

Diocese of Ontario

**AUDIT**

**Audit Requirement**

Churchwardens' accounts must be audited annually and presented to the Vestry at the Annual Vestry Meeting. The auditors are to examine the system concerning receipts and payments to determine whether adequate controls exist. A copy of the Churchwardens' accounts with the auditors' certificate should be forwarded to the Diocesan Centre with a copy of the church's financial returns by March 15th each year.

Annual audits are important to protect church assets and to protect those handling money or investments of the church against suspicion of mishandling them. As well, confirmation to the Vestry that an audit has been completed and that all monies and investments are properly accounted for will have a positive impact on donor confidence.

Auditors are appointed and elected by the Vestry at the Annual Meeting. A time schedule for the audit should be put in place to ensure that the audit report will be ready in time for the Annual Vestry Meeting.

In many situations an 'auditor' need not be a licensed public accounting firm. This will be determined based on the size and complexity of the entity. For most parishes, hiring a professional accountant to perform an audit may be cost prohibitive. However, every parish must locate an individual (or individuals) with an adequate understanding of accounting and financial procedures to perform an audit of the Churchwardens' accounts. Auditors can be church members, but must be independent of the management and financial processes.

**The Audit**

All of the church's accounts should be audited, which means the operating accounts and all of the funds, whether restricted, endowment or unrestricted. The objectives of the audit are to ascertain the following:

- That the various transactions during the year are proper and are documented appropriately (in other words, authorized, complete and accurate);
- That the various transactions during the year are recorded in the proper amounts and in the proper accounts;
- That the assets, liabilities, income and expenses that should be in the financial records are so shown, in the proper amounts and in the proper accounts;
- That adequate internal control procedures were and continue to be in effect (to the extent feasible);
- That the financial statements for the year were prepared from the financial records and that

they fairly present the financial position of the church.

If, at any time during the audit, the records reveal a situation that suggests something is seriously wrong, the matter should be brought to the attention of the Churchwardens and the Diocesan Financial Officer immediately. Failure to resolve problems immediately can create unforeseen problems, for example, unreported cases of mishandled funds might void insurance coverage, etc.