Church of Ireland – Parish Handbook

SELECT VESTRY FINANCE & THE ROLE OF TREASURER

Select vestry members are charity trustees and stewards of the parish's money and resources. This guide defines the role of the treasurer and sets out what every select vestry member should know about their own responsibility for managing the parish's money.

INTRODUCTION TO SELECT VESTRY FINANCE

Members of the select vestry must work closely with the treasurer to safeguard the parish finances. Together, they must ensure the parish is able to meet its financial responsibilities, and that funds are used appropriately.

Although the treasurer has immediate oversight of the finances, it is important to remember that these responsibilities are shared between all members of the select vestry and not just borne by the treasurer.

The select vestry must report to the general vestry (registered members of the parish) and the diocesan council on what has been achieved and how the parish's money and resources have been used. This is done through the Annual Report and Accounts which is usually prepared by the treasurer.

ROLE OF THE TREASURER

The treasurer has oversight of all financial activity in the parish and should be able to confirm the parish's current financial status and explain the financial impact of decisions made by the select vestry. This important role is very valuable to the work of the select vestry.

The select vestry appoints the treasurer from among its members, or if the circumstances require it, a treasurer may be appointed who is not a member of the select vestry but who is a member of the general vestry.

MAIN RESPONSIBILITIES OF THE TREASURER

DAY-TO-DAY FINANCE RESPONSIBILITIES:

Much of the on-going work of the treasurer involves managing the parish bank accounts, undertaking book-keeping tasks and overseeing the management of cash in the parish.

This may include tasks like counting envelope scheme collections, lodging the weekly collections in the parish bank accounts, making payments, recording petty cash transactions, and approving expenses.

Good practice should be followed in all financial activities, for example:

- at least two people should be involved in counting the cash
- everyone handling parish money should keep proper records
- money should be lodged at the bank as soon as possible
- payments by cheque or transfer should require two signatories

FINANCIAL RECORDING, PREPARING ACCOUNTS AND REPORTING:

The treasurer should ensure that accurate and up-to-date records are kept which set out all financial activity (income and expenditure) and show parish assets. The treasurer should also prepare the parish's Annual Report and Accounts for presentation to the general vestry and the diocesan council.

The treasurer, supported by the select vestry, should ensure financial compliance with relevant legislation such as reporting to the charities regulator under charity law. If the select vestry has control of an incorporated company, it must also comply with reporting obligations under company law. More information on the requirements of charities legislation and some helpful resources for the preparation of accounts can be found below and on the Church of Ireland website at *ireland.anglican.org/parishresources*.

PLANNING AND BUDGETING:

The treasurer should consider the effects of select vestry decisions on current and future parish finances. For example, if the members of the select vestry are considering a new project, or making plans for their parish over the next few years, it is important that they understand the financial impact of their decisions.

It is recommended that the treasurer plans a budget to guide financial decisions. A sample budget can be found on *ireland.anglican.org/parishresources*. Working with a budget is an on-going task; treasurers should pay attention to continuing parish activities and the progress of decisions being made or plans carried out to ensure the finances stay on track.

The treasurer should also be aware of any fundraising activities such as provision for a summer fête or parish sale, or a project to raise money for a new parish hall or particular refurbishment. It is important to monitor fundraising and be able to report on how much is raised.

FINANCIAL PROCEDURES

Financial procedures are essential. If procedures do not already exist for the day-to-day finance activities of a parish, the select vestry should ensure these are put in place. Sample recommended procedures for use by parishes can be found at *ireland.anglican.org/parishresources*. These include procedures for handling cash and other regular finance activities within parishes.

Procedures should follow good practice guidelines, be clear and precise, written down and known to all select vestry members. Relevant procedures should also be made known to other members of the parish who are involved in handling money and assets in the parish.

Procedures should set out what tasks need to be done, who has responsibility for these tasks and what steps should be followed. Effective procedures should follow good practice and ensure that:

- Two people are involved in handling money and counting cash received
- Payments by cheque or bank transfer require authorisation by two people
- Permission is sought prior to spending
- Expenses are checked and vouched for
- Reporting is thorough, accurate and timely
- Records can be followed easily
- A full bank reconciliation is completed at least monthly

TESTING AND REVIEW OF PROCEDURES

In order to test the effectiveness of financial procedures, ask ‘if a transaction was selected at random, would it be clear that procedures had been properly followed in processing that transaction’? This test should be applied to see where improvements can be made. Financial procedures should be reviewed regularly, and whenever a change in process occurs, to ensure they are still relevant and up to date. Any improvements or changes should be made promptly.

QUALITIES OF AN EFFECTIVE TREASURER

Effective treasurers often have certain attributes, knowledge and skills. Ideally, the treasurer should:

- be able to work with accounts, financial statements and budgets
- have relevant experience dealing with money and business (or a financial qualification)
- be able to explain the parish finances to other select vestry members
- involve other select vestry members in their decisions and activities (where appropriate)
- be trustworthy, reliable, consistent and impartial
- have an eye for detail and accurate administrative skills
- be comfortable working with large sums of money and handling cash

DELEGATING RESPONSIBILITIES TO A WORKING GROUP OR SUB-COMMITTEE

In order to protect the treasurer and other select vestry members, and to safeguard the parish from fraud or allegations of fraud, it is strongly recommended that more than one person deals with the parish's finances. This is not a matter of not trusting fellow select vestry members but is recommended to protect each other and share the workload of managing the parish's finances.

If the parish's select vestry has enough members to do so, a working group or sub-committee could be appointed to assist the treasurer. It might typically consist of the treasurer (who usually chairs the group) and two or three fellow select vestry members. At the very least, and even in the smallest parishes, one other select vestry member should be involved in and support the work of the treasurer. The way in which work is shared out may depend on the skills, interests and available time that select vestry members have to offer.

A small group which focuses on finance provides an opportunity for detailed discussion and consideration of financial matters and should report regularly to the full select vestry. The working group or sub-committee may be given delegated authority for some financial decision-making, but the select vestry as a whole remains accountable and must remain actively engaged in financial matters.

BENEFITS OF A WORKING GROUP OR SUB-COMMITTEE

- The burden of financial management can be shared
- Fraud or allegations of fraud may be prevented
- Select vestry meetings can focus on a wider range of issues, not just finance
- Other select vestry members may develop knowledge of parish finances
- It may provide continuity when a treasurer's term of office ends

FINANCIAL DUTIES OF SELECT VESTRY MEMBERS

The members of the select vestry who work with the treasurer should:

- Understand what their responsibilities are and use their skills and experience to carry out their work
- Understand the parish's financial responsibilities to others (e.g. suppliers, employees, etc.)
- Support the treasurer in carrying out finance tasks and taking an active interest in finances
- Review, discuss and understand the financial impact of any contracts entered into or decisions made
- Receive regular reports of actual income and expenditure for all ongoing parish activities
- Consider the parish's cash flow and plan for unforeseen liabilities
- Make plans to save money for the future financial health of the parish

ASK QUESTIONS TO ASCERTAIN THE PARISH'S FINANCIAL HEALTH

Q. Is money being spent as intended by those who gave it? The select vestry has a duty to manage assets in accordance with trusts (e.g. bequests to the parish) and legislation (e.g. charity law).

Q. How much should we spend? Find out about how much the parish currently owes to decide how much you can afford to spend now while still being able to pay the bills and save some money for the future.

Q. How will we deal with the unexpected? Ask where the parish's money comes from and whether this source is reliable? Consider what you might do in response to unexpected bills, a reduction in donations or delay to grants etc.

Q. Are we planning for the parish's future financial health? Find out what the parish is likely to need to spend in the coming years. Ask how much cash does the select vestry realistically expect to be able to save?

Q. What are we doing with savings? Consider whether money is being wisely invested and the parish's assets carefully protected.

Q. Are we taking steps to balance risks? Is the select vestry (or at least the treasurer and finance sub-committee) aware of the current financial pressures? Do we have sufficient insurance to protect the parish?

FINANCIAL IMPLICATIONS OF CHARITY LEGISLATION

The purpose of charities legislation in both Northern Ireland and the Republic of Ireland is to ensure greater accountability in charities, to protect against abuse of charitable status and fraud and to enhance public trust and confidence in the charities sector.

Under the legislation, parish select vestries are considered to be charities, and select vestry members to be charity trustees. The financial implication for select vestries is that they have to submit a particular format of accounts to the relevant authority, which is the Charity Commission for Northern Ireland or the Charities Regulatory Authority in the Republic of Ireland. The accounts will need to be independently examined or audited and are in addition to a report of activities by trustees.

In Northern Ireland it is mandatory to comply with the Charity SORP (Statement of Recommended Practice) FRS 102, and while not a legal requirement in the Republic of Ireland, it is regarded as best practice. Following SORP guidelines results in transparent and consistent reporting, and pulls together both narrative and financial reporting in a coherent report focused on activities undertaken.

PREPARING ACCOUNTS

Parish accounts must be prepared in a particular format, either on a receipts and payments basis or an accruals basis, depending on the amount of income received by the parish. The requirement to have accounts independently examined by a competent person, a qualified individual or subjected to a full audit varies depending on the income threshold and jurisdiction.

Select vestries should take specific advice from the diocesan council or the Representative Church Body (RCB) on the requirements to which they are subject, and also consider any diocesan rules which apply to accounts.

NORTHERN IRELAND (current levels as at September 2016)	
INCOME LEVEL:	ACCOUNTING AND AUDIT REQUIREMENTS:
less than £250,000	receipts and payments accounts to be independently examined by a competent person
between £250,000 - £500,000	accrual accounts applying Charities SORP FRS 102 to be independently examined by an appropriately qualified person
more than £500,000	accrual account applying Charities SORP FRS 102 to be independently audited

REPUBLIC OF IRELAND (current levels as at September 2016)	
INCOME LEVEL:	ACCOUNTING AND AUDIT REQUIREMENTS:
greater than €100,000	set of audited statements of accounts for each financial year
less than €100,000	receipts and payments accounts and statement of assets and liabilities
less than €10,000	an annual activity report with a summary of finances

- *Receipts and Payments Accounts* (lower threshold) are a simple form of accounts consisting of a summary of money received and paid, both through the bank and in cash, during the finance period. The receipts and payments accounts are usually presented along with a statement of assets & liabilities.

- *Accrual Accounts* (middle and upper thresholds) allocate the costs or income of a particular activity according to when the liability is incurred or when there is entitlement or certainty about income. This is not necessarily the date on which money is received or paid out.

Sample accounts for use by parishes can be found at *ireland.anglican.org/parishresources*. Statements of account on an accrual basis and a receipts and payments basis, statements of assets and liabilities and balance sheets are all available for parish use. Diocesan secretaries or the RCB may be able to advise if it is unclear to select vestries which format they should use.

Select vestries may prepare accounts using software packages developed for use in the Church of Ireland. These are provided by Data Developments and Omega, details of which can be found on *ireland.anglican.org/parishresources*.

Organisations which are associated with parishes but which are charities in their own right (e.g. Mothers' Union, Scouts and Guides, Boys' Brigade etc.) are separate for the purposed of reporting and need not be considered in the parish accounts. However, church organisations such as a bowling club, badminton club, OAP group etc. which function as part of the church, must be incorporated into the parish accounts and included in the parish's accounts which are reported to the relevant regulatory body.

Where there is a union of parishes under one select vestry, please note that individual parish accounts must be incorporated into the one annual union financial report.

BASIC PARISH ACCOUNTING PRINCIPLES

- Prepare accounts on either an accruals basis or a receipts and payments basis (depending on thresholds)
- Have accounts reviewed by a competent person or by a formal audit (depending on thresholds)
- Always work on a gross basis – netting off is not allowed
- Include all cash, parish bank accounts and investments – don't ignore any which relate to the parish
- Include any amount held in an account by the RCB on the parish's behalf
- Include investments in the RB General Unit Trust and all other investments – obtain a year end valuation from provider of investment services (or use the online valuation calculator on *ireland.anglican.org*)

PARISH BOOK-KEEPING AND RECORD KEEPING PRINCIPLES

- Select vestries are responsible for keeping proper books of account
- Books must record and explain the transactions of the parish
- Books must enable the financial position to be determined with reasonable accuracy at any time
- Select vestries must enable the accounts of the parish to be properly audited if required
- Records must be kept for a minimum of 6 years in the Republic of Ireland and 7 years in Northern Ireland

ANNUAL MONITORING RETURN / ACTIVITY REPORT

As charity trustees, the select vestry members are required to submit a report on its activities to the relevant authority. The particular format of the report will depend on whether the select vestry submits an annual return to the Charity Commission for Northern Ireland or an annual activity report to the Charities Regulatory Authority in the Republic of Ireland.

Generally the report should explain the parish's activities, governance and finances. It should show whether the parish has achieved its objectives during the year and explain its future plans. Reports and accounts are due within ten months of the end of the parish's financial year.

Specific guidance on the relevant reporting requirements is available from diocesan councils, the RCB and the relevant authorities. Sample recommended reports can be found at *ireland.anglican.org/parishresources*.

RESTRICTED AND UNRESTRICTED FUNDS

Restricted funds refer to money which is clearly reserved by the donor for a specific purpose or appeal, for example a church roof repair fund, and which must be used for that specific purpose.

Unrestricted funds refer to money which can be used for general parish purposes.

Those wishing to make a gift to a parish should always consider including a statement which would allow any funds which are raised over and above any set target to be used for general purposes. This would allow additional funds to be unrestricted and available to be used more flexibly by the parish.

PERMANENT AND EXPENDABLE ENDOWMENTS

Permanent endowment funds are those where there is a capital fund with no power to convert capital to income. These funds must be held indefinitely and income is to be spent according to the terms of the trust.

Expendable endowment funds are those funds where the income generated and the capital from the endowment can be applied at the discretion of the trustees or might be restricted for a particular purpose. These funds allow for more flexibility in how the money is spent.

TAX EFFECTIVE GIVING

Tax refund schemes for charitable bodies allow parishes to claim tax relief on donations. These extra funds can make a very significant difference to the parish. Any giving by parishioners should be encouraged in a form which records a link from the donation to the donor, in accordance with the relevant tax authority's requirements. Giving is encouraged in the form of direct debits, standing orders or envelope schemes.

GIFT AID IN NORTHERN IRELAND

The Gift Aid scheme is for gifts of money by individuals who pay UK tax. Charities (including parishes) can claim the basic rate tax back from HM Revenue & Customs which has already been paid by the donor on the money donated. This means the parish can claim an extra £62.50 for every £250 donated using Gift Aid. In order to make a repayment claim, the parish must obtain a Gift Aid declaration from the donor.

An envelope scheme is a good way to show an audit trail linking the donation to the donor. For one-off donations, Gift Aid declarations can be pre-printed on envelopes for completion by the donor. If the donor is a regular supporter, their Gift Aid declaration should be held on record.

TAX EFFICIENT GIVING IN THE REPUBLIC OF IRELAND

Tax relief applies to gifts of money by individuals who pay income tax in the Republic of Ireland, and donate more than €250 in a tax year. Charities (including parishes) can claim tax back from the Revenue which has already been paid by the donor on the money donated. The tax refund for donations is set at a blended rate of regardless of the rate of tax which the donor pays. This means the parish can claim an additional €112.32 for every €250 donated. In order to make a repayment claim, the parish must obtain either an Enduring Certificate or Annual Certificate from the donor.

Further advice on the process for reclaiming tax in either Northern Ireland or the Republic of Ireland is available from the RCB or the relevant tax authority.

TRUSTS

A sum of money or an endowment left to a parish, or a property received by the select vestry as a gift to the parish may need to be vested in trustees who are individuals who take responsibility for managing the asset in accordance with the wishes of the donor and current legislative requirements.

The select vestry may appoint as trustees some of their members, other parishioners, or the Representative Church Body (which is the corporate trustee of the Church of Ireland). RCB parish resources 'Church Property held in Trust' and 'Charity Trustee Duties' can be found at *ireland.anglican.org/parishresources* and provide more detail on dealing with trusts.

TRANSPARENCY & ACCOUNTABILITY

It is important that parish finances are managed in a way which promotes transparency and accountability. The integrity with which finances are handled must be evident, particularly in respect of income such as collections, donations or grants. Accountability can be demonstrated by producing clear and accurate records which show that money has been received, handled and spent in accordance with financial procedures.

FINANCIAL LIABILITY OF SELECT VESTRY MEMBERS

If a select vestry decides to enter into a contract, for example to borrow funds for a particular purpose, and the select vestry members execute a contract, it is important to remember that as the select vestry is an unincorporated body, all select vestry members are jointly and individually liable in case of any default or breach of terms.

Prior to any contract being entered into, it is important to consider whether approval from the diocese and from the Representative Church Body may be required. Additionally, the terms of the parish indemnity insurance policy should be checked prior to entering into a contract to ensure adequate cover is provided by the policy. The diocesan council, the Representative Church Body and the parish's insurer should each be consulted.

