

Audit Report: March 2016 for the fiscal period 2015

OLD APOSTOLIC CHURCH (Province of Europe District 2)

AUDIT REPORT

March 22, 2016

Audit Key Steps

Planning completed	October 2015
Field work completed	January 2016
Internal auditor's appointments confirmation	February 2016
Response received	March 2016
Final report completed	March 2016.

Prepared by: Head - Internal Audit

Acknowledgments

The officers responsible for this audit comprised of:

- Evangelist Herbst as Head Internal Auditing,
- Priest Le Roux as Internal Auditor, assumed responsibility for the MENA countries,
- Priest Slabbert as Internal Auditor, assumed responsibility for England,
- Underdeacon Sister Hanekom as Internal Auditor, assumed responsibility for Belgium and Ireland,
- Sister Prince as Internal Auditor, assumed responsibility for Netherlands.

The appointment of these Officers and Sisters has been confirmed by the Forum of Apostles during the DFC meeting of the Old Apostolic Church – Province of Europe District 2, conducted 19th December 2015.

Evangelist Herbst conveys 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

In accordance with the Conference of Apostles Standing Committee on Finance, Audit & Risk Management, the annual internal audit for the fiscal period 2015 was performed for the Old Apostolic Church – Province of Europe District 2. Congregations of Belgium & Ireland, England, Netherland and the United Arab Emirates were included in the audit.

The community internal auditors and chairpersons manage all financial data on a monthly basis as approved in the relevant applicable clauses of the Domestic Rules of the Church:

1. Clause 3.4. - Financial Meetings,
2. Clause 6.1. – Congregational Financial Committee,
3. Clause 6.5. – Monthly congregational financial meetings,
4. Clause 6.6. – Books and Records,
5. Clause 6.7. – Cash on hand,
6. Clause 6.8. – Offer box and handling of Tithes,
7. Clause 6.9. - Expenditures.

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 objective 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 was 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.

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 offer box 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 2015 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,
- 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 2015 – Income statements

England:

- | | | |
|---------------------------------------|---|---------------------------|
| 1. Telephone & internet | - | January to December 2015, |
| 2. Travel & Accommodation | - | January to December 2015, |
| 3. Sealing service & related expenses | - | July 2015 |
| 4. Rental of Hall | - | January to December 2015. |

Belgium:

- | | | |
|---------------------------------------|---|----------------|
| 1. Travel and accommodation | - | January 2015, |
| 2. Rental of Hall | - | February 2015, |
| 3. Registration Costs | - | May 2015. |
| 4. Sealing service & related expenses | - | May 2015, |
| 5. Travel & accommodation | - | August 2015, |
| 6. Rental of Hall | - | November 2015. |

Ireland:

- | | | |
|---------------------------|---|----------------|
| 1. Rental of Hall | - | January 2015, |
| 2. Travel & accommodation | - | February 2015, |
| 3. Telephone & internet | - | May 2015, |
| 4. Sealing service | - | June 2015, |
| 5. Registration | - | December 2015. |

Netherlands:

- | | | |
|---------------------------------------|---|---------------------------|
| 1. Rental of hall | - | January to December 2015, |
| 2. Travel & accommodation | - | January to December 2015, |
| 3. Sealing service & related expenses | - | July to August 2015, |
| 4. Telephone & internet | - | January to December 2015, |
| 5. Stationary & Postage | - | July to August 2015. |

MENA:

- | | | |
|---------------------------|---|---------------------------|
| 1. Rental of hall | - | January to December 2015, |
| 2. Registration costs | - | May 2015, |
| 3. Refreshments | - | November 2015, |
| 4. Sealing service | - | November 2015, |
| 5. Travel & accommodation | - | January to December 2015. |

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 our 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.

FINDINGS AND RECOMMENDATIONS

Due to the fact that the third 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 Auditors 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.

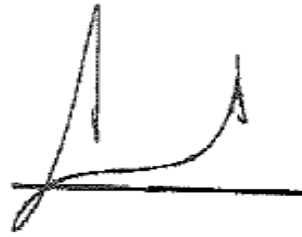
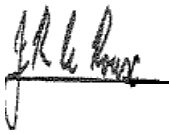
CONCLUSION

The main purpose of this audit was to ensure that accounts receivable is 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.

APPROVALS



PRIEST LE ROUX

PRIEST SLABBERT



UNDERDEACON SISTER HANEKOM

SISTER PRINCE

Certificate by the District Accountant

The Old Apostolic Church (Europe)

European District Two

Certificate for the Financial Year 2015

I, the undersigned, certify that I performed the duties assigned to me during the financial year that ended on 31 December 2015 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
Elder H G Naude**

Netherlands
Balance Sheet

Netherlands				
BALANCE SHEET				
FOR THE YEAR ENDED 31 DECEMBER 2015				
		2014	2015	% Growth/ %Change
ACCUMALATED				
Opening Balance		EUR 39 705.21	EUR 42 589.53	7.26%
Plus: Surplus from Income statement		EUR 2 884.32	-EUR 1 786.14	-161.93%
		EUR 42 589.53	EUR 40 803.39	-4.19%
REPRESENTED BY				
TOTAL CURRENT ASSETS		EUR 42 589.53	EUR 42 589.53	0.00%
Cash at ING Bank		EUR 42 589.53	EUR 42 589.53	0.00%
ING Bank: Current Account		EUR 3 882.47	EUR 3 882.47	0.00%
ING Bank: Savings Account		EUR 38 707.06	EUR 38 707.06	0.00%
Current Liabilities				
Sundry Creditors- Trust funds C.O.F.		EUR 42 589.53	EUR 40 803.39	-4.19%

Netherlands

Income and Expenditure Statement

NETHERLANDS			
INCOME AND EXPENDITURE STATEMENT			
FOR THE YEAR ENDED 31 DECEMBER 2015			
INCOME	2014	2015	% Growth/ %Change
Congregational and Officers and Interest Received	EUR 13 308.26	EUR 11 823.17	-11.16%
Congregations	EUR 5 948.60	EUR 6 035.00	1.45%
Officers	EUR 7 062.70	EUR 5 448.29	-22.86%
Interest Received	EUR 296.96	EUR 339.88	14.45%
Less: Local Expenses	EUR 10 423.94	EUR 13 609.31	30.56%
Congregations	EUR 3 912.95	EUR 4 889.65	24.96%
Officers	EUR 6 510.99	EUR 8 719.66	33.92%
Nett Income	EUR 2 884.32	-EUR 1 786.14	-161.93%
Expenditure	EUR 10 423.94	EUR 13 609.31	30.56%
Bank Charges	EUR 154.88	EUR 144.53	-6.68%
Refreshments	EUR 155.00	EUR 0.00	-100.00%
Stationery Printing & Postage	EUR 409.35	EUR 175.43	-57.14%
Rent paid: Halls	EUR 3 304.55	EUR 4 464.55	35.10%
Telephone and Internet	EUR 285.00	EUR 240.00	-15.79%
Sealing Service	EUR 346.50	EUR 1 499.40	332.73%
Travel and Accomodation	EUR 5 633.16	EUR 3 558.25	-36.83%
Welfare Expenses	EUR 135.50	EUR 0.00	-100.00%
Registration Expenses	EUR 0.00	EUR 3 527.15	N/A

Notes to Financial Statements- Netherlands

Balance Sheet: Total Current Assets

- Total Trust funds decreased by 4.19% to EUR 40 803.39, due to large net deficit of EUR 1 786.14.

Income and Expenditure Statement

- **Income**

Tithe income decreased by 11.16%; mainly for Officers

- **Expenditure**

Registration Costs of EUR 3 527.15 was the major contributory factor to the large deficit of EUR1 786.14 for 2015. Net Income is 161.93% down on 2014.