



EVANGELISCHE KIRCHE IN DEUTSCHLAND

(EVANGELICAL CHURCH IN GERMANY)

OBERRECHNUNGSAMT

(HIGH AUDIT OFFICE)

(English Version)

REPORT

ON THE AUDIT OF

THE FINANCIAL STATEMENT FOR 2014

WORLD COMMUNION OF REFORMED CHURCHES

(WCRC)

HANOVER

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LIST OF IMPORTANT ABBREVIATIONS

BSSt.	Buchungsstelle (Booking account, classification level in the finance software KFM)
CHF	Swiss franc (currency code according to ISO 4217 for the Euro zone)
DVO.EKD	Dienstvertragsordnung (Employment contract regulations of the EKD, salary regulation), new version of 25th August 2008 (ABl. EKD page 341), last changed on 29th September 2014 (ABl. EKD 2015 page 2)
EKD	Evangelische Kirche in Deutschland (Evangelical Church in Germany)
EUR	Euro (currency code according to ISO 4217 for the Euro zone)
GG	Grundgesetz für die Bundesrepublik Deutschland (Constitution for the Federal Republic of Germany)
GLD	Gliederung (classification level in the finance software KFM)
GRP	Gruppierung (classification level in the finance software KFM)
HHSt.	Haushaltsstelle (General Ledger account, classification level in the finance software KFM)
IKS	Internal control system
KFM	Kirchliches-Finanz-Management (finance software of KIGST GmbH, Offenbach am Main)
Nds. MBl.	Niedersächsisches Ministerialblatt (ministerial law gazette of Lower Saxony)
ORA	Oberrechnungsamt der Evangelischen Kirche in Deutschland (High Audit Office of the Evangelical Church in Germany)
ORAG	Church law on the High Audit Office of the Evangelical Church in Germany of 12 th November 1993 (ABl. EKD page 513)
RT	Rechtsträger (client in the finance software KFM)
SB	Sachbuchteil (classification level in the finance software KFM)
SGB VI	Sozialgesetzbuch (Social Security Code) / Book Six (VI) - Social pension fund
TVPöD	Tarifvertrag für Praktikantinnen/Praktikanten des öffentlichen Dienstes (labour contract for trainees in the public service) of 27th October 2009, last changed by labour contract alteration no. 4 of 1st April 2014)
Tz.	Textziffer (classification number of the content statements in this report)
UK	Unterkonto (sub-account - classification level in the finance software KFM)
USD	US - dollar (currency code according to ISO 4217 for the Euro zone)
WRV	Weimarer Reichsverfassung (Weimar Constitution)
ZB	Zeitbuch (accounting journal in the finance software KFM)
ZW	Zahlweg (payment method / bank data in the finance software KFM)

I. AUDIT BASICS

Audit assignment

The High Audit Office of the Evangelical Church in Germany (ORA) audits the budget and asset accounting of the World Communion of Reformed Churches (WCRC).

The audit assignment is based on an administrative agreement reached between the WCRC and the EKD on 10th/11th December 2014. The Standing Budget Committee of the EKD synod approved the acceptance of this audit assignment in its conference on 12th/13th March 2014.

Audit subject and aim

The report at hand is for the purpose of preparing the decision about the approval of the General Treasurer and the General Secretary for the management in the accounting year 2014 by the Executive Committee of the WCRC.

Possible reporting duties resulting from the hitherto status as a non-profit institution according to Swiss law to the Swiss authorities are not covered by this report.

Subject of the audit was the annual financial statement of the WCRC for the accounting year 2014.

For this, it was precisely audited,

- whether the budget and economic management as well as the asset administration in the accounting year 2014 took place correctly and according to applicable law and
- whether the annual accounts 2014 essentially convey an appropriate image of the results and asset situation.

The correctness of accounting was the audit standard in this case. In this respect, the audit aim was to determine whether there were considerable differences between the amounts mentioned in the accounting and those proven in the books and whether the approval and authorization of the annual accounts as well as the approval of the WCRC General Treasurer and the WCRC General Secretary by the Executive Committee can be recommended.

It is furthermore the assignment of the audit to check the budget and economic management of the WCRC. This specifically includes the administrative action, which is not directly reflected in the annual accounts to be presented. In this case, the audit standards are the correctness and cost effectiveness of the actions.

For this, it was precisely audited

- whether the entrusted resources were deployed in an adequate, economic and thrifty way,
- whether and in which cases of relevance the regulations and principles applicable to the budget and economic management were not complied with and
- what recommendations of action are to be derived from the audit results for the future, if applicable.

As a whole, it is the intention of the audit to support the church-leading persons and organs in the execution of their functions and stimulate economic thinking as well as responsible action concerning the handling of the resources entrusted to the church.

Type, extent and execution of the audit

The ORA carried out the audit based on a risk-oriented audit approach.

Accordingly, the audit must be planned and executed in such manner that incorrectnesses and infringements in the accounting and the budget and economic management of the WCRC are recognized with adequate certainty. It was not the aim and task of the audit to trace discrepancies without significance in single cases or the whole.

The audit was carried out according to the dutiful judgment of the auditor in samples and according to certain focuses. These were selected so that they allowed for the significance of the different audit topics, conveyed a meaningful image of the corresponding section and facilitated the conclusion as to whether applicable law had been complied with.

In this context, the following audit focuses were determined:

- correctness and completeness of the annual financial statement (appropriate reproduction of the asset and result situation, adherence to the budget),
- correctness of the asset evidence (correct compilation and applicable recording of the essential asset positions) and
- inspection of single fields of high significance (relocation of the WCRC, labor cost accounts, project/program budgets, among others).

If action was taken against existing regulations in the case of single measures of those proven in the accounts and this remained without audit objections, no approval is to be deduced from this fact.

The audit was carried out by Mr. Soeren Rischbieter in the period from 16th February to 23rd March 2015 – with interruptions. It temporarily took place in the WCRC office in the Calvin Centre in Hanover (Knochenhauerstr. 42).

The following documents were available for the audit:

- a) the 2014 budget for the WCRC and
- b) the financial statement presentation (annual financial statement KFM, SB 00) including the advances and transit accounts (SB 52) as well as the capital account (SB 92) for the budget year 2014 of 2nd March 2015 (ZB closure no. 0227).

In addition, further WCRC files, especially the accounting documents (invoice documents and bank statements), were available. The records requested within the audit were submitted resp. access to the corresponding documents was allowed.

The audit was carried out based on the WCRC budget code (“WCRC General Finance Management Policies“), which has already been applied from the financial year 2013 onwards and was officially put into effect by the Executive Committee of the WCRC at its meeting of 11th to 18th May 2014. The information required on the occasion of the audit was provided by Mr. Gerhard Plenter (Evangelical Reformed Church, Leer) as well as Ms. Anna Krueger (assistant for finance and communication). In addition, further WCRC staff members were available for further enquiries.

Completeness statement

To ensure the audit basics the ORA has requested a completeness statement for the financial statement 2014 from the WCRC. It was given by the General Secretary within the scope of this audit.

II. ORGANIZATIONAL CIRCUMSTANCES

The World Communion of Reformed Churches (WCRC) is a non-profit-oriented, international, non-governmental organization representing 230 member churches from 106 countries with a total of approx. 80 million Christians as a united ecumenical body for reformed churches. It developed from the association of the Reformed Ecumenical Council (REC) and the World Alliance of Reformed Churches (WARC) in 2010 and succeeded them legally. The current WCRC constitution was approved by the Uniting General Council in 2010. The organization is officially based in Geneva.

In its self-concept, the WCRC follows the tradition of the Reformers Johannes Calvin, John Knox and Huldrych Zwingli as well as the reformation movements around Jan Hus and Pierre Valdo.

The World Communion of Reformed Churches is to foster its member churches in their community and support them in the social discussion. In addition, it is also to contribute to the ecumenical movement and the transformation of the world by standing up e. g. for economic and ecological justice, world-wide peace and conciliation, promoting and protecting religious, civil and all other human rights; appealing for emergency relief and continuous development in the world and promoting them as well as pointing out reformed perspectives for unity among the churches (see article V of the constitution).

In terms of articles 60 and the following of the Swiss Civil Code, the WCRC is constituted as an association. In Germany, its status is that of a public body in terms of article 140 GG in conjunction with article 137 paragraph 5 S. 2 WRV, awarded by the Federal Government of Lower Saxony, order issued on 11th December 2012¹. It is subject to state supervision by the Ministry of Culture of Lower Saxony.

In addition, a contract for the regulation of issues corresponding to the legislative responsibility of the federal government was concluded between the Federal Republic of Germany and the WCRC dated 11th/14th April 2014. It was ratified by Federal Law on 10th December 2014.

¹ see announcement of the Ministry of Culture of Lower Saxony of 16th January 2014 (Nds. MBI 4/2013, page 67)

The organs of the WCRC are:

- the General Assembly (with President and General Treasurer),
- the Executive Committee and
- the General Secretary.

The Chief Executive Officer of the WCRC is the General Secretary elected by the Executive Committee. According to article XII of the constitution, he bears the responsibility for the management and coordination of their work towards the General Council and the Executive Committee. On 1st September 2014, Rev. Chris Ferguson (United Church of Canada) became the office holder having taken over the office from Dr. Setri Nyomi (Ghana), who withdrew from the WCRC management on 30th August 2014.

The WCRC President is Dr. Jerry Pillay (South Africa), the office of General Treasurer was assigned to Dr. Johann Weusmann (Germany).

The current administration of the WCRC is assumed by an operational office directed by the General Secretary. It was based in Hanover (Germany) during the audit period. In addition, a branch is currently still maintained in Geneva.

The accounting year (budget year) is the calendar year.

III. ACCOUNTING / PRESENTATION OF THE ACCOUNTING RESULTS

In the audit period, the WCRC accounting was carried out in the cameralistic accounting style using the software KFM – Kirchliches-Finanz-Management (of the company KIGST GmbH – Offenbach am Main, Germany), which was already deployed for the accounting of the year 2013.

The ORA did not check the software applied. Within the scope of the audit activities, however, there were no indications leading to the assumption that the application might contain essential errors.

According to general financial principles, the annual accounts are to convey an adequate image of both the asset and the result situation.

This can be summarized as follows:

Presentation of the result situation

The accounts results of the audit period according to the documents presented for the audit are as follows:

	Revenues	Expenses
	EUR	EUR
Budget appropriation according to budget	2,803,400.00	2,803,400.00
TARGET COSTS 2014 (plan valuation)	2,803,400.00	2,803,400.00
According to the annual financial statement the following amount to:		
The actual receipts	2,809,603.03	
The transfers from program reserves	725,081.52	
The transfers from other reserves	149,955.38	
The actual expenditures		1,763,617.23
The allocations to program reserves		512,513.21
The allocations to other reserves		1,421,851.10
The deficit 2014 (transfer from the General Reserve)	13,341.61	
ACTUAL COSTS 2014 (result)	3,697,981.54	3,697,981.54

Advances and transit accounts

The advances and transit accounts (SB 52) of the WCRC were randomly audited. They were predominantly balanced within the year-end tasks. This especially refers to the passage accounts. The audit revealed no indications concerning any relevant cases of delayed accounting.

As far as any audit-relevant circumstances arose these were broached resp. spoken about during the audit statements.

Presentation of the asset situation

The total asset stock of the WCRC amounted to 3,075,524.89 EUR for the year-end closing as of 31st December 2014. Compared with the previous year (modified final stock 2013: 2,021,296.15 EUR²), this stock has increased net by 1,054,228.74 EUR (+52.16 %).

The asset accounting of the WCRC (SB 92) according to the documents presented for the audit are as follows as of 31st December 2014:

Reserve assets (incl. trust assets, according to SB 92)	Opening stock	Final stock	Difference
	EUR	EUR	(versus previous year)
WCRC Capital			
Reserve Fund	79,359.94	64,320.97	-18.95%
North American Reserve Fund	29,804.51	29,804.51	0.00%
IT Provision	12,063.59	12,063.59	0.00%
WCRC North American Trustees	11,012.44	11,012.44	0.00%
Reformation in the 21st Century Fund	3,964.36	3,964.36	0.00%
Alliance for Life Fund	2,973.51	2,973.51	0.00%
Relocation Fund	143,989.29	0.00	-100.00%
Special asset positions			
UEK Special Donation	296,089.12	496,089.12	67.55%
General Council Fund	406,665.56	461,871.82	13.58%
CWM Endowment Reserve	0.00	1,211,500.00	100.00%

² The final stock amounted to 2,018,094.07 EUR in 2013. This was increased by 3,202.08 EUR by stock correction booking. Concerning this measure, please refer to the explanations in the audit statements (Tz. 3.3).

Continuation of the table "Reserve Assets"

Theology & Mission office programs			
Global Institute of Theology (GIT)	39,724.53	2,581.11	-93.50%
Theological Dialogs	17,075.77	20,797.37	21.79%
Mission	33,229.63	17,805.90	-46.42%
Madip	27,965.33	27,965.33	0.00%
Georges Lombard Prize	19,169.16	17,014.65	-11.24%
Justice & Partnership office programs			
Covenanting for Justice	4,346.22	12,078.90	177.92%
Gender Justice	142,680.31	76,836.33	-46.15%
Theological Education for Women	174,752.08	174,649.38	-0.06%
New econ. & fin. Architecture (NEFA)	42,918.46	43,379.59	1.07%
Oikotree (KCTE)	15,269.47	15,144.01	-0.82%
Human Traffickers	0.00	0.00	0.00%
Partnership Funds			
Partnership Fund A	37,446.80	0.00	-100.00%
Partnership Fund B	42,725.43	8,196.00	-80.82%
Partnership Fund D	14,176.62	14,176.62	0.00%
Partnership Fund E	40,734.21	3,705.55	-90.90%
General Programs			
WCRC regional support	40,000.00	39,954.00	0.00%
Oikotree	0.00	0.00	0.00%
General Secretary programs	0.00	0.00	0.00%
Youth program	0.00	0.00	0.00%
Global South Internship support	11,958.78	38,074.23	218.38%
North American Internship support	11,862.96	1,255.73	-89.41%
Native American project	3,164.33	3,164.33	0.00%
Regional Communication support	12,262.45	0.00	-100.00%
Custodian funds			
WCRC Europe	226,800.45	188,034.70	-17.09%
Further custodian funds			
Cooperation & Witness	18,016.30	18,016.30	0.00%
Calvin Publications fund	26,638.17	26,638.17	0.00%
Publications fund	6,204.11	6,204.11	0.00%
UCC Death	5,175.70	5,175.70	0.00%
Sustainability fund	16,858.47	16,858.47	0.00%
Guinea fund	4,218.09	4,218.09	0.00%
Total	2,021,296.15	3,075,524.89	52.16%

IV. AUDIT STATEMENTS

1. General statements

1.1 Applicability of the budget code

At the latest meeting of the Executive Committee, which took place in Hanover from 11th to 18th May 2014, the budget code of the WCRC, which was already supposed to have been the basis for the accounting for the year 2013 in its draft phase, was formally put into effect by resolution.

Following the move from Geneva to Hanover on 1st January 2014, the accounting year 2014 represents a year of transit and re-orientation, also concerning accounting. Thus, it has not been possible to implement the regulations of the budget code entirely, as was the case with accounting for the year 2013.

For example, the new budget code assumes that the so-called “expanded public accounting system “ will be applied. Currently, however, the organizational requirements demanding sufficient time advance have not yet been fulfilled since an evaluation of the fixed assets has to be carried out, among others.

Therefore, the ORA has mainly based this year’s audit on the correct accounting with special focus on the continuity of accounting.

1.2 Correctness of the accounting / documentation

The accounting and the documentation were carried out according to the bank statements. The invoice documents were basically archived separately for each bank account and in the chronological order of the account statements with the corresponding documents matched with the bookkeeping entries. There is no archiving in a factual order.

The documents were randomly audited. Here, it was noticeable that the documentation is not carried out with the required rigor. Instead of the account statements there were partly merely tabular compilations of the bookkeeping entries from online banking archived in the front. In some few cases, account statements were missing. In addition, not all the documents had been properly archived at the time of the audit. Furthermore, no cash order had been made for a multitude of single transactions (especially revenues) and the booking took place on the sole basis of the information given in the account statement. Apart from the fact that, as a result, there was neither a determination of the factual and calculative correctness nor an authorization of the payments (see also Tz. 1.3 concerning authorization procedures), the

significance of the documentation is also insufficient in such cases. Attention must be paid to the fact that documents are basically to be self-explanatory. This can be achieved by means of written notes (e. g. referring to resolutions or technical files a transaction is based on), for example, as well as payment-justifying documents. In this context, the ORA points out that e-mails with few details are generally not suitable as payment-justifying documents. In the future, it is to be ensured that no booking is carried out without a significant document or without the corresponding authorization.

Concerning the promptness of accounting it was noticed that booking backlogs, which were only caught up with a significant offset of several weeks, had arisen selectively in the course of the accounting year. Between the accounting journal closure no. 2 (of 27th May 2014) and the accounting journal closure no. 3 (of 15th September 2014), for example, there is a period of approx. 14 weeks. Between the accounting journal closure no. 152 (of 31st October 2015) and the accounting journal closure no. 153 (of 12th December 2014) there is also a time frame of approx. 6 weeks. The WCRC disposes of no current information to its financial status within these periods.

The ORA does not misjudge the fact that backlogs in accounting were hardly to be avoided due to the move to Hanover and the resulting required adjustment of accounting as well as the processing of the financial statement for the accounting year 2013, which reached into the second quarter of 2014, and that some readjustment processes had to be passed through in the organization of processes. However, a contemplation of the entire accounting year 2014 did present some organizational risks (e. g. lack of substitutes in accounting in case of absences due to holidays or illness) and optimization potentials (prompt and coherent booking and documentation of transactions, among others), which were discussed within the scope of the audit.

In spite of the clear weaknesses, which the ORA attributes to the transfer situation, the general traceability of the audited transactions was given.

1.3 Accounting directives

During the audit, it became evident that the booked transactions did not comply with the formal requirements of correct accounting directives in many cases. Generally, it is to be confirmed on the documents according to the four-eyes principle that

1. the thus resulting revenue or expense is correct in content and amount (declaration of the factual and calculative correctness)

and

2. the revenue or expense is actually to occur (directive).

After the ORA had pointed out this requirement within the scope of the previous audit, it was determined that a number of documents had been signed by the General Secretary. However, a signature was missing in numerous cases although no bookings should have been carried out without such a formal directive. Apart from the directive of a booking a further requirement is the determination of the factual and calculative correctness of a payment, which is also to be documented by an authorized person's signature. This applies both to incoming payments and out-payments.

The ORA renews its recommendation to design the accounting directives as a part of the internal control system by suitable organizational measures in such a manner that the responsibility for all transactions is documented and can be retraced.

2. Statements about the year-end closing

2.1. Correctness and completeness of the annual financial statement

The 2014 year-end closing of the WCRC was compiled dated 2nd March 2015 (ZB closing no. 0227). It shows a volume of **3,697,981.54 EUR**.

For the audit, the documentation from accounting (SB) was provided as annual accounting document. Close inspection and checking of the proven year-end closing results gave no indication for differences of relevant significance.

As a result, according to the findings of the ORA the annual financial statements for the accounting year 2014 show no fundamental breaches.

2.2. Budget balancing / utilization of the 2014 profit

The balancing of the ordinary budget was induced by a withdrawal of the deficit remaining after execution of all necessary bookings amounting to **13,341.61 EUR** from the General Reserve Fund (SB 92, BSt. 5110.00 UK 1).

2.3. Balancing of payment methods and capital asset accounts / depots

For the audit, account and depot statements as well account balance statements were presented for all the payment methods installed in the WCRC as well as for all the asset components proven in the balance sheet (SB 92). In this regard, no objections have resulted.

2.4 Development of Reserves

As of 31st December 2014, the total stock of WCRC assets amounted to **3,075,524.89 EUR** and has increased by 1,054,228.74 EUR compared with the balance of the previous year. This corresponds to an increase of +52.16 %.

This asset increase mainly results from

- a special contribution of 200,000.00 EUR by the Union of Evangelical Churches (UEK), which was conducted to an already existing earmarked reserve (SB 92, BSt. 5120.00) to its full amount as well as
- a contribution of 1,211,500.00 EUR (= 1.0 GBP) from the Council for World Mission (CWM), which was conducted to its full amount to a newly-established earmarked reserve (SB 92, BSt. 5140.00) based on the corresponding resolution of the Executive Committee.

The reserves were especially made use of within the program budgets (see Tz. 3.5).

While managing the reserves, it was noticed that changes (withdrawals and allocations) were not always booked via the ordinary budget (SB 00). Furthermore, when a booking occurred via the WCRC budget the appropriate grouping figures (withdrawal of reserves: GRP 31xx, allocation of reserves: GRP 91xx) were not always used and, in one case, the gross-principle was also not followed. This complicates the traceability and transparency of changes in the balance sheet and is to be avoided in future.

2.5 Advance and transit accounts

The advance and transit accounts (SB 52) were balanced and traceable on the whole (with few permitted exceptions, e. g. the booking accounts corresponding with the SB 92 balance sheet, where the solvent capital is assigned to the assets).

The audit of the SB 52 resulted in a statement for the accounting of advancements. The BSt. 0200.00 had shown an opening stock of 2,756.84 EUR, which resulted from not yet settled advancements from previous years. Due to a corresponding ORA statement in the report on the audit of the annual statement of 2013 the WCRC office had carried out the revision of various advance payments. At this, the accounting years 2012 and 2013 were analyzed. After this, a part of the affected cases could be seen as concluded since the advancements had been settled after presentation of the corresponding records.

As of 31st December 2013, four open cases with a total of 11,686.80 EUR still remained. Within the scope of the year-end tasks, a balance was carried out by

means of transfers from the WCRC core budget (SB 00) so that the BSt. 0200.00 is overall balanced with a final stock of 0.00 EUR.

For three of the open cases, the ORA asked for the presentation of the documents which justify these bookings. Hereupon, the WCRC office sent written declarations of the advancement recipients stating that the advance payments received in the years 2012 and 2013 had been completely used up resp. what context the means had been deployed in. The examination of these documents resulted in the following:

- A reconciliation of the advancements did not take place.
- The WCRC office does not dispose of any detailed proof substantiating a concrete utilization of the means. The invoice documents presented to the ORA in copy cannot be assigned to the periods in question.
- A rectification of the advance accounts finally occurred by means of a flat transfer from the ordinary WCRC budget so as to achieve a balancing of the advance accounts.

The approach towards the rehabilitation of open advancements is not convincing and, thus, objected to. At this, the ORA does not misjudge that a clarification was complicated considerably due to the time delay and an insufficient documentation in the past.

In the future, the monitoring of the granted advancements ought to be suitably ensured. Also, the WCRC office should work towards the achievement of a prompt settlement as well as the presentation of significant proof and communicate these priorities to the advancement recipients.

3. Single statements

3.1. Personnel administration / payroll (Germany)

The personnel administration for the staff employed in Hanover is carried out by the WCRC office. For the payroll it makes use of the Central Payroll Office of the Ev.-ref. Church (Leer).

Private-law employment contracts have been established with the staff deployed in Germany. In the case of the theological staff (General Secretary, Executive Secretaries) the regulations of civil service law were the point of orientation. Their remuneration is in the style of the Lower Saxony pay regulation, among others. The other administrative staff members receive remuneration according to DVO.EKD (adminis-

trative staff) resp. according to TVPöD (trainees). In addition, one volunteer is employed on a 450-EUR basis.

For the audit of the personnel administration and the payroll, the ORA was provided with an overview of the staffing, the sample labor contract used by the WCRC as well as the payroll documents. In addition, access was given to single labor contracts. The audit resulted in the following statements:

- The basic salaries that the salary payments are based on correspond to the significant chart payments and the groupings agreed to by labor contract. The same applies to family-relating salary components. The pay scale increases carried out in 2014 were taken into account.
- In two cases, theological employees obtain a flat, monthly and unlimited bridging bonus (400 EUR resp. 200 EUR), which increases the salary. This was determined in the labor contract but it was traceable neither concerning the reason nor the amount. In particular, it is not recognizable which salary law was referred to when granting these bonuses, who decided about the grant and whether this is in accordance with the intended salary structure. In this respect, it is recommended to check the correctness of bonus grants and to document this.
- The theological employees have access to the social health and care insurance according to § 7 of the labor contracts in connection with Article 5 of the contract concluded between the Federal Republic of Germany and the WCRC. The employees have made use of this possibility. Within this context, they receive an employer's contribution for this voluntary health and care insurance. According to the ORA, such a claim does not arise from the labor contracts. Therefore, the ORA suggests checking the legality of these salary components, which affect the gross salary, and correcting the payroll in compliance with the effective terms of exclusion resp. concretizing the labor contract understandings.

For the rest, the audit of the payrolls of the staff handled in Germany has resulted in no further statements.

3.2. Granting claims of old-age allowance

An exemption from old age insurance according to § 5 paragraph 1 page 1 no. 3 SGB VI is assumed for the theological staff employed on the WCRC office. This is based on the labor contract agreement of a claim to an "old-age allowance" in the sense of § 82 of the Lower Saxony Civil Service Supply Law.

For all staff affected, there is a warranty note of the regional tax office of Lower Saxony, which officially determines that the required pension expectancy in the sense of the social law is ensured. Therefore, it was not subject of the audit to determine whether the elements of an offence concerning social insurance law for an exemption from insurance (supply in case of reduced working capacity, claim to continued payment in case of illness, among others) are fulfilled.

For the coverage of the agreed supply claims in the form of old-age allowance, a monthly amount of 30 % of the gross personnel costs per staff member are paid to a supply reserve, which is administered in trust by the Ev.-ref. Church based on a contract concluded for this purpose. The following statements concerning supply claims have resulted:

- According to the Coordinator of Finance it is currently unclear what possible pension expectancies the WCRC theological staff has from former employments and what relation these have with the existing expectancies of old-age allowance towards the WCRC. The ORA suggests clarifying this promptly and, thus, obtaining certainty as to whether a comfortable supply can be ensured in total and whether a further commitment of the WCRC can be excluded.
- Currently, there is no calculation available (actuarial expertise or similar) concerning the expectable total of actual payments to be effected. Insofar, it is unclear to what extent the established supply reserve constitutes a sufficient basis for the pending old-age allowance payments. The reserve stock will probably develop rather slowly due to the current low-interest phase. Therefore, the ORA suggests investigating to what extent the old-age allowance payments will presumably have to be completed by means from the current budget.

3.3 Development of the program budgets

The program budgets with earmarked reserves exist for and contributions are partly provided for by third parties are processed within the ordinary WCRC budget (SB 00).

The various program budgets are each separately administered and settled in the single plans 2, 3, 4 and 5 of the budget. For the year 2014, the program budgets are as follows (all amounts in EUR):

Program budgets	Opening stock	Revenues	Expenses	Closing stock
Program of the "Theology and Mission" office (single plan 2)				
Global Institute of Theology	39,724.53	112,681.46	149,824.88	2,581.11
Theological Dialogs	17,075.77	20,843.65	17,122.05	20,797.37
Mission	33,229.63	13,469.77	28,893.50	17,805.90
Madip	27,965.33	No activities		27,965.33
Georges Lombard Prize	12,788.14	0.00	39.31	12,748.83
Program of the "Justice and Partnership" office (single plan 3)				
Covenanting for Justice	4,346.22	60,329.09	52,596.41	12,078.90
Gender Justice	142,680.31	-19,680.56	46,163.42	76,836.33
Theol. Education for Women	174,752.08	391.80	494.50	174,649.38
New econ. & fin. Architecture	42,918.46	17,744.56	17,283.43	43,379.59
Oikotree	15,269.47	0.00	125.46	15,144.01
Human traffickers	0.00	No activities		0.00
Partnership Funds				
Partnership Fund A	37,446.80	37,028.66	74,475.46	0.00
Partnership Fund B	42,725.43	26,000.00	60,529.43	8,196.00
Partnership Fund D	14,176.62	No activities		14,176.62
Partnership Fund E	40,734.21	0.00	37,028.66	3,705.55
General Programs				
WCRC Regional Support	40,000.00	40,000.00	40,046.00	39,954.00
Justice/Partnership off. support.	0.00	No activities		0.00
General Secretary Programs	0.00	No activities		0.00
Youth Program	0.00	No activities		0.00
"Global South" Internship	11,958.78	44,112.14	17,996.69	38,074.23
"North America" Internship	11,862.96	6,105.45	16,712.68	1,255.73
"Native American" Project	3,164.33	No activities		3,164.33
Support Region. Communication	0.00	No activities		0.00
	712,819.07	359,026.02	559,331.88	512,513.21

The following statements concerning the program budgets resulted within the scope of the audit:

- Eight of the twenty-three programs showed no financial activities in the year 2014.
- For the administration of the program budgets the WCRC practices a procedure which completely transfers the earmarked stocks of the program reserves from the WCRC balance sheet to the ordinary budget for administration every year so as to make the available means visible in the program budget for the responsible executive secretaries. At the end of a financial year, the remaining means are transferred back to the corresponding reserves within the scope of the year-end procedures considering the running revenues and expenses of the projects.

In the accounting year 2014, the program means were transferred back very late, namely in May resp. in September. This approach contradicts the original intent of creating transparency in the previously described sense. Therefore, it is recommended to carry out the transfers at the beginning of an accounting year, if the procedure is to be maintained.

- An amount of 19,680.56 EUR was provided from the means of the program “Gender Justice” (GLD 3320) for the program “Covenanting for Justice” (3310). These funds served to finance the Cuba Consultation.
- The development of the program budget “Georges Lombard Prize” was only traceable to a limited degree within the scope of the audit.

This is to be attributed to the fact that a correction of the opening stock was carried out for the corresponding reserve (SB 92, BSt. 5210.00, UK 5) in the year 2014, among others. The original opening stock had amounted to 15,967.08 EUR and was increased by 3,202.08 EUR since one had erroneously assumed that the stock of the corresponding depot (Lombard Odier) had been registered incompletely during the rearrangement of accounting and the therein contained solvent means had not been activated. Thus, on the active side of the balance sheet, a corresponding new booking account (BSt. 2140, “Lombard Odier”) with an equally newly-installed payment method 14 was installed, which the alleged necessary stock correction took place on. At this, however, it was overlooked that the entire depot stock then (solvent means and capital assets) had already been registered at the BSt. 1410.00 UK 1 (Lodh Fund, Lombard Odier). This error was favored by the

fact that it was a foreign currency depot in USD and the mistake was not evident due to the exchange difficulty.

After the correction, the changed opening stock of the reserve amounted to 19,169.16 EUR. However, of these, only an amount of 12,788.14 EUR was transferred back into the program budget and, considering the originated program expenses of 39.31 EUR, only an amount of 12,748.83 EUR was transferred back into the program reserve.

The traceability of the closing stock of the program reserve is additionally complicated by the execution of further non-budget-effective bookings. This applies to an unclear further reserve withdrawal amounting to 3,178.94 EUR, for example, which could not be explained satisfactorily by the WCRC within the scope of the audit.

Therefore, the balance is to be basically corrected concerning the stock of the depot "Lombard Odier" and the corresponding reserve "Georges Lombard Prize".

- The program "Support Regional Communication" (GLD 5580) shows no activities in the accounting year 2014. The means of the reserve corresponding to this program (SB 92, BSt. 5240.00, UK 8) amounting to 12,262.45 EUR were completely conveyed to the budget for Communication (GLD 1170 of the core budget) and. In this budget (GLD 1170), merely expenses of 8,186.91 EUR arose. Thus, the remaining amount of 4,075.54 EUR flowed into the total coverage of the WCRC budget. In this regard, the WCRC should check to what extent the program means might be subject to an appropriation and, if necessary, carry out a posterior correction.
- The WCRC financial committee had decided that a flat contribution for administrative costs be conveyed from the program budgets to the core budget so as to finance the originating administrative overhead expenses in the Hanover office. It had originally been fixed at 15 % but was reduced to 8 % at a later time. The ORA was provided with a compilation numeralizing and explaining the offset contribution proportions for checking. In this regard, no objections have resulted.

- The available program revenues (including the means from program reserves) originate from the following sources (all amounts in EUR):

Composition of program revenues		
712,819.07	67%	Means from program reserves
102,000.00	10%	Subsidies of the EMW e. V., Hamburg
257,026.02	24%	Other revenues
1.071.845,09	100%	Program revenues (total)

- The program expenses in their totality (including the return of unused means to the program reserves) are composed as follows (all amounts in EUR):

Composition of program expenses		
224,595.50	21%	Travel expenses
49,975.82	5%	Personnel costs
249,998.21	23%	grants to third parties
34,762.35	3%	Other material costs
512,513.21	48%	Return to program reserves
1,071,845.09	100%	Program expenses (total)

A cursory inspection of the program costs resulted in no indications for a misappropriated use resp. assignment of the means.

3.4. Membership fees

Within the audited period, the development of the WCRC membership fees in absolute figures as evidenced in the documents provided is as follows:

Region	Plan EUR	Result EUR	more / less EUR
Africa	57,600.00	35,393.88	-22,206.12
Latin America	16,000.00	8,488.10	-7,511.90
Carribbean and North America	240,800.00	230,028.18	-10,771.82
Asia	142,400.00	53,901.53	-88,498.47
Pacific	22,400.00	4,720.13	-17,679.87
Europe	400,200.00	364,289.69	-35,910.31
Total	879,400.00	696,821.51	79,24

In the previous year, the membership rate (membership fees received in proportion to the planning, excluding special donations and additional contributions) was 89.74 %.

Currently, the WCRC office is busy reprocessing the membership fees of the last years so as to get an overview of the existing payment obligations and fee arrears of the member churches. At the time of the audit, no final results were available in this respect.

3.5 Emission of official credit cards to WCRC staff

The WCRC holds a total of six credit cards (VISA Business Silver), which are used by the theological staff as well as by two administrative employees.

The ORA does not misjudge that transactions are thinkable which may seem to make the existence and use of a credit card necessary. However, this does include a series of risks. From the ORA point of view, the emission of official credit cards to WCRC staff is, therefore, strongly to be disadvised. Apart from an administrative effort, which should not be underestimated, especially aspects of cash safety resp. of the IKS argue against the establishment of such a procedure. In this context, the following are to be named, among others:

- The single disposition authorization contradicts effective budget right (violation of the four-eyes principle).
- The use of a credit card cannot be limited as regards content. This basically also enables its use beyond the desired utilization (within the card limit).
- With knowledge of the credit card data it is also possible to use the card without actually having it so that the question of onus arises in the case of unclear accounting positions, if the card owner rejects or denies responsibility (possible abuse).
- Clarification of unclear accounting posts may involve high research effort, if the cause of a payment does not explicitly arise from the booking comment on the credit card statement.

If it is necessary, e. g. for business trips, to equip staff with financial means in the forefront, the proven method of advance payments should be applied. With the knowledge of the risks above-mentioned and the displayed alternative, the ORA suggests inducing a basic decision concerning the future use of credit cards.

3.6 Relocation of the WCRC office to Hanover

The WCRC had received a contribution of 200,000.00 EUR from the UEK to finance the relocation of the office from Geneva to Hanover. At the beginning of the accounting year 2014, an earmarked reserve consisting of remaining means of this contribu-

tion (SB 92, BSt. 5110.00 UK 7) showed a stock of 143,989.29 EUR. This amount was booked into the WCRC budget in its totality.

The expenses generated in connection with the relocation (for furniture, transport, among others) in the accounting year 2014 were mostly booked via the advance and transit accounts (SB 52, BSt. 6900.00 UK 1) first and later financed from the WCRC budget (SB 00). In total, a cost volume of 100,824.80 EUR was established this way. On inquiry, the ORA received the explanation that a row of further costs had been directly handled via the core budget (SB 00) but a compilation of all relocation costs and their financing was not yet available.

Thus, it was not possible to conduct an overall view of the relocation measure and the corresponding expenses within the scope of the audit. The ORA has recommended compiling a full settlement so as to be in the position to submit proof and information towards the contributor, for example.

3.7 Payment of a rent deposit

A rent deposit amounting to 3,570.00 EUR was paid to rent a flat for the new WCRC General Secretary. During the audit it was noticed that there was no cash voucher for this payment and that the booking had occurred in the ordinary WCRC budget (SB 00, HHSt. 1111.4112). This process merely represents a deposit and is, therefore, a typical case for the application of the advance and transit accounts.

A transfer to SB 52 should be carried out so as to avoid losing sight of the payment made and the connected claim for repayment.

3.8 Statements from previous audits

Within the current audit, the ORA requested the status of the statements from previous audits mentioned in the following:

- **Performance of the financial assets**

The balance sheet for the year 2013 showed differences between the book value and the market value (hidden reserves) of the financial assets held by the WCRC and proven in SB 92 because the performance and the development due to exchange rate alterations had not been reproduced for the accounting department. In this context, the ORA had recommended inducing a decision about a (uniform) handling of value adjustments. In the balance sheet for the year 2014, the arisen value changes were booked within the scope of the year-end tasks so that the stocks proven in SB 92 tallied with

the stocks communicated in the balance messages and the depot statements.

It was basically possible to retrace the procedure selected to record value fluctuations at the time of year-end closing for the accounting department.

- **Distribution of interests**

In the accounting year 2013, the ORA had determined that WCRA interest earnings of 8,184.24 EUR had accidentally not flown into the ordinary budget resp. into the interest distribution but had been recorded as stock in the transit accounts of SB 52 (BSt. 8200.00).

In this respect, a correction was carried out in the accounting year 2014 and the previously mentioned amount was split up into the General Reserves (662.10 EUR), the General Assembly Reserve (4,653.45 EUR) as well as the “WCRC Europe” trust assets (2,868.69 EUR).

- **Correction Barnabas Foundation**

Within the scope of the accounting re-organization, the stock of the WCRC fund at the “Barnabas Foundation” in the balance sheet (SB 92, BSt. 2120.00) had been booked with an incorrect opening stock in the previous year. Instead of the value from the depot account handled in USD a (converted) CHF stock from the WCRC balance 2012 had been the basis. This mistake was corrected in the accounting year 2014 by means of a number of adjusting entries.

- **Review personnel costs accounting (Antex)**

Within the scope of the relocation of the WCRC office and the resulting re-organization of its administration, it had initially been necessary to subordinate the accounting and review of the payroll accounting, which had been outsourced to a service provider in Switzerland. This step was mainly required against the background of some specifics of the Swiss social security systems and the duties to supply (insured according to private-law), which showed extensive need for clarification.

In the accounting year 2014, the review of this topic complex was further advanced in co-operation with the former personnel service provider (Antex, Geneva branch) and the responsible insurance company (Axa-Winterthur).

Within the scope of the audit, the current status was discussed and insight given into the documentation currently available. At the time of the audit, however, it was not yet possible to carry out a final settlement because not

all questions had been clarified terminally. Within the scope of the audit, for example, the ORA was informed by the WCRC office that the former accountant had obviously received a bonus amounting to 5,000 CHF in December 2012. The documents available so far had, however, not provided the necessary information to retrace who had induced this and what legal foundation this payment was based on.

3.9 General notes

Various questions and problems which had arisen during the audit were discussed orally. Any further handling of these points within the scope of this audit is unnecessary since the questions were clarified resp. future observation is to be expected. Essentially, the following points were discussed:

- Handling resp. proof of inventory differences due to currency fluctuations on the foreign currency accounts of the WCRC (ancillary account),
- Avoiding manual bookings on technical budget positions,
- Approval of payments / availability KFM foreign payment module,
- Tax status of the WCRC with credit institutes (especially KD-Bank, non-resident resp. resident),
- Status of the WCRC in the USA (Michigan Corporation, duties of the resident there, ensuring access to the assets there) and
- Necessity of opening separate current accounts in the case of projects financed by external funds.

V. FINAL REMARK

Final talk

An extensive talk informing about the substantial results of the audit took place on the occasion of the audit in the WCRC office in Hanover on 16th March 2015.

The WCRC participants were the Finance Co-ordinator, Mr Gerhard Plenter and the Assistant for Finances and Communication, Ms Anna Krueger, for the ORA Mr Soeren Rischbieter took part.

Audit result

Audit of the financial statements 2014

Subject of the audit was the annual financial statement submitted by the WCRC for the year 2014. After the result of this audit, the ORA can confirm that

- the accounting in the accounting year 2014 occurred in due form and essentially in compliance with the principles of orderly accounting,
- the WCRC financial statement conveys an image of the results and assets situation which largely corresponds to the actual circumstances and complies with the general fiscal principles and
- the year-end closing 2014 was correctly developed from the WCRC accounting.

Audit of the economic management and assets administration

With reference to the WCRC management of the budget and economy and the assets administration and as a result of the audit, the ORA can – independently from the questions brought up in the audit statements – confirm that

- the budget resolved by the WCRC Executive Committee was essentially executed in due form, economically and thriftily and
- there are no indications for the fact that the regulations and principles effective for management might have been ignored to a considerable extent.

Recommendations for action

From the ORA point of view, the following questions and problems mentioned in the audit statements should be dealt with especially so as to increase the transparency, exactness and legality of the WCRC accounting and offer better conditions to supervise financial risks:

- Optimization of the process organization in accounting (promptness, directive processes, recording organization, documentation)
- Clarification of open questions and issues in connection with the remuneration and old-age pension of the WCRC staff.

Recommendation of discharge

According to the dutiful discretion of the ORA, there are no objections against the approval and authorization of the annual accounts by the Executive Committee according to articles X and XIV of the WCRC constitution.

In the overall view, the exoneration of the General Secretary and the General Treasurer for the budget and economic management as well as the asset administration of the WCRC for the accounting year 2014 can be recommended.

Hanover, 27. March 2015



(OKR WEITZENBERG)

HIGH AUDIT OFFICE OF THE EVANGELICAL CHURCH
IN GERMANY