

Treasurer's Guide 1 : Introduction to Financial Management

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1.1 The Role of the Treasurer

Is to-

- Ensure received income is recorded and banked
- Monitor all items of income and expenditure
- Pay and record all items of expenditure
- Keep proper books and records
- Prepare the annual accounts each year
- Assist the PCC in setting an annual budget
- Advise the PCC of the financial position against budget
- Provide general financial information to the PCC

The treasurer is an officer of the PCC, an official position serving the church by providing financial leadership at a strategic level. The role involves ensuring that there are essential controls and procedures in place for the proper management of charitable funds. This includes keeping detailed and accurate accounting records and reports of stewardship income, offerings, special appeals and any trading and restricted income; as well as detailed, receipted and categorised support records of expenditures.

The treasurer must act as the first and primary tier of financial checks and balances; and is responsible for the proper disbursement of church funds – both restricted and unrestricted – within policies established by the Charities Commission, the Church of England and the PCC.

The treasurer is appointed by the PCC, with the support of the Vicar.

The treasurer usually serves on the Standing Committee, Finance Committee and as an ex-officio member of any committee with a high impact on finance.¹

In order to avoid conflicts of interest and maintain proper controls the duties of Treasurer, Cashier and Stewardship Recorder should be separated where possible. In a larger church a separate

¹ See Church Representation Rules 2004

Accountant may be appointed under the management of the Treasurer. Larger churches are also required to maintain a Risk Register; various risks will carry a financial element.

1.2 Do's & Don'ts

- Two people should count the collections (cash and envelopes) as soon as possible e.g. after the Sunday services. The people should not be related to each other, not be the same two each week and not always include the Treasurer. The income details should be recorded in the service register and initialled by the counters.
- The amount in each envelope (planned-giving weekly envelopes or Gift Aid envelopes) should be recorded on the envelope or on a separate sheet and recorded in the service register. The envelopes (and record sheet if used) should be passed to the Stewardship Recorder.
- Money should be banked as soon as possible and left in the safe until it is banked. If it is necessary to take money home prior to banking, ensure it is covered by your insurance.
- Cheque payments – all bank accounts should require two signatures on cheques and other instructions. Cheques should never be signed in blank, therefore it is practical to have at least four signatories. A PCC resolution is necessary if you need to change bank signatories. There is no requirement for the Incumbent or any other member of the clergy to be a signatory, although they may be. The list of signatories should be reviewed regularly, for example after each Annual Parish meeting
- Payments should only be made against invoices or (in the case of expenses) receipts. If possible always make payments by cheque rather than cash.
- Expenses should be paid for actual expenses incurred and not be a set amount each month either to the Vicar or to anyone else. Lump sum payments may incur tax liabilities.
- Receipts should always be given for any cash received e.g. a hall let. If possible people should be encouraged to always pay by cheque, for example statutory fees from funeral directors.

1.3 Job descriptions

This is intended as a guide to the responsibilities of the different jobs, which make up the financial management of the Parish. It is recognised that in some parishes one or more of these jobs may be combined.

1.3.1 Treasurer

This describes the responsibilities of the Treasurer to ensure the establishment of procedures, controls etc. It does not require him personally to do all of the individual tasks, (e.g. a book-keeper might carry out some of the recording procedures), but where something is delegated, it remains the treasurer's responsibility to 'ensure' that the activity is being done properly.

- Ensure that the counting and recording is carried out by the Cashier under the responsibility of the Churchwardens in accordance with proper procedure.
- Ensure that the timely preparation and making of bank deposits, is carried out by the Cashier under the responsibility of the Churchwardens in accordance with proper procedure.
- Ensure that the timely receipt, recording and acknowledgement of gifts to the church is carried out by the Cashier and/or the Stewardship Recorder in accordance with proper procedure and Gift Aid and other tax regulations.
- Disburse monies in accordance with policies established by the PCC and ensure proper authorisation procedures are followed.
- Record promptly in a Cash Book the details of each monetary transaction with the cross reference. Cross references should be made between the invoice and the cheque for each disbursement. For income items cross references should be made to the backup paperwork e.g. collections and bank deposit records.
- Reconcile monthly bank statements, stewardship and gift records and amend the Cashbook and Ledgers as needed.
- Establish and maintain complete and up-to-date wage, tax, National Insurance and, if appropriate, pension contributions records. Submit quarterly PAYE and NI tax filings on time.

- Prepare and present at least quarterly financial reports to the PCC. These should include Income and Expenditure, Cash-flows and Balance Sheet/ Statement of Assets and Liabilities. Ideally these should be shown against the budget and for the same period last year.
- Prepare and present the Annual Report and Accounts to the PCC. Once agreed by the PCC they should be presented to the Independent Examiner/Auditor for verification. Any amendments suggested by the Independent Examiner/Auditor should be agreed by the PCC. The final version of the Annual Report and Accounts should then be presented and agreed at the APCM. A copy signed on behalf of the PCC, and with signed Independent Examiner's/Auditor's report, should then be sent to the Diocese with the Annual Return information.
- Help to agree the annual church budget. Monitor income and expenditure during the year against the budget, liaising with others as appropriate, e.g. obtaining details of church projects.
- Suggest possible investment opportunities.
- Keep the church informed of trends or changes in financial matters.
- Recommend policies related to the receiving, accounting and disbursing of church funds.
- Ensure there are adequate records documenting the assets of the church for accounting purposes e.g. parish computer, parish owned house.
- Liaise with Churchwardens to help them ensure that there is appropriate insurance cover in place e.g. Employers, Liability, Public Liability, buildings.
- Be accountable to the PCC.

1.3.2 Book-keeper

When this post is separate from that of Treasurer then transactions should be recorded and reported by the Book-keeper as requested by the Treasurer.

1.3.3 Cashier

The Cashier receives the funds that come into the church, records and deposits these funds, and forwards all necessary information about the deposit to the Treasurer (or Accountant) and if appropriate to the Stewardship Recorder. Ideally the Cashier should lead a rota of Counters, under the responsibility of the Churchwardens.

Essential Job Functions of the Cashier:

- Receive funds from whatever source, record them, and report them to the Treasurer and/or the Stewardship Recorder.
- Collect funds received and immediately at the conclusion of the service or event e.g. Annual Fair, make certain that more than one person is involved in counting the money in accordance with recommended procedures.
- Ensure money is deposited in the bank as soon as possible after it is received.
- Agree and follow a procedure to collect and record money received in non-routine ways e.g. through the mail.

1.3.4 Stewardship / Gift Aid Recorder

The Stewardship Recorder receives information from the Cashier / Treasurer regarding all planned giving/Gift Aid contributions, whether cash, cheque or standing order. The information is recorded with a clear audit trail. Gift Aid regulations and any other requirements will be strictly adhered to.

It is important that the congregation feels comfortable and secure that their gifts are being recorded appropriately and confidentially. If there are any restrictions on the use of the gift, these must be notified to the Treasurer to ensure that they are adhered to and shown correctly in the accounting records. Envelopes or other records of the giver's intentions will be retained as appropriate. They are an official source of documentation required by the tax authorities and should be kept on file by date, and cross referenced by giver. Records should be kept in a lockable storage area.

Essential Job Functions of the Stewardship Recorder:

- Send each donor an annual itemised statement giving a summary of all donations made during the previous tax year. These are required by donors for their own information and tax purposes. This can be done in the form of an annual thank you letter.
- Report at the APCM the total amounts pledged and the total amounts received for the year together with other appropriate information.
- Keep accurate records and documentation of all gifts in accordance with government regulations (Gift Aid), Charities Commission Regulations, and Church of England requirements.
- For further details see Section 6 on Stewardship/Giving To God.

1.4 The role of the Incumbent in financial matters

Financial management of the parish is the responsibility of the PCC. The Vicar is Chair of the PCC and therefore Chair of the "Board of Trustees". The whole PCC has financial responsibility in a parish. The treasurer only acts on behalf of the PCC to implement its financial decisions. As chair of the PCC the Vicar has a responsibility to ensure that good financial practice is being followed. See Section 2.2 "Do's and Don'ts" and 3 "Financial Procedures".

1.5 The Role of the PCC in financial matters

1.5.1 Financial notes

The PCC should approve a budget in the last quarter of the preceding year. This will usually be drafted by the finance committee or treasurer. See sections 3.5, "Budgets" and 9.1 "Report to the PCC...". In order for the PCC to take financial responsibility and decisions it must receive regular, understandable, financial reports – preferably at least quarterly.

The reports should show "actual" against "budget" and against "the same time last year". They should also show outstanding liabilities and the current balances on bank and other accounts split into the various funds. Any major variance (10% or more against budget or a large amount) should be fully explained.

The Annual Report and Accounts should be presented to the PCC by the Treasurer for agreement prior to the APCM. If the Independent Examiner (IE)/Auditor can not give an unconditional report the PCC must obtain adequate explanations regarding their concerns.

The Vicar and the PCC should be satisfied that the IE/Auditor is suitable in terms of qualifications and in relationship to the treasurer. It is important that someone other than the Treasurer has at least met the Independent Examiner or Auditor. Chapters 10 and 11 of the "Green Book" deal with the selection and duties of an Independent Examiner.

1.5.2 Insurance

It is the responsibility of the Churchwardens to ensure that the church has appropriate insurance. Insurance arrangements and levels of cover should be reviewed regularly. Various companies which specialise in church insurance and other major companies will provide quotes. (See the list in Section 10.5). Public Liability Insurance is compulsory and the building(s) and contents should be insured as well. The PCC may also need insurance as an employer and to cover accidents to volunteers. If cash or other church property is taken off the premises this will also need to be covered. It is also important to include computer data. Insurance companies now restrict cover for damage from terrorist actions to £100,000. It will be for the PCC to decide whether extra cover, which is relatively expensive, is appropriate.

1.5.3 Tax

The PCC is a charity which is exempt from registration with the Charity Commissioner and does not therefore have a charity number but will have an identifying number (beginning with an X) from the Inland Revenue (IR). The IR require anyone dealing with

the tax affairs, particularly tax claims, to be authorised. There is a specific Inland Revenue form for this.

PCCs must comply with **PAYE / National Insurance** legislation as well as all other employment legislation including health and safety, working time regulations and stakeholder pension legislation. A booklet giving information about employing staff is available from your Finance Adviser. See section 8.

PCCs are not generally exempt from **VAT**. However, in most cases new building works will be exempt from VAT. If the church building is listed (grade I, II or II*) then it is possible to claim a grant which is equal to the cost of VAT on some repairs to the building.

PCCs which have trading operations (e.g. a coffee shop or bookshop) are not exempt from paying **Corporation Tax** on the profit from these activities. If turnover, (not profit), from the trading activity exceeds £5,000 per annum there may be a Corporation Tax liability and parishes should seek advice from their Finance Adviser or a qualified accountant.

As a charity a PCC is able to claim back tax on **Gift Aid** donations and bank interest can be paid without deduction of tax on completion of a form provided by the relevant bank.