

Audit Guide

What is an audit?

Generally an audit (also called a financial compliance review) is comprised of a number of tests of the various transactions that occurred during the year. These tests, along with questions and inquiries made by the auditor(s), lead to an opinion about the appropriateness of the financial statements.

Why have an audit?

- To obtain independent assurance that all financial records fairly represent the financial condition of the church;
- To insure that the year's financial activity has been properly recorded in accordance with generally accepted accounting principals;
- To insure adherence with the policies and procedures established by the congregation; and
- To maintain confidence in the integrity of the congregation's financial system and the persons responsible for handling the finances

The ELCA Recommendation Regarding Audits of Congregations

The churchwide office of the ELCA does not require that its congregations have an audit performed every year, but it highly recommends the practice. There is no stipulation concerning who should perform the audit--an outside audit firm, the congregation's audit committee, or an individual congregant(s) with a financial background appointed by the audit committee or church council. At a minimum, the church council should appoint an audit committee and have this committee (or an individual congregant(s) working under the guidance of the audit committee) review the church's financial records each year. An audit can often discover weak spots in the congregation's system of internal controls or discrepancies in the financial records. Having an outside auditor from a certified public accounting firm conduct periodic audits can be beneficial in providing an independent assessment of the congregation's financial management process.

The Audit Committee

The audit committee is appointed by the council of the congregation. This committee should be composed of at least two members of the congregation, excluding the treasurer and the financial secretary. It is preferable that they be individuals who have had training in accounting procedures. The committee, with approval of the finance committee, may secure outside help on a fee basis from an independent accountant, registered in the state.

Functions of the Audit Committee

- Examines and reviews all financial statements.
- Conducts the annual audit or exercises supervision and oversees the work of the audit if it is conducted by an outside accounting firm or individual congregants.
- Examines all insurance policies and prepares a schedule of the insurance coverage.
- Inspects and examines securities and investments.
- Prepares a schedule of the securities and investments for review by the finance committee.
- Reports its findings in writing to the church council with supporting schedules and recommendations for change and improvement.
- Verifies that the congregation complies with federal & state tax laws and regulations.

Conducting an Audit

The ELCA has developed a Congregational Audit Guide. This guide can be used by a congregation to conduct an internal audit or as a guide to better understand the audit process.