

Treasurer's Guide 2 :

Financial Procedures

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2.1 Common Financial terms

For more details see "The Charities Act and the PCC". The following is a basic summary.

A Receipts and Payments Account

is one type of summary of cash movements in and out during the year. This is commonly used by parishes with an income under £100,000.

A Statement of Financial Activities (SOFA)

is similar to a Receipts and Payments account but is a more detailed statement of what happened during the year. The main difference is that a SOFA account will include as expenses the bills/receipts for the year which were not paid/received at 31st December. A SOFA will also show movements in capital funds.

A Statement of Assets and Liabilities

will show the assets of the PCC and the amounts owing at the end of the year.

A Balance Sheet

is a summary statement of affairs at any given point in time, which shows concisely what the parish owns, what liabilities it has, and once these liabilities are discharged, what is left over.

Assets

are anything of value belonging to the Church, e.g. the computer, shares and other investments and of course, cash and deposits. See "The Charities Act and the PCC" for more information about the ownership of assets.

Liabilities

are amounts owed by the PCC to others.

Debtors

are anyone who owes money to the PCC

Creditors

are anyone to whom the PCC owes money

2.2 Dealing with Cash

2.2.1 Receipt of Cash

As far as possible money should be counted immediately upon receipt and then kept in the safe until banked.

There should always be a least two people counting the money together.

The collection should first be separated into loose cash/cheques and planned giving envelopes.

Loose cash and cheques should be accounted for according to their source and purpose.

After the loose cash/cheques have been counted and recorded the planned giving envelopes should be opened and the contents, (cash and cheques), recorded, either on the envelope or on a separate sheet.

The total amount recorded from the envelopes should also be recorded and agreed with the money counted from the envelopes.

All amounts should be recorded in the service register and initialled by the counters.

All cash and cheques should be counted and bagged appropriately for deposit. The bank deposit slip is / can be made out at that time.

Once counted the cash and cheques should be placed in the church safe.

All moneys shall be deposited to a bank account as soon as practical, preferably weekly.

All money received should be recorded in a journal and a copy receipt of the deposit slip and any supporting explanatory documents be passed to the treasurer with details of any restrictions.

Careful attention should be given to proper recording of each individual's gift to the church and to all designated causes so that proper records of Restricted Funds are maintained.

All money collected by and through all church organisations should be passed to the Cashier for deposit. All funds derived from external fund-raisers should be reported and deposited on an on-going basis.

No organisation within the church should establish its own current or deposit account with any bank unless agreed with the Treasurer and under authority of a resolution of the PCC. There should, as far as possible, be a unified banking arrangement for the church and all monies received should go into that account.

2.2.2 Petty Cash

It is not advisable to maintain a Petty Cash account since this requires additional security. If it is necessary to do so then withdrawals against the account must be properly documented using an Imprest system as follows:

- An amount to hold in the Petty Cash Account is decided upon by the PCC, say £50.
- A cheque from the General Account is cashed for £50 and the cash lodged in a suitable cash box.
- Each and every withdrawal from the cash box must be balanced by a signed receipt, kept in the cash box, so that at all times the value held is £50.
- When the funds are low the receipts are totalled and given to the treasurer. The treasurer may have given separate instructions about how Petty Cash receipts are to be recorded, e.g. in a separate book.
- A cheque-for-cash equivalent to the value of the receipts is issued (after due authority is received) and the cash is placed in the cash box.
- The value held is thus £50.

2.3 Book-keeping

Every parish must keep a cashbook (whether manually or on a computer). A cashbook is literally a summary of all of the receipts and payments made, analysed by type of income or expense and added up – both across and down. There is no definitive layout for Parish Cashbooks; one example of an Excel spreadsheet which may help as a guide is given on the next page.

9.4 Example of Cash Book Format & Headings: Receipts / Payments / Summary

MONTH RECEIPTS

DATE	DETAILS	REF.	PLANNED GIVING	TAX	COLLECTIO NS	DONATIONS	GRANTS		FEES	INSURANCE CLAIMS	D. DONATIONS	TOTAL
	B/Fwd											

MONTH PAYMENTS

DATE	DETAILS	REF.	CHARITIES	COMMON FUND	CLERGY EXPENSES	PARSONAGE	RUNNING EXPENSES		DECORATION	SALARIES ETC.	FUND RAISING COSTS	TOTAL
	B/Fwd											

MONTH CASH BOOK SUMMARY

OPENING CASH
 plus receipts
 less payments
 CASH BOOK

BANK ACCOUNT

Current Account
 Deposit Account
 less cheques
TOTAL

Examples of other account headings that could be used:

Receipts Legacies / Fund Raising /Interest/Rent / Church Hall

Payments Church Maintenance Upkeep of services Upkeep of Church Yard/ Hall Running Costs /Major Repairs / New Building

Many parishes now maintain their records on a computer and there are a number of packages that can be used. If you are using a computer for your accounts, please see the "Common Sense Rules" in section 2.7.3.

For those using double-entry book keeping a Debit is always an asset or an expense, a Credit is always an income or a liability and remember that for every Debit, there must be an equal and opposite Credit. If you don't use double-entry book keeping don't worry about this!

2.4 Bank Reconciliations

It is good practice for the each bank statement to be reconciled against the cash book. There are many different ways to reconcile a bank statement – the following method is one manual way which works. The letters refer to those used in the form that follows the process.

Each account:- current, deposit or petty cash, needs to be reconciled separately.

1	Compare Bank statement and Cash book entries. If there are any entries in the statement that do not appear in the cash book enter them as appropriate.	
2	Add up the Cash book totals, in pencil / draft. Check the Cash in hand to any in the Petty cash / safe Check the amounts paid in on the Bank Statement against the Cash Book totals.	
3	Tick off cheques / standing orders etc paid on the statement against the previous month's reconciliation and the current month's cash book.	
4	Make a list of all unpaid cheques/ standing orders	
	Use the reconciliation form in section 9 and enter the following figures	
5	The Closing Bank statement figure	A
6	The unpresented cheques, total at	B
7	Subtract B from A to give subtotal of funds still available, $A - B = C$	C
8	Enter any amounts you have paid in but are not yet shown on the bank statement, total at D	D
9	Adjustments: Enter any disputed or unidentified items that appear on the Bank statement. Receipts should be subtracted / Payments should be added back (Unless you are overdrawn)	E
10	Add $C + D + E$	F
11	Note the closing balance in your cash book..	G
12	If you haven't done so at stage 1 then enter any items on the Bank statement that you've not entered in the Cash Book, e.g. bank charges. Note that these items should only appear on the reconciliation page once, either in the banking adjustments section, or here. Total at H Use the same rules as at stage 9 in the Banking section	H
13	Add G and H	J
14	Compare F and J. They should be the same. If they aren't you need to look for missed entries or incorrect entries.	$F = J$

Bank Reconciliation

Bank Account _____ **Month**

	£.p	£p	
Closing Bank Statement balance		£A	A
Unpresented chqs	Cheque #	Amount	
	Total	£B	B
		A-B	C
Add bankings not on statement			
	Ref number	Amount	
	Total	£D	D
Other Adjustments			
	Total	£E	E
Final balance at the bank		C+D+E	F

		£G	
Balance from Cash Book			G
Items on statement not entered			
Other Adjustments			
	Total	£H	H
Final cash Book Balance		G+H	J

2.5 Budgets

All churches should have an annual budget. This may either be produced by the PCC with the treasurer's assistance or by the treasurer, perhaps with a Finance Committee. Although the Treasurer may prepare the budget for presentation to the PCC, the process should be a joint effort among the Vicar, Church Wardens and all interested committees. Whichever way it is produced, it should be presented to the PCC in the autumn prior to the year it relates to, for discussion and adoption.

Subsequent financial reports to the PCC should show actual income and expenditure against the budgeted amount. It can also be helpful to show the previous year's figures as a comparison. A guide to assist in producing a budget is available from your Finance Adviser if your parish does not presently set a budget. If your parish produces a longer-term strategic plan (e.g. a three-year or a five-year plan) then you should produce a longer-term budget.

The church budget is an extremely important document and can help with the planning and management of finances as well as preventing errors and waste. It is important to categorise monthly expenses as well as non-monthly expenses to develop an annual budget.

The Treasurer and the PCC must ensure the church has systems, processes and a plan (budget), which will inspire the confidence of donors and the congregation. The direction in which the church can move depends on the budget and the controlled spending it advocates.

Use of the church budget has several important advantages:

- Much congregational spending is done emotionally; a budget will help to control spending.
- Budget process also helps clarify mission priorities.
- A good budget procedure gets many people involved.
- A budget always involves commitment by the membership.
- If a budget is used correctly, it will produce an accurate account of where all the money comes from and where it goes to.
- Good account reporting and budget comparisons generate significant confidence from the membership and leadership.
- Whenever the congregation wishes to borrow money or to raise money, a history of careful stewardship is always impressive.

As most churches have income (e.g. grants and tax recovery) and expenditure (e.g. Common Fund, insurance premiums or one-off

repairs) that are uneven, it is good practice to produce an estimated cash flow which can be used as a guide to timing of expenditure.

2.6 Reporting to the PCC

PCC members are the legal trustees and need regular and understandable information to enable them to properly fulfil their role. It is essential that regular reports to the PCC are presented by the Treasurer. It is recommended that reports are provided at least quarterly.

The Treasurer may be aware of a great deal of detailed information which is important but need not all be included in reports to the PCC. The key to solving this problem is in understanding the data sufficiently to be able to summarise it without losing its meaning. If a Parish budget is set the report should show actual figures against budgeted ones. Use of meaningful category headings and a preparedness to explain what is included under each one is essential. The information should be summarised as far as possible.

The following items are the basic facts that a PCC needs to know:-

- Actual against budget (and against the same time last year), summarised under major headings
- Cash and deposit balance broken down into restricted, designated and general
- The Diocesan Common Fund position- how much is due to date, how much has been paid and how much is due by the end of the year
- Outstanding Items – any known major items for which payment will have to be made in the future
- Extraordinary items – if anything unusual has /or is expected to happen – it should be reported
- Congregational giving is or will probably be the major source of income. Sometimes giving figures are publicised e.g. displayed on a notice-board. A summary here may be useful for stewardship and planning

Most people cannot cope with a lot of figures. The object of the exercise is to inform, and not to bury with detail.

2.7 Record keeping

2.7.1 Which records should be kept

The following notes provide a brief guide to what records should be kept and for how long. Greater detail is available from the Church of England web site and from Church House Publishing:

"Keep or Bin...? The Care of your Parish records" from www.c-of-e.org

"Guide to the Parochial Registers and Records Measure 1978" (as amended at 1st January 1993) from Church House Publishing. ISBN 0 7151 3747 6. Price £3.50.

The PCC MUST retain the following records for SEVEN years

- Deposit Records
- Bank Statements
- General Correspondences
- Inventory of Equipment
- Purchasing Records
- Financial Statements (Reports to the congregation)
- Organisational Records
- Insurance Policies
- Giving Envelopes (one month per year only if they are the numbered weekly envelopes)
- Individual Work/Staff Records
- Tax Records
- Business Contracts

The PCC MUST retain the following records PERMANENTLY

- Historical Items
- Legal Items
- Church Business-meeting Minutes
- Audit and Financial Reports
- Master Membership
- Employment Records
- Annual Reports

2.7.2 Security

You SHOULD ensure that: -

- Electronic files are backed up and a hard-copy is maintained in a secure location under the guidance, supervision and responsibility of the Data Protection Controller so that the church can function and quickly re-constitute essential records in case of fire, accident or illness, etc involving any officer, their home or the offices of the church.
- Records, manual or electronic, should be secure, confidential and filed in accordance with law.
- Generally, the working copies and the current year of data are in people's home offices.
- Prior year's data and records should be transferred to the Church Office in a locked cabinet as soon as possible.

The Treasurer should also ensure that the following are retained in a secure location: -

- Computer and manual cash books and other financial records
- Wage and Tax records
- Electronic files of importance
- Stewardship Records (e.g. Excel and Gift Aid Financial Data)
- Gift-Aid tax reclaims submissions
- Other Officers' Records vital to the church.

2.7.3 Computer records

Common Sense Rules:

- Every time that you make entries on the system, make a copy of the data. Computers sometimes expire without warning. You can replace the hardware, but not all of your work and records.
- Every quarter make a copy of your cashbook (Print it all out). In addition to data safety, you can give this copy to the Independent Examiner or Auditor at the end of the year – one less job to do in January.
- Have a series of backup disks / CDs and use them in rotation. If one disk fails then you have the option of going back to the previous one. Disks are fairly cheap and should be replaced frequently.
- Keep an extra set of backup disks in a location away from the computer – perhaps in the vestry or with one of the church

wardens. If you have a fire or flood, you could use your backup as well as your computer

- Check to see if someone else's computer can read your backups. If you work on accounts on your home computer it would be prudent to have the software installed on the church computer as well. Backup copies can be emailed between the two (as long as you have a fast Internet connection).
- Keep the official copies of all software installed on all parish owned computers in a safe place. (NB do not allow the use of pirated or copied software.)
- Keep all data confidential and in accordance with the Data Protection Principles.

2.7.4 Data Protection

Each church should check for itself whether the use it makes of data requires notification under the Data Protection Act. Most PCCs are exempt from notification. Incumbents and PCCs are separate entities for Data Protection purposes. Regardless of whether or not a PCC or Incumbent is required to notify, all other requirements of the Data Protection Act 1998 apply. A leaflet about Data Protection is available from your Finance Adviser. Failure to notify if you are required to do so is a criminal offence. Useful guidance is also available on the Data Protection website: www.dataprotection.gov.uk

2.8 Clergy Expenses

Clergy should be reimbursed in full for working expenses incurred. The simplest way is for them to make a monthly expenses claim, using an appropriate form, and producing receipts. You should have a copy of the booklet "The Parochial Expenses of the Clergy" from your Diocese. This contains official guidance of what Parishes are expected to pay for and some help on the more flexible areas as well as a sample claim form. Regular lump sum payments are not advised since these may carry a tax liability.

However, just what expenses the PCC will, and will not, pay for should be agreed in detail with the clergy using the booklet as guidance. The areas for agreement include costs of conferences and quiet days, (including how many), travel, food, hotel, mileage or other allowances for cars, books and materials or special provisions for approved activities of the Vicar and staff. Other things include costs for the use of vicarage space for parish activity, including heating, lighting and cleaning.

The conclusions of this agreement with the clergy should be agreed with the PCC and form a PCC resolution.

2.9 Parochial and Clergy Fees

Statutory fees are charged by the PCC and the Incumbent in respect of weddings, funerals and a few other instances. A copy of the Diocesan guidelines is enclosed together with an up to date chart of statutory fees. The chart is sent annually to the Incumbent and should be displayed on your church notice board. The PCC may also make discretionary charges for bells, flower, heating etc...

Clergy either declare their fees annually (which are then deducted from next year's stipend payments) or assign them (when they are sent in quarterly to the Diocese). Some clergy leave the administration of fees to their treasurers..

2.10 Credit Cards

Some churches may find it appropriate to use the facility which most banks have available for a 'corporate' credit card and to make a card available to members of the clergy and staff. These can then be used by the holders for buying books, travel expenses, office or other supplies, in a way which avoids putting them on their own cards and claiming. The registered address for the credit card should be the Parish Office.

The Treasurer or his nominee (who should not be a card holder) should receive the monthly statements. Anyone who holds a card should enter into an agreement which sets out the terms of the arrangement, which should include provisions that it is NEVER to be used for personal expenditure, that s/he will give the Treasurer details of all expenditure promptly each month and that s/he will ensure that prior to any expenditure all authorisations required have been obtained.

Before using this sort of scheme you will want to consider:

- Is it worth it for you?
- What are the risks – even the lowest credit limit per person is about £250.

2.11 Purchasing

If possible avoid using petty cash and use cheques for all purchases. If it is unavoidable then a Petty Cash book and an Imprest system as described in section 2.2.2 can be used for small items. It is essential that receipts are provided for all items however small.

All purchases of supplies, equipment, and services shall be made only in accordance with an agreed procedure, and with the agreement of the Treasurer. There may be agreed limits of expenditure for certain individuals or committees. These should be agreed by the PCC. In larger churches there will be a formal procedure in place. Invoices or receipts should be provided for all items purchased.

2.12 Interregnum

When an interregnum occurs a process known as "Sequestration" is put in effect. Sequestrators are appointed (usually the Churchwardens and the Area Dean) who have a duty to ensure that services are maintained and property cared for during the vacancy. A separate booklet about this is available.

The parish will be reimbursed for the net costs of the sequestration at the end of the interregnum. If there is a "profit" then the surplus funds should be remitted to the Diocese at the end of the interregnum.

The Sequestration Account: -

This details Income and Expenditure during the interregnum. It is not necessary to have a separate bank account in respect on the Sequestration monies although some parishes prefer to do so. However a separate category will be needed in the accounts so that the funds in and out can be easily identified.

What goes into the Sequestration Account? :-

- Clergy fees for weddings and funerals in the church (a current table of fees should be displayed). If you need a copy contact your Finance Adviser or download from the Church Commissioners' website (<http://www.cofe.anglican.org/clergypay/index.html>)
- Any rents from property belonging to the benefice which normally go to the incumbent (e.g. rent received for the vicarage garage)
- Any trust fund receipts which may go directly to the incumbent
- Money from the Diocesan Fund in reimbursement of Sequestration monies paid out (if an interim claim is needed)

What goes out of the Sequestration Account?

- Expenses to clergy (and others) taking services (currently 40p per mile or £5)
- Fees to retired clergy taking services (currently £30 for one Sunday service or £35 for two Sunday services and £20 for a weekday service)
- Standing charges for the vicarage for telephone, electricity and gas
- Minor repairs to the vicarage and low level heating of the vicarage in winter (these must be agreed in advance by the Property Department at Diocesan House)

Parish Share during the Interregnum

There is no change in the situation regarding Parish Share, which should continue to be paid as usual.

At the end of the Interregnum

As soon as all funds have been received in and paid out an account should be drawn up showing what has been received and paid. If the Sequestration has made a "profit" the funds are due to the Diocese. If a "loss" has been made the Diocese will reimburse the parish. A copy of the account should be sent to the Diocesan office.