

Southwest Region Conference of SDA

Local Church Internal Auditor



Why a Local Church Internal Auditor?

The internal auditing function serves as a management tool for the examination and evaluation of the treasury department procedures. Local internal audits of the work of those in positions of trust can affirm the work that is being done as adequate and give the church boards assurance as to the handling of church funds.

It is important for the Auditor to be familiar with the work of the Church Treasurer in order to recognize inconsistencies and suggest corrective actions.

The Internal Auditor should possess the following qualifications:

- a. Should be a Seventh-day Adventist in good standing.
- b. Must understand and be willing to adhere to the rule of strict confidentiality regarding the information to which they will be privy.
- c. Training or experience, preferably in auditing, accounting, or business.
- d. The Auditor should not hold any other Board position.
- e. The Auditor should not be related to the Treasurer or their staff.

Access to Church records

In carrying out their duties and responsibilities the Internal Auditor will have unrestricted access to all church treasury records.

The Auditor will be responsible for performing the following duties:

- a. Preparing monthly bank reconciliations.
- b. Verifying that the funds are properly validated, receipted and expended as designated.
- c. Reviewing the Church's financial records to provide assurance to the Board and the Church that the reports are materially accurate. Audits should be conducted quarterly. A report is to be presented to the Church Board.
- d. Verifying that the Treasurer is submitting the required reports to the Conference and the Government (where applicable) on a timely basis. These include Remittance Reports with checks each month.
- e. Ensuring that the Church has an accurate listing of all fixed assets and their locations.
- f. Ensuring that procedures for safeguarding assets are adequate.

The Auditor should become knowledgeable of the software used to keep the treasury records.

Auditing Process

- 1- Review the Count Sheets (Tally Sheets):
 - a) One count sheet for each week, even if no offering was collected.
 - b) Match the total with the amount shown on the bank statement.
 - c) Tally Sheet must show validation (signatures) from at least two of the counters.
 - d) Funds were deposited promptly.

- 2- Verify that the amounts from the envelopes were applied to the funds Indicated by the donor.

- 3- Review the documentation for the disbursements:
 - a) Church Board Minutes should be available.
 - b) An approved Budget should be available.
 - c) For each disbursement an invoice or a receipt must be available showing a signature from the authorizing person (not from anyone that signs on the bank account).

- 4- Verify that funds were disbursed according to the Budget and the Board Minutes.

- 5- Review the Financial Report
 - a) Funds were allocated according to the Budget
 - b) Disbursements do not exceed the budgeted amount.
 - c) Should be able to understand and explain all the entries.

- 6- Make notations of your findings and present a report to the Church Board.