

# **AUDIT POLICY**

## **General Objectives**

To establish guidelines and standards for the audit of financial information in accordance with the Laws and Regulations of the Methodist Church (10:1.3.1)

## **Legal Requirements**

A number of Methodist entities are incorporated under the Charitable Trusts Act or the Incorporated Societies Act. Neither of these Acts has any legal requirements for audit of financial statements. The Trustee Act contains a provision for the Court to order an audit of a Trust (sec 83(b)). The Financial Reporting Act has a requirement for “issuers” to produce audited financial statements (sec 15). Some Methodist entities are included in the current (2007) definition of an “issuer” (sec 4).

Each incorporated entity has a constitution or set of rules on which the incorporation of that entity was based. These have full legal status and the provisions must be observed. Changes to these constitutions or rules do not normally take effect unless and until the changes are formally effected with the Registrar of Incorporated Societies or other official body. In most cases changes to the constitution or rules will require the prior approval of Conference.

Where the constitution or rules include a clause requiring audited financial statements to be prepared, this must be done.

Some government and non-government agencies with whom Methodist entities contract or from whom they seek funding, may have a prerequisite for audited financial statements. In those cases, their requirements should be met, or alternatives negotiated.

It is generally assumed that an audit must be carried out by a member of the NZ Institute of Chartered Accountants. However, that is only the case for an “Issuer” or where a funding agency so stipulates. Members of the Institute are able to carry out a “limited review” in place of a full audit, and in many instances that will be adequate to meet the needs of the users of the financial statements.

## **Audit Policy**

It is the policy of the Church that legal and constitutional requirements for the production of audited financial statements will be met in full.

## **Law Book Requirements**

The Laws and Regulations relating to the auditing of financial accounts within The Methodist Church of New Zealand Te Haahi Weteriana O Aotearoa were amended at Conference 2006. Prior to the decision at Conference 2006 the Laws and Regulations provided:

*“10:1.3.1 The financial statements of all Connexional Funds shall be duly audited and shall be presented annually to the Conference.*

*10:1.3.2 All other Boards, Trusts, Parishes, Committees and Courts of the Church shall annually submit duly audited accounts, and these accounts shall be placed in the Conference Journal”*

Conference 2006 decided to combine these two clauses to read:

*“10:1.3.1 All Connexional Funds, Boards, Trusts, Parishes, Committees and Courts of the Church shall annually prepare and submit accounts which are to be audited or reviewed in a manner and to a standard published in the Treasurer’s Handbook.*

*10.3.2 These accounts shall be placed in the Conference Journal.*

*10.3.3 Authority to determine and publish the standards shall be the responsibility of the Board of Administration.”*

This provides the minimum requirements of the Church in relation to audit. Boards and Committees may choose to work to a higher standard if they so choose. This change does not automatically alter any statutory requirements, or of individual constitutions or rules of the entity or any specific requirements of the Law Book, It does set a general requirement for those bodies that do not have specific requirements and it clears the way for bodies that have existing constitutional requirements to work to change the audit requirements where that is appropriate.

In applying this policy and determining the need for an audit, the following matters will be taken into account (not necessarily in this priority):

- Whether there is a legal requirement for the entity to produce and/or file audited accounts under legislation within New Zealand
- Whether the constitution or rules require an audit to be completed
- The main sources of funding
- Whether any funder of the entity requires audited accounts to be produced
- Whether a limited review will meet the needs of the users of the financial statements
- The asset base of the entity
- The total revenue of the entity
- The audience the entity is reporting to and the requirements of that user group
- Whether the target audience is internal to or external to the Church
- The costs/benefit of a full audit to the entity or wider Church
- The wishes of the Board responsible for the accounts.

The Board of Administration will advise entities reporting to it or to Conference of the requirements from time to time. The attached lists show the requirements for the financial year commencing after the date of the adoption of this policy.

The list of entities listed below may not be a full and exclusive list. If an entities name does not appear on the list and you believe it should be, then please contact the Connexional Office to discuss.

**The following entities are required to have an annual audit conducted by a member of the New Zealand Institute of Chartered Accountants**

- Board of Administration (established under section 10:3 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act 1957)
- Board of Ministry – Ministry Education (established under section 10:6 of the Laws and Regulations and incorporated as Trinity Theological College Council under the provisions of the Charitable Trusts Act 1957).
- Board of Ministry – Mission Resourcing (established under section 10:7 of the Laws and Regulations and incorporated as under the provisions of the Charitable Trusts Act 1957)
- Christchurch Methodist Mission (established under section 3.14 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act)
- General Purposes Trust Board (Inc) (established under section 10:13 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act)
  - Travel and Study Committee (established under section 5:7.14 of the Laws and Regulations)
- Grey Institute Trust (established by resolution of 1928 Conference and incorporated under the provisions of the Charitable Trusts Act)
- Methodist Home Mission and Church Extension Funds Investment Board (established under section 11(B) 2.2.4 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act) – *Now part of Te Taha Maori and included as part of that audit.*
- Methodist Connect (established under section 3.14 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act as Dunedin Methodist Mission)
- Mission and Ecumenical Committee (established under section 5:4 of the Laws and Regulations)
- Methodist Mission Northern (established under section 3.14 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act)
- Methodist Trust Association (established under section 5.6.1.1 and incorporated under the provisions of the Charitable Trusts Act)
- PACT 2086 Trust (incorporated under the provisions of the Charitable Trusts Act)
- Rangiatea Maori College Trust Board (established under the provisions of section 11(B) 2.1 of the Laws and Regulations)
- Supernumerary Fund of the Methodist Church of New Zealand (established under section 10.24 of the Laws and Regulations and registered under the provisions of the Superannuation Schemes Act 1989)
- Tamahere Eventide Home Trust (incorporated under the provisions of the Charitable Trusts Act) including
  - Tamahere Retirement Village
- Te Taha Maori (established under section 6:3 of the Laws and Regulations)
- Wellington Methodist Charitable and Educational Endowments Trust (established under the provisions of the Wellington Methodist Charitable and Educational Trusts Act 1916)
- Wesley College Trust Board (established under the provisions of the Methodist Charitable and Educational Trusts Act 1911)

- Wesley Community Action (established under the provisions of section 3.14 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act)

**The following entities are required to have a limited review carried out by a member of the NZ Institute of Chartered Accountants where practical, or by two competent people independent to the entity:**

- Auckland Church Office Building Partnership (established under section 10:2 of the Laws and Regulations and incorporated under the provisions of the Charitable Trusts Act 1957)
- Board of Administration Insurance Account (established under section 10:4 of the Laws and Regulations)
- Board of Administration – Special Account (established under section 10:5 of the Laws and Regulations)
- Church Building and Loan Fund (established under section 10:8 of the Laws and Regulations)
- Connexional Budget Account (established under section 10:9 of the Laws and Regulations)
- Connexional Expenses Fund and those Committees that report to the Connexional Expenses Fund (established under section 10:10 of the Laws and Regulations)
- Connexional Fire Insurance Fund (established under section 10:11 of the Laws and Regulations)
- Investment Advisory Board (established under section 5:5 of the Laws and Regulations)
- P.A.C. Distribution Group (established under section 5:7.11 of the Laws and Regulations)
- Wesleycom Aotearoa (established under section 5:7.12 of the Laws and Regulations)
- Touchstone, which reports to the Communications Committee (established under section 5:7.13 of the Laws and Regulations) including the Board of Methodist Publishing.
- Wesley Historical Society (established by resolution of 1930 Conference and incorporated under the provisions of the Charitable Trusts Act)
- Camp Morley Property and Christian Development Committee
- Presbyters Loan Fund
- Removal Expenses Fund

### **Parishes**

These are defined in section 3:1.1 of the Laws and Regulations:

*“A Parish comprises one or more congregations situated in an area and in relationship with each other as from time determined by the Conference.”*

Lists of Parishes that have been determined by Conference are listed in the Conference Minutes under question 24 on an annual basis.

- (a) Small Parishes with less than \$125,000 of **annual income** shall be required to report on a receipts and payments basis with no audit requirement;
- (b) “Medium sized Parishes with **annual income** from \$125,000 to \$2,500,000 shall be required to report on an accrual basis with the accounts only subject to independent review by a member of the NZ Institute of Chartered Accountants where practical or by two competent people independent to the entity;
- (c) “Large Parishes with **annual income** greater than \$2,500,000 shall be required to report in accordance with Generally Accepted Accounting Practice (GAAP), which includes compliance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), with full audit.

## **Synods**

Synods are subject to the same requirements as Parishes.

## **Other Entities reporting to Conference**

All other entities that have a reporting requirement or accountability to Conference have the same requirements as Parishes and Synods.

**The need for audit/review will be made on an annual basis and may change from year to year as is required and as circumstances change by the Laws and Regulations adopted and amended from time to time by Conference.**

Revision 0 – As approved by BOA on 10 May 2007

Revision 1 – As approved by BOA on 9 May 2013

### **Revision 1**

On 9 May 2013, the Board of Administration changed the annual income from \$100,000 to \$125,000 for Parishes and synods in clauses (a) and (b) under “Parishes”. No other changes were made.