

All Treasurers

13 January 2020

Dear Colleague

### **Return of Parish Finance Forms, Parish Accounts and the National On-line Parish Return System**

Once again we would like to thank you for all the invaluable work that you do in supporting the work of your parish and enabling people to come to know Jesus Christ.

In my role as Parish Support Officer within the Finance Team at the Diocese, I am here to provide support and advice to you, the Treasurers, in the parishes across the Diocese and look forward to working with you to ensure the successful submission of the Financial Statements and Finance Returns for 2019.

I have already met some of you and look forward to meeting more of you at the annual Treasurer Training Days, which we will be running again in the spring/summer of 2020.

#### **PCC Annual Report & Accounts**

Over the last few years, we have been working with parishes to ensure that the PCC Annual Report & Accounts comply with the legal requirements, and I would like to thank all of you who have made changes where necessary.

We are continuing to work with PCCs to ensure that their reporting complies with legal requirements. However, we still have approximately 20% of parishes that do not submit their accounts to us on time and others where some of the required elements are missing. We completely understand how this can happen, as many people just keep doing what has always worked well in the past, without sometimes realising that the requirements have changed. However, the majority of accounts do comply.

**However small the PCC is every set of PCC Accounts must have the following elements:**

- **Annual Report (see below)**
- **Financial Statements, prepared on either a Receipts & Payments or an Accruals basis. If the former, it should include a Receipts & Payments Statement and the Statement of Assets & Liabilities**
- **Independent Examiner's Statement (see below)**

If you do need templates for any of the above, including sample Annual Reports & Financial Statements, then they are available on the diocesan website <https://exeter.anglican.org/resources/finance/parish-finances/>

### **Annual Report**

The **Annual Report** should be approved by the PCC as an integral part of the Accounts (and should also be given to the Independent Examiner). The Annual Report should cover the highlights from the last year and outline the plans for the future (it is not the same as the series of annual reports from each group within the church, e.g. the bell ringers, etc.). Typically an Annual Report would be between 1 – 4 pages long. There are some statements that must be included; I am happy to provide further advice, or send an example across to anyone who does not currently prepare one.

### **Independent Examination**

The Charity Commission's publication *Independent Examination of Charity Accounts: Examiners' Guide* provides detailed guidance for independent examiners and a full copy can be accessed through our website at <https://exeter.anglican.org/resources/finance/parish-finances/>. It is advisable to ask your independent examiner to look at the guidelines, to ensure that he/she is fulfilling the statutory expectations. Please note that all Independent Examiners must sign the formal statement, which can be found on our website – it is not enough just to sign on the accounts. Chapter 11 of the PCC Accountability Guide contains more guidance on appointing an Independent Examiner.

### **Preparing the accounts – some further issues to watch out for**

When reviewing accounts over the last few years, there are a number of common misconceptions on how certain information should be presented. The list below covers the most common issues; although it is by no means a complete list:

1. Where a parish has more than one church within it, it is usual for one of them to be either a District Council or Daughter church. We are still finding that in some parishes we are getting two separate sets of accounts – one for each church. As the legal entity is the parish, the information for all of the churches in the parish must be consolidated into a single financial statement. We are happy to provide further advice in this respect should you need any help with the consolidation. However, if we receive separate accounts this year that should be consolidated, then we will get in touch to assist in preparing a consolidated set of accounts
2. Where money is transferred out of deposit accounts into the current account, this should be shown as a 'transfer between funds' at the bottom of the Receipts & Payments account – one or two people have shown this as investment income, which massively overstates this number
3. The accounts should clearly identify the separate funds:
  - a. Unrestricted/general reserves
  - b. Designated reserves
  - c. Restricted reserves
  - d. Endowment reserves

4. Where a parish has an investment and the annual income from this investment is rolled up into the investment balance (rather than transferring to the bank), this amount must still be recognised as income in the Accounts
5. Only the statutory wedding/funeral fees due to the parish should appear in the accounts. Those passed onto the DBF, or the choir/bell ringers, etc. should be netted off – to show a zero in the accounts. Again, if this doesn't happen it will overstate the income from statutory fees
6. Trusts that are held by the diocese as custodian trustee must be included in the financial statements as they still belong to the parish. (You will be sent an end of year statement)

### Accruals Accounting

Parishes with annual income over £250,000 need to prepare their accounts on an accruals basis. For those using the accruals accounting process please ensure that you have included the required disclosures for related party transactions. If you need guidance please contact us and we will be able to help you.

### Parish Finance Forms/On-Line Returns

An increasing number of you have been putting the information from the Finance Form directly onto the national database that has been developed, called the 'On-line Parish Returns System'. With the help of the Deanery Treasurers nearly 90% of the parish information was input to the national database last year. This is immensely invaluable as it enables us to get a picture of the state of parish finances. There are a number of advantages to using the on-line system, one of which is that it also provides local parishes with 5 years' worth of historic finance data and 10 years' of attendance data. The system will also ensure that the data entered passes certain standard validation checks, thereby reducing the potential for errors.

### Ways to complete/submit your Finance Form

1	On-line (Existing user)	Your parish has registered to use the on-line system and you have already entered, or plan to enter, the Finance Form data on-line, in which case please accept my thanks (see note below on submitting your accounts).
2	On-line (New user)	If you would like to enter the data on-line this year, but do not have access to the on-line system, then please contact me, preferably via email at <a href="mailto:elizabeth.anderson@exeter.anglican.org">elizabeth.anderson@exeter.anglican.org</a> (or telephone 01392 294967). I will then arrange to set you up on the national system and provide you with guidance on how to access the system (see note below on submitting your accounts).

3	Manually	<p>If you would still prefer to complete the form manually, then please do so and send it to your Deanery Treasurer or other contact (details attached), who will then arrange for the data to be validated and entered on the system.</p> <p>The form can also be handed in with your accounts at the Archdeacons' Visitations (see note below on submitting your accounts).</p>
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It is important, that whichever option you choose, you keep your Deanery Treasurer informed, so that he/she will know what to look out for. It is also worth keeping a copy of the completed Finance Form, in case it gets lost in the post, as we don't want people having to recreate them.

Please check that the income and expenditure figures on your finance return match those on your financial statements!

### **Reconciliation**

Some parishes have more complicated accounting systems than others and it is not always easy to work out which figures from the accounts have been included in each box on the finance form – particularly for the bigger parishes. It would therefore be immensely helpful if, when submitting your accounts, you could show where each figure on the finance form has come from in the accounts – a simple handwritten note would be perfectly adequate in this respect – it will make the validation process much quicker.

### **Why do I need to send my Parish Accounts to the Diocesan Office/Deanery Treasurer?**

Firstly, I would like to explain why we ask parishes to submit copies of their accounts to the Diocesan Office (mostly via Deanery Treasurers). A small number of our parishes are formally registered as charities with the Charity Commission, but the vast majority are what is known as 'excepted charities', i.e. the parish is legally a charity, but does not have to formally register with the Charity Commission. This has been a long standing concession to parishes within the Church of England. The Charity Commission has been content to continue with the concession, as they expect the 'oversight' of the accounts to come from the Diocesan Office. In order for us to fulfil this expectation, we need to receive copies of the accounts, so your assistance in doing this is much appreciated. The requirement that all parishes must submit a copy of their accounts to the Diocesan Board of Finance is therefore a legal requirement which is contained within the Church Representation Rules. This also applies to those PCCs registered with the Charity Commission.

### **Submitting my Parish Accounts**

Please liaise with your Deanery Treasurer to confirm the option that works best for all concerned. Every parish needs to send a copy, preferably electronically, of their parish

accounts for 2019. These need to be in PDF format and must be a copy of the signed original, clearly showing the signatures. For those of you that need to submit a paper copy these need to be delivered direct to your Deanery Treasurer (or other nominated contact), or to your local Archdeacon's Visitation. In all cases please confirm with your Deanery Treasurer when the finance form information has been input to the on-line system.

Your Deanery Treasurer will then arrange to check the information from the accounts to the finance form and will either validate the entries input on-line, or make the necessary arrangements to input your data to the on-line system. No paper copies will once again be sent to the National Church this year – all forms will be input to the on-line system.

You still need to keep the original signed copy of the PCC Annual Accounts for the current and six previous years within the parish and they should then be deposited with the permanent archive.

Please note that once formally approved and signed by the PCC, the Annual Report and Financial Statements can be sent to the Diocese (or Deanery Treasurer), you do not need to wait until after the Annual Parochial Church Meeting (APCM). This will mean that you can tick off submitting your accounts much sooner so that you can get on with other things and will save you being chased by us!

We will continue to contact parishes where the accounts have been non-compliant, so if you are unsure what is needed we would recommend using the templates on the website. The easiest way to ensure compliance is through the Deanery Treasurers, and through attendance at the PCC Treasurer Training days. Deanery Treasurers are provided with a checklist to use when validating the PCC Accounts and we will therefore now be coming back to parishes where the accounts do not comply with the legal requirements to ask that any issues are addressed.

## **Process and Timetable**

To summarise

1. Annual Report and Financial Statements prepared and independently examined.
2. Annual Report and Financial Statements approved by PCC. Please note that it is the PCC that approves the Annual Reports & Financial Statements, not the APCM.
3. Present Annual Report and Financial Statements at the APCM by 31 May 2020
4. Send Annual report and Financial Statements to your Deanery Treasurer by 31 May 2020 or no later than 28 days after the APCM, whichever is sooner. The Deanery Treasurer will check the finance return back to the accounts, verify them and forward the accounts to the Finance Team at the Diocese. The deadline for all the accounts to be verified and submitted by the Deanery Treasurers is 31 July 2020.

We would be extremely grateful if all parish finance returns (on line or in paper form) and Annual Report and Financial Statements (which must include the annual report and the independent examiner's statement) can be input/submitted by **31 May 2020** at the latest. It would be fantastic this year if we did not need to chase up those places that miss the statutory deadline. The validation process can be a lengthy one for the Deanery Treasurers. Please remember that once the accounts have been approved by the PCC they can be submitted to the Deanery Treasurer even if the APCM has not yet taken place.

I thank you in advance for your support in preparing and submitting your Accounts within the timescale set out in this letter.

Please do not hesitate to contact me if you need any support.

Yours sincerely

A handwritten signature in black ink that reads "E. Anderson". The signature is written in a cursive style with a period at the end.

**Elizabeth Anderson**  
**Parish Support Officer**