy particularly undermines accurate budgeting of membership income. Officers informed the auditors that the association has around 1,270 members according to the database. The auditors were able to identify around 1,050 payments of membership subscriptions in 2018 though not all were at the correct £10 or £25 rates. The discrepancy may be accounted for by lapsed members, members paying by cheque or cash, or by honorary or life members. While this is partly out of our scope **we urge the Central Council to address this membership record issue with some urgency**, as it undermines both the financial and democratic integrity of the association.

The officers provided the auditors with assurance that they are working towards being able to present accurate membership records within three months of the date of the audit. A decision will need to be made regarding those who are not paying current membership rates.

The auditors note that the procedure to call a Special General Meeting **can** still be followed in the interim, for example by verifying membership payments directly against the current account or PayPal records.

The auditors note with regret that UNISON did not renew its affiliation at a national level with the SHA in 2018.

## **Budgeting and Reporting**

The officers did not present us with a financial plan or budgets for the 2018 or 2019 financial years. The auditors recommend the officers should prepare an outline financial plan for 2019 as a matter of urgency and present this to the Central Council.

While it has been possible for the auditors to assess the financial position of the Association based on the electronic transaction records of the bank and PayPal account, the book-keeping issues described above prevent the officers from presenting a comprehensive financial analysis to the Central Council. This creates both a risk that the Association's resources will not be efficiently directed to achieve its objectives, and a risk that changes in expenditure and income will not be detected in a timely fashion. While recognising the complexity and potential cost of replacing the book-keeping or membership systems we recommend that the officers move to make progress with this issue as a priority.

## **Summary**

The auditors were able to assure the cash at bank figures, income and expenditure. However, the auditors identified a number of risks, in particular risks to income.

The summary of our recommendations is as follows:

1. That any balance over £500 in the PayPal account at the end of the month should normally be transferred to the current account.
2. Authorisation protocols and systems on the main bank account are reviewed by the Governance Review Group.
3. That Governance Review Group reviews the expenses policy, and options for reducing the cost of Central Council.
4. The Governance Review Group considers clarifying and possibly reforming the financial relationship between the branches and SHA centre.
5. The Governance Review Group reviews SHA staffing and ensures officers formalise this as appropriate.
6. That the officers investigate replacing the present membership and book-keeping system with a modern alternative.
7. That the Governance Review Group urgently reviews our membership records and systems with a view to preparing our postponed AGM.
8. That the officers should prepare an outline financial plan for 2019 as a matter of urgency and present this to the Central Council.

**3<sup>rd</sup> July 2019**