

Supplementary Report (Continuation from page D-5)

CONNEXIONAL FINANCIAL REVIEW COMMITTEE

Overview

The push in the last 12 months has been on getting those entities who will be required to report to Charities Services using the External Reporting Board's (XRB) Tier 3 and 4 Reporting Standards to early adopt these. A number of face to face meetings have been held, as well as a number of online webinars and one on one training.

While the journey has started, there is still a long way to go. This year and next year will be about getting people to use the Excel templates (and hopefully a Report Pack in Xero when it arrives later this year), and then refining these so that all registered charities within the Church comply. The filing of the annual accounts with Charities Services will come down to the simple question of whether or not they comply. There are no grey areas or quality ranking, it is black or white.

Most people have made an attempt to comply with the standards but some have not seen the need for change or ignored them. This puts the church at significant risk.

Concerns or problems encountered:

- Lack of an understanding of the need for change
- Totally ignoring information that has been sent out or deciding not to read it
- Not being able to use Excel. Most people's skills in Excel are basic. Staff within the Connexional Office assumed people would be able to use Excel enough to complete the template.
- People cannot add columns of numbers together on the M4 form.
- No understanding of accounting, administration, the need for clear files, etc.
- How to teach non accountants "real accounting", including what is a cash flow report and how to produce one.
- Lack of understanding of "Outcomes" and "Outputs" (However, this could be a good thing in the long run as it may mean that Parishes start thinking about what they are trying to achieve).

As a consequence, a number of projects have been initiated this year:

- Producing an engagement letter for a parish that asks an accountant to prepare their annual financial statements (i.e. A letter defining the outcomes required by the Parish to the accountant preparing the annual accounts with a timeframe).
- Detailed guidance notes for Tier 3 and 4 Parishes (The Tier 4 notes are currently being prepared).
- Reworking the Excel templates and updating based upon experience with a possible Word version.
- Correctly formatting and printing of the templates.
- Produce guidance notes on related parties and how to disclose them.
- Guidance notes on land and buildings and depreciation.
- Produce an online survey to see how people found the process, the training and the templates.

M4 Worksheet"

This year we introduced the template for the Tier 3 and 4 standards and embedded the requirements of the M4 into the notes to the accounts. This was done for two reasons:

- Allow Tier 3 and 4 entities to see what type of information was needed and get Parishes to start thinking about the concepts of "material" and "significant" rather than list all types of expenditure in the notes to the accounts whether they are material or not (ie reduce clutter).
- Allow the Committee to think about whether the M4 is now necessary if the same information is embedded into the annual accounts.

The Committee believes that in future the data required by the church will be available from the accounts and that it will not be necessary for Parishes to complete the additional M4 financial return.

The Committee is also considering what information the Church needs to collect to make decisions, or respond to governance questions such as financial capacity and stability? For example, do we need to collect information on "Government Grants/Contracts"?

Quality of Financial Information Received

Over the last three years quality of information provided in the accounts has been graded. In years to come the filing of the annual accounts will become very black and white, that is, they will either comply with the accounting standards or they will not. From the Churches perspective it is important that they comply.

A quality rating of 3 or above can be described as meeting the requirements of the Church. The Parish will achieve a 3 or above if they have adopted or attempted to adopt the correct XRB reporting standard as approved for early adoption by Conference in 2014.

This is the overview:

	2013	2014	2015
Qual. 0	16%	22%	23%
Qual. 1	8%	13%	6%
Qual. 2	23%	12%	9%
Qual. 3	9%	7%	10%
Qual. 4+5	45%	46%	52%

Qual. 0	Nothing received
Qual. 1	Only received statistic forms (M4). No accounts at all.
Qual. 2	Financial statements received but in wrong format, no notes or accounting policies and some work would be required to get them to comply.
Qual. 3	Financial statements received and an attempt has been made to put them into the correct format but further work required.
Qual. 4	Have produced Tier 3 or 4 formatted accounts but some further work required.
Qual. 5	Fantastic. Tier 3 or 4 accounts prepared and are to a good standard.

The Committee is of a view that Parishes /entities who are struggling to provide adequate account would be helped by being brought on to Xero. This provides a simple accounting programme and the capacity for staff to mentor and train volunteers in the Parish.

Tier 2 Reporting Entities

There are a number of Tier 1 and 2 reporting entities within the Church (those with more than \$2,000,000 of operating expenses per annum) for whom the accounting and compliance requirements are much more complex and stringent. They are:

Auckland Manukau Tongan
Methodist Mission Northern
Board of Administration: Insurance Account
The Methodist Mission (Methodist Mission Southern)
General Purposes Trust Board (Inc.)
Airedale Property Trust
Tamahere Eventide Home Trust

Wesley College Trust Board
Christchurch Methodist Central Mission
The Lifewise Trust
New Zealand Methodist Trust Association (Inc.)

There are a further small number of entities whose operating expenditure is between \$1.5 and \$2.0 million.

A one-day seminar on Tier 1 and 2 reporting is being planned to address the issues involved in Tier 1 and 2 accounts.

Accounts not received

There are a number of entities who did not supply financial information by the due date. The Board of Administration will be in contact with any who did not comply last year as well as this year.

Conference 2014 passed a resolution requiring Parishes who had not complied for two years to be supervised with their accounting prepared through Xero.

Parishes/Entities which did not provide information by October 22nd [Note: Due date was August 15th]:

Samoa Moni I Lana Gagana Aoga Amata Trust
Auckland Fijian Fellowship
Auckland Central Parish Pitt Street Trust
Waitakere Methodist Parish
Devonport Methodist Church
Manurewa Methodist Parish
Kawerau Parish
Papatoetoe Tongan
Christchurch South Tongan
Hastings Samoan Parish
Sinoti Samoa
Wasewase ko Viti Kei Rotuma e Niu Siladi
Synod

Suggested decisions:

1. That the report be received.
2. In the event of an entity within the Methodist Church not supplying the appropriate financial reports by the due dates for the current and previous financial year, then Conference asks the General Secretary to make arrangements with that entity to transfer their accounting system to Xero (or other approved accounting system) commencing from the new financial year.
3. If the entity is already using Xero and still does not prepare and send annual financial statements in accordance with the standards necessary to comply with Church Law, then Conference asks the Board of Administration to prepare accounts. The cost of preparation and filing will be charged directly to the entity.
4. Conference notes that the financial information required to be completed and returned on the M4 Form need NOT be completed if the same information is contained in the Notes to the Accounts of the annual financial statements.
5. Conference asks the Connexional Office to arrange workshops with Methodist Entities whose Operating Expenditure is over \$2,000,000 during the first three months of 2016 to ensure they understand the new financial reporting standards.