

Audit Report: March 2015 for the fiscal period 2014

OLD APOSTOLIC CHURCH (Province of Europe District 2)

AUDIT REPORT

March 5, 2015

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Audit Key Steps

Planning completed	October 2014
Field work completed	January 2015
Draft report completed and submitted for response	February 2015
Response received	February 2015
Final report completed	March 2015.

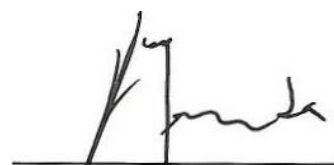
Prepared by: Head - Internal Audit

Acknowledgments

The officer responsible for this audit, comprised of Evangelist Herbst, as appointed by Apostle Nieuwenhuizen, during the first DFC meeting of the Old Apostolic Church – Province of Europe District 2, conducted 5th April 2014.

Evangelist Herbst would like to convey his thanks and appreciation to all officers in the various countries, who contributed in finalizing the financial data, and particularly, officers who provided insights and comments as part of this audit process.

Original signed by



Evangelist Herbst
Head: Internal Audit

EXECUTIVE SUMMARY

In accordance with the Conference of Apostles Standing Committee on Finance, Audit & Risk Management, an internal audit performed for the Old Apostolic Church – Province of Europe District 2 for the fiscal period 2014. Congregations of Belgium & Netherlands, England, Ireland and the United Arab Emirates were included in the audit.

The community auditors and chairpersons manage all financial data on a monthly basis and details captured into the Pastel Accounting System. It was the second audit conducted and will remain the basis for annual audits and reviews going forward.

The purpose of the audit is part of a series of recurring events and aim to provide a platform for officers to collaborate with their equivalent officers of different countries to maintain uniformity. The goal is to identify and maintain, through deliberations, practical steps to ensure the timeous, accurate capturing and management of all financial data that contribute towards maximizing the value of the Church at large as derived from the investments in managing risks.

With this in mind, the specific objectives of the audit were to evaluate the adequacy and accuracy of the financial control framework of all the financial records as well as the degree to which the regional responsible officers comply with the applicable accounting regulations, policies and standards.

During the initial planning of the audit, a high-level risk analysis conducted in order to identify, evaluate and prioritize the risks associated with the management of the financial records. The analysis based upon an examination of the accounting regulations, policies, manuals and standards that govern the management of the financial records, on data analysis, and on the results of preliminary interviews with officers considered key in the management of the financial records. The criteria and methods used in the audit were based on the identified risks.

The methodology used included data analysis, review of the relevant documentation, and interviews with some of the congregational auditors or chairpersons managing the financial records.

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FINANCIAL SYSTEM

All the financial records recorded in the accounts receivable module in the Pastel Financial system. A single user license acquired and installed on the desktop of Elder & Sister Naude in Johannesburg region South Africa.

OBJECTIVES AND SCOPE

The scope of the audit was to ensure that the congregational financial records managed in accordance with the Domestic Rules – Clause 6 (Directives concerning the administration & management of congregations) with specific emphasis to sub-clauses:

1. Clause 6.6 – Books & Records,
2. Clause 6.8 – The offerbox and handlings of tithes,

All financial data managed comprehensively and captured accurately in the financial system. In doing so the financials are managed fairly, efficiently and effectively to recover such receivables and eliminate the risk of loss.

The audit objectives were to assess:

- whether the framework of controls for the management of accounts receivable is comprehensive & appropriate; and
- the degree of the congregation's compliance with the applicable accounting regulations, policies and standards.

The audit dealt with internal accounts receivable created during the 2014 fiscal year.

Methodology

In order to meet its objectives, this audit combined data analysis with a review of relevant documentation and communication with various congregational auditing officers.

The processed followed to capture financial records:

- I. Spreadsheets from individual countries are received each month summarising the income and expenditure for that specific country,
- II. Data is captured on strength of spreadsheets received in the Pastel System and reconciled against the bank statements of the various countries,

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- III. The exception is West Germany where no financial accounting is performed on the Pastel System; neither do we perform Bank Reconciliation for this Country. Income and expenditure however, is verified against monthly spreadsheets, whereby income and expenditure is monitored.
- IV. The objective is to complete these reports prior to the meeting with Apostle on the second Sunday of every month.

Review of the Documentation

A representative set of sample data was obtained to verify the accuracy and effectiveness of data captured into the financial system for each period, details are:

Period 2014 – Income statements

England:

- | | | |
|---------------------------|---|----------------|
| 1. Telephone & internet | - | January 2014 |
| 2. Registration | - | February 2014 |
| 3. Travel & Accommodation | - | March 2014 |
| 4. Sealing | - | July 2014 |
| 5. Registration | - | September 2014 |
| 6. Equipment Hire | - | December 2014 |

Belgium:

- | | | |
|-------------------------------------|---|----------------|
| 1. Rental of Hall | - | January 2014, |
| 2. Travel and accommodation | - | April 2014, |
| 3. Travel and accommodation | - | May 2014, |
| 4. Sealing service related expenses | - | June 2014, |
| 5. Travel & accommodation | - | August 2014, |
| 6. Rental of Hall | - | November 2014. |

Ireland:

- | | | |
|---------------------------|---|-----------------|
| 1. Travel & accommodation | - | January 2014, |
| 2. Telephone & internet | - | March 2014, |
| 3. Registration | - | March 2014, |
| 4. Sealing service | - | June 2014, |
| 5. Registration | - | September 2014, |
| 6. Rental of hall | - | December 2014. |

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Netherlands:

- | | | |
|---------------------------|---|----------------|
| 1. Rental of hall | - | January 2014, |
| 2. Travel & accommodation | - | June 2014, |
| 3. Welfare | - | August 2014, |
| 4. Telephone & internet | - | November 2014, |
| 5. Rental of hall | - | December 2014. |

MENA:

- | | | |
|---------------------------|---|----------------|
| 1. Rental of hall | - | February 2014, |
| 2. Registration costs | - | May 2014, |
| 3. Refreshments | - | August 2014, |
| 4. Sealing service | - | August 2014, |
| 5. Travel & accommodation | - | November 2014, |

INTERVIEWS

Interviews with officers of the various congregations were conducted in order to identify and evaluate current practices, the controls that are in place, and the difficulties that are being encountered.

STATEMENT of ASSURANCE

This audit has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

In my professional judgement, sufficient and appropriate audit procedures were completed and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions are based on a comparison of the situations, as they existed at the time of the audit with the established criteria.

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FINDINGS AND RECOMMENDATIONS

Due to the fact that the second audit has been completed, greater emphasis will be placed in future to comply with all the requirements stipulated in the Audit & Risk charter as presented by the Conference of Apostles:

1. Risk Management:

- a. Develop a risk management framework, including risk management regulations and a risk matrix template, for identifying, assessing, monitoring, managing and reporting significant risks in the District;
- b. Develop a training programme for all Officers in respect of the management of risk in the Church;
- c. Develop risk assessment, risk reporting and risk mitigation mechanisms for approval by the Apostle Head office Administration and implementation by all in the District;
- d. Liaise with all relevant officers to ensure that there is a common understanding of the key risks to the Church in the District;
- e. Assess and contribute to the audit planning processes relating to risk management with specific reference to: financial reporting risks, including the risk of fraud; internal financial controls; IT risks as they relate to financial reporting; and Management and control of Church assets (funds, inventory and other)
- f. Review and recommend disclosures on matters of risk in the annual financial statements;
- g. Provide regular feedback to the Apostle Head office Administration on the adequacy and effectiveness of risk management in the Institution, including recommendations for improvement:

2. Internal Audit:

- a. Review and approve the Internal Audit Plan of the District;
- b. Review significant audit findings and recommendations by Internal Audit as well as the Management responses thereto;
- c. Review the effectiveness of the Internal Audit function in the District;
- d. Provide regular feedback to the Apostle Head office Administration on the adequacy and effectiveness of internal audit practices in the Church, including recommendations for improvement.

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CONCLUSION

The main purpose of this audit was to ensure that accounts receivable are being managed fairly, efficiently and effectively. In particular, it verified the control framework for the management of accounts receivable and the degree to which the officers are in compliance with applicable accounting regulations, policies and standards.

Audit criteria and techniques were developed in order to gather sufficient information on these subjects. The methodology used consisted primarily of interviews, data analysis, and a review of the relevant documentation.

The main observations show that, in general, the congregational accounts receivable are managed in accordance with the principal policies, regulations and standards that govern them.

Certificate by the District Accountant

The Old Apostolic Church (Europe)

European District Two

Certificate for the Financial Year 2014

I, the undersigned, certify that I performed the duties assigned to me during the financial year that ended on 31 December 2014 in accordance with the appropriate policy of the Apostolate, prescriptions and procedures contained in the Constitution of the Church, appropriate regulations as well as policies, directives, instructions and decisions of the Apostolate, Apostle: Head Office Administration and District Finance Committee.

The directives prescribed in the Policy for the composition of annual statements for the Districts, were applied.

I certify that all financial transactions submitted to me by the Treasurers of Belgium, Netherlands, Britain, Ireland and the United Arab Emirates were recorded and all records properly maintained and audited.

All the financial statements (balance sheets and income statements) for the financial year for all the countries in the District are attached.



Signed:

District Accountant

Netherlands
Balance Sheet

Netherlands			
BALANCE SHEET			
FOR THE YEAR ENDED 31 DECEMBER 2014			
	2013	2014	% Growth/ %Change
ACCUMALATED			
Opening Balance	EUR 37 451.16	EUR 39 705.21	6.02%
Plus: Surplus from Income statement	EUR 2 254.05	EUR 2 884.32	27.96%
	EUR 39 705.21	EUR 42 589.53	7.26%
REPRESENTED BY			
TOTAL CURRENT ASSETS	EUR 39 705.21	EUR 42 589.53	7.26%
Cash at ING Bank	EUR 39 705.21	EUR 42 589.53	7.26%
ING Bank: Current Account	EUR 3 295.11	EUR 3 882.47	17.83%
ING Bank: Savings Account	EUR 36 410.10	EUR 38 707.06	6.31%
ING Bank: Fixed Deposit	EUR 0.00	EUR 0.00	N/A
Current Liabilities			
Sundry Creditors- Trust funds C.O.F.	EUR 39 705.21	EUR 42 589.53	7.26%

Income and Expenditure Statement

NETHERLANDS			
INCOME AND EXPENDITURE STATEMENT			
FOR THE YEAR ENDED 31 DECEMBER 2014			
INCOME	2013	2014	% Growth/ %Change
Congregational and Officers and Interest Received	EUR 15 000.94	EUR 13 308.26	-11.28%
Congregations	EUR 7 732.55	EUR 5 948.60	-23.07%
Officers	EUR 5 944.80	EUR 7 062.70	18.80%
Interest Received	EUR 1 323.59	EUR 296.96	-77.56%
Less: Local Expenses	EUR 12 746.89	EUR 10 423.94	-18.22%
Congregations	EUR 5 225.50	EUR 3 912.95	-25.12%
Officers	EUR 7 521.39	EUR 6 510.99	-13.43%
Nett Income	EUR 2 254.05	EUR 2 884.32	27.96%
Expenditure	EUR 12 746.89	EUR 10 423.94	-18.22%
Bank Charges	EUR 93.98	EUR 154.88	64.80%
Refreshments	EUR 9.20	EUR 155.00	1584.78%
Stationery Printing & Postage	EUR 201.30	EUR 409.35	103.35%
Rent paid: Halls	EUR 2 940.00	EUR 3 304.55	12.40%
Telephone and Internet	EUR 323.60	EUR 285.00	-11.93%
Sealing Service	EUR 918.33	EUR 346.50	-62.27%
Travel and Accomodation	EUR 8 260.48	EUR 5 633.16	-31.81%
Welfare Expenses	EUR 0.00	EUR 135.50	N/A

Notes to Financial Statements- Netherlands

Balance Sheet: Total Current Assets

- Total Trust Funds increased by 7.26%, due to a net surplus reflected during 2014

Income and Expenditure Statement

- **Income**
Total income decreased by 11.28 %, due to interest on the maturing fixed deposit reflected in 2013.

- **Expenditure**
Total expenditure decreased by 18.22%, which can mainly be attributed to an overall decrease in total expenses