

Audit Report: July 2017 for the fiscal period 2016

OLD APOSTOLIC CHURCH (Province of Europe District 2)

AUDIT REPORT

July 2017

Audit Key Steps

Planning completed	November 2016
Field work completed	February 2017
Internal auditor's appointments confirmation	April 2017
Response received	May 2017
Final report completed	July 2017

Prepared by: Head - Internal Audit

Acknowledgments

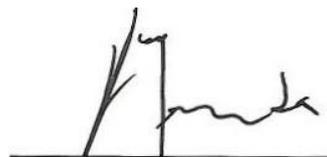
The officers responsible for this audit comprised of:

- Evangelist Herbst as Head Internal Auditing,
- Elder Naude as District Accountant,
- Priest Le Roux as Internal Auditor, assumed responsibility for Belgium,
- Underdeacon Peason as Internal Auditor, assumed responsibility for MENA,
- Underdeacon Sister Hanekom as Internal Auditor, assumed responsibility for Ireland,
- Sister Prince as Internal Auditor, assumed responsibility for Netherlands,
- Sister Orton as Internal Auditor, assumed responsibility for England.

The appointment of the additional Internal Auditors pertaining to Underdeacon Pearson and Sister Orton have been finalised in the first quarter of 2017.

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

EXECUTIVE SUMMARY

In accordance with the Conference of Apostles Standing Committee on Finance, Audit & Risk Management for the Old Apostolic Church – Province of Europe District 2, the annual internal audit for the fiscal period 2016 was completed, including January 2016 to August 2016. Subsequently to the August 2016 period, the internal auditing frequency was amended to a monthly internal audit and completed for the period September 2016 to December 2016. The financial reports finalised by the District Accountant, submitted to the internal auditors for verification and approvals of all income and expenditures, approvals and finalisation achieved with sign-off. Congregations include Belgium & Ireland, England, Netherland and the United Arab Emirates, although the West Germany financials were verified against their accounting statements.

The community internal auditors, treasurers and chairpersons manage and distribute all financial data in accordance with the approved applicable clauses of the Domestic Rules of the Church. Clauses included are:

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.

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 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 and confirmation 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 2016 fiscal year.

METHODOLOGY

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

The processed followed to capture financial records and complete the audit:

- 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. Once all transactions are completed, the responsible internal auditors (assigned per country), then verify all records in terms of:
 - a. revenue income with supporting approved banking documentation,
 - b. expenditures reconciled with supporting and approved documentation,
 - c. validation and confirmation of all entries in the financial system and reports,
 - d. confirm correct and accurate calculations.

- V. 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.
- VI. 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 2016 – Income statements

England:

- | | | |
|---------------------------------------|---|-------------------------|
| 1. Telephone & internet | - | January to August 2016, |
| 2. Travel & Accommodation | - | January to August 2016, |
| 3. Sealing service & related expenses | - | July 2016 |
| 4. Rental of Hall | - | January to August 2016. |

Belgium:

- | | | |
|-----------------------------|---|-------------------------|
| 1. Travel and accommodation | - | January to August 2016, |
| 2. Rental of Hall | - | February to May 2016, |
| 3. Telephone & internet | - | March to August 2016, |

Ireland:

- | | | |
|---------------------------|---|----------------|
| 1. Rental of Hall | - | January 2016, |
| 2. Travel & accommodation | - | February 2016, |
| 3. Telephone & internet | - | May 2016, |
| 4. Sealing service | - | June 2016, |

Netherlands:

- | | | |
|---------------------------------------|---|-------------------------|
| 1. Rental of hall | - | January to August 2016, |
| 2. Travel & accommodation | - | January to August 2016, |
| 3. Sealing service & related expenses | - | July to August 2016, |
| 4. Telephone & internet | - | January to August 2016, |
| 5. Stationary & Postage | - | July to August 2016. |

MENA:

- | | | |
|---------------------------|---|-------------------------|
| 1. Rental of hall | - | January to August 2016, |
| 2. Refreshments | - | November 2016, |
| 3. Sealing service | - | November 2016, |
| 4. Travel & accommodation | - | January to August 2016. |

NOTE:

From the September 2016 period, internal audits were conducted monthly and include verification and approvals of all income and expenditure in all the congregations in all countries.

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 fourth 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:

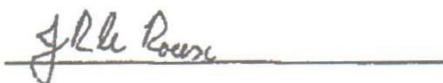
- a. Review and approve the Internal Audit Plan of the District;
- b. Review significant audit findings and recommendations by Internal Auditors as well as the Management responses thereto;
- c. Review the effectiveness of the Internal Audit function in the District;
- d. Provide regular feedback to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

CONCLUSION

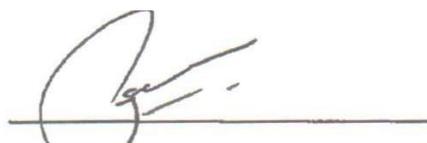
The main purpose of this audit was to ensure that accounts receivable is being managed fairly, efficiently and effectively. In particular, it verified the control framework for the management of accounts receivable and the degree to which the officers are in compliance with applicable accounting regulations,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

APPROVALS



PRIEST LE ROUX



UNDERDEACON PEARSON



UNDERDEACON SISTER HANEKOM



SISTER PRINCE



SISTER ORTON

The Old Apostolic Church (Europe)

European District Two

Certificate for the Financial Year 2016

I, the undersigned, certify that I performed the duties assigned to me during the financial year that ended on 31 December 2016 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
FOR THE YEAR ENDED 31 DECEMBER 2016

	2015	2016	% Growth/ %Change
Opening Balance	EUR 42,589.53	EUR 40,803.39	-4.19%
Less: Deficit from Income statement	-EUR 1,786.14	-EUR 4,716.89	-164.08%
	EUR 40,803.39	EUR 36,086.50	-11.56%
REPRESENTED BY			
TOTAL CURRENT ASSETS	EUR 42,589.53	EUR 35,932.49	-15.63%
Cash at ING Bank	EUR 42,589.53	EUR 35,932.49	-15.63%
ING Bank: Current Account	EUR 3,882.47	EUR 1,712.70	-55.89%
ING Bank: Savings Account	EUR 38,707.06	EUR 34,219.79	-11.59%
Current Liabilities			
Sundry Creditors- Trust funds C.O.F.	EUR 40,803.39	EUR 36,086.50	-11.56%

NETHERLANDS
INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

INCOME	2015	2016	% Growth/ %Change
Congregational and Officers and Interest Received	EUR 11,823.17	EUR 10,247.43	-13.33%
Congregations	EUR 6,035.00	EUR 4,084.22	-32.32%
Officers	EUR 5,448.29	EUR 6,009.20	10.30%
Interest Received	EUR 339.88	EUR 154.01	-54.69%
Less: Local Expenses	EUR 13,609.31	EUR 14,964.32	9.96%
Congregations	EUR 4,889.65	EUR 5,396.47	10.37%
Officers	EUR 8,719.66	EUR 9,567.85	9.73%
Net Income	-EUR 1,786.14	-EUR 4,716.89	164.08%
Expenditure	EUR 13,609.31	EUR 14,964.32	9.96%
Bank Charges	EUR 144.53	EUR 192.43	33.14%
Stationery Printing & Postage	EUR 175.43	EUR 139.22	-20.64%
Moveable Assets Purchased	EUR 0.00	EUR 429.00	N/A
Rent paid: Halls	EUR 4,464.55	EUR 4,456.50	-0.18%
Telephone and Internet	EUR 240.00	EUR 160.00	-33.33%
Sealing Service	EUR 1,499.40	EUR 4,758.75	217.38%
Travel and Accommodation	EUR 3,558.25	EUR 3,275.16	-7.96%
Registration Expenses	EUR 3,527.15	EUR 1,553.26	-55.96%

Notes to Balance sheet

Total Trust funds decreased by 11.56% % to EUR 36 086.50, due to large net deficit of EUR 4 716.89.

Notes to Income and Expenditure Statement:

Income:

1. Total income decreased by 13.33%.

Expenditure:

1. Total Expenses increased by 9.96 % to EUR 14 964.32, mainly due to-

- a. Travel and accommodation costs of EUR 3 275.16, and
- b. Sealing Service Expenses of EUR 4 758.75.

Those were the major contributory factors to the deficit of EUR 4 716.89 for 2016.

2. Net deficit is 164.08% more than 2015.

