

Church Accounting Regulations 1997 to 2001

These are the Church Accounting Regulations 1997 in the form amended by the Church Accounting (Amendment) Regulations 2001

The Church Accounting Regulations 1997 were made by the General Synod on 14 July 1997 and the Church Accounting (Amendment) Regulations 2001 were made by the General Synod on 12 November 2001. They came into force in the amended form on 1 January 2002.

In pursuance of the power conferred by rule 54(8) of the Church Representation Rules the following Regulations are prescribed by the Business Committee of the General Synod.

1. (1) In these Regulations:–

“the annual meeting” means the annual parochial church meeting prescribed by rule 6(1) of the rules;

“average weekly attendance” means the average adult and child attendance over a ‘typical’, continuous four-week period in the year;

“the Church guidance” means guidance on accounts, reports and scrutiny issued from time to time by the Central Board of Finance of the Church of England;

“the Council” means the parochial church council and any special trusts of the Council;

“income reserves” means those assets in the unrestricted fund of the Council which it has, or can make, available to apply for all or any of its purposes, once it has provided for its commitments and its other planned expenditure;

“the rules” means the Church Representation Rules as for the time being in force;

“the SORP” means the Statement of Recommended Practice for accounting and reporting by Charities, issued by the Charity Commission on 17 October 2000.

- (2) The Interpretation Measure 1925 and the Interpretation Act 1978 shall apply for the interpretation of these Regulations as they apply for the interpretation of Measures passed by the General Synod.

Financial year

2. The financial year for a Council shall be the calendar year, ending on the 31 December. The financial statements and annual report shall be presented to the annual meeting before the 30th April following the financial year.

Requirement for accounts and audit

3. (1) The Council shall prepare accounts of the ecclesiastical parish and be accountable in particular to all whose names are on the electoral roll.
- (2) Every Council shall prepare in respect of every year either –
- (a) a statement of accounts, consisting of a statement of financial activities for the financial year and a balance sheet as at the end of the financial year with explanatory notes (in these Regulations referred to as the accruals accounting basis); or
- (b) if the Council’s gross income does not exceed £100,000 in the relevant year and an audit is not required under Regulation 3(3), the Council may choose to prepare, instead of a statement of accounts, a receipts and payments account, together with a statement of assets and liabilities (in these Regulations referred to as the receipts and payments accounting basis).
- (3) There shall be attached to such accounts a report thereon by an independent examiner as provided by these Regulations with the proviso that, if the Council’s gross income or total expenditure exceeds £250,000 in the relevant year, or in either of the two immediately preceding years (disregarding years prior to 1997), or if the Council so chooses, the report shall instead be a report by an auditor as provided by these Regulations.

- (4) In these Regulations the terms “gross income” and “total expenditure” are defined in guidance from the Charity Commissioners as summarised in the Church guidance.
4. It shall be the responsibility of the Council to determine what form of accounts is permissible and, where a choice may be made, to choose which to provide.
5. It is the responsibility of the Council to ensure the person proposed to examine the accounts has the requisite ability and practical experience.

Receipts & Payments accounting basis

6. When accounts are prepared on the receipts and payments accounting basis, they shall be approved at a meeting of the Council at which the statement of assets and liabilities shall be signed and dated at that meeting by the chairman presiding at that Council meeting.
7. If the gross income and total expenditure are both under £10,000 and accounts are prepared on the receipts and payments accounting basis, the independent examination does not have to comply with the requirements of Regulation 25.

Statement of Financial Activities (SOFA)

8. The statement of financial activities shall be prepared in accordance with the methods and principles set out in the SORP and summarised in the Church guidance. It shall show the total incoming resources by type and application of the resources, together with any other movements in the total resources, of the Council during the year in respect of which the statement of accounts is prepared.
9. (1) Incoming resources are defined as being of various types:
 - (a) unrestricted funds, some of which may be designated by the Council as reserved for particular purposes;
 - (b) income funds that are restricted under charity law as to their use;
 - (c) capital (or endowment) funds where the capital may not be expended by the Council without proper authority.(2) The accounts shall show the movement of all resources under these three headings in columnar format as well as a total column, which sums the amounts in the three types of funds.
10. The analysis of this information shall be presented under separate headings, which are shown in Appendix I to these Regulations.

Balance sheet

11. The balance sheet shall be prepared in accordance with the methods and principles set out in the SORP and summarised in the Church guidance. It shall show the financial position of the Council at the end of the financial year in respect of which the statement of accounts is prepared.
12. The assets, liabilities and funds of the Council shall be analysed as shown in Appendix II to these Regulations.
13. The accounts shall be approved at a meeting of the Council at which the balance sheet shall be signed and dated at that meeting by the chairman presiding at the Council meeting.

Methods and principles

14. (1) Where the Council has adopted the accruals accounting basis the statement of accounts shall give a true and fair view of the financial activities of the Council for the financial year and the state of affairs of the Council as at 31 December.
 - (2) If the requirements of these Regulations as stated –
 - (a) are not adequate, for some reason, to give a true and fair view, then the necessary additional information shall be given in the accounts or a note to them; or
 - (b) are, in special circumstances, inconsistent with the requirement to give a true and fair view, the Council shall depart from the requirement of these Regulations only to the extent necessary to give a true and fair view. Provided always that particulars of any such departure, the reasons for it and the effect of it shall be given in a note to the accounts.
15. If, in comparison with the current year, any amounts shown in the previous year’s accounts were calculated on a different basis, the amount for the previous year shall be converted to the same basis as the current year before being included as comparative figures, and the conversion explained by way of note. Comparative figures for the immediately preceding year shall be shown for all items in the

total column of the statement of financial activities and the balance sheet except details of movements in fixed assets. An item in the SOFA or balance sheet can only be omitted when it is nil for both the current and the preceding year.

16. Assets should be excluded from the balance sheet unless they are the property of the Council. Assets do not include benefice property (which belongs to the incumbent or sequestrators) nor property held by the Council as custodian trustee. Any assets that are to be included shall be shown in the balance sheet on the basis given in the accounting policies.
17. The accounts must contain a statement about which basis has been adopted by the Council in preparation of the accounts. When either the accruals accounting basis or the receipts and payments basis has been adopted, unless otherwise stated in the financial statements, the accounting policies adopted by the Council should follow the models set out in the Church guidance.

Notes to accrual accounts

18. The information to be provided by way of notes to accrual accounts is given in Appendix III to these Regulations.

Auditor's duties

19. Subject to Regulation 3, an auditor, who shall be a registered auditor or a person authorised by the Secretary of State to audit charity accounts, shall carry out an audit of the accounts of the ecclesiastical parish which have been prepared in accordance with the method known as the accrual accounting basis. The auditor shall have a duty to make a report on the statement of accounts to the Council which the Council shall make available to those whose names are on the church electoral roll which:
 - (a) states the name and address of the auditor and the full parochial name (town/village and church dedication) of the ecclesiastical parish to which the accounts refer;
 - (b) is signed by him, or by the authorised signatory of his firm or company if applicable, and confirms his status as a charity auditor;
 - (c) is dated and specifies the financial year in respect of which the accounts to which it relates have been prepared;
 - (d) specifies that it is a report in respect of an audit carried out under these Regulations and the regulations made under Part VI of the Charities Act 1993;
 - (e) states whether, in the auditor's opinion, the statement of accounts complies with the requirements of these Regulations and Regulation 3 of the Charities (Accounts and Reports) Regulations 2000 and gives a true and fair view of the state of affairs of the Council as at the end of the financial year, and of the incoming resources and application of resources of the Council for the year then ended;
 - (f) where the auditor has formed the following opinion, contains a statement of that opinion and of his grounds for forming it:
 - (i) that the Council's accounting records have not been kept in accordance with section 41 of the Charities Act 1993; or
 - (ii) that the statement of accounts does not accord with those records; or
 - (iii) that any information contained in the statement of accounts is inconsistent in any material respect with the report of the Council in respect of the financial year in question; or
 - (iv) that any information or explanation to which he is entitled has not been afforded to him.
20. The auditor shall, in preparing his report, carry out such investigations as will enable him to form an opinion as to the matters specified in (e) and (f) above.
21. The auditor shall communicate to the Charity Commissioners in writing any matter of which the auditor becomes aware in his capacity as such which relates to the activities or affairs of the Council or of any institution or body corporate which is a connected person in relation to the Council and which the auditor has reasonable cause to believe is, or is likely to be, of material significance for the exercise, in relation to the Council of the Charity Commissioners' functions to institute inquiries or act for the protection of charities. The auditor shall at the same time communicate the same information in writing to the archdeacon in whose archdeaconry the parish is located and the secretary of the Diocesan Board of Finance.
22. Where an auditor appointed by the annual meeting or the Council ceases for any reason to hold office, he shall send to the secretary of that Council a statement of any circumstances connected with his ceasing to hold office which he considers should be brought to the attention of those whose names appear on the church electoral roll or, if he considers that there are no such circumstances, a statement

that there are none; and the auditor shall send a copy of the statement (except a statement that there are no such circumstances) to the archdeacon and to the Charity Commissioners.

23. Where the Council has opted under the Regulations to adopt the receipts and payments accounting basis, the auditor shall carry out an independent examination in accordance with the following Regulations.

Independent examiner's duties

24. An independent examiner is defined in rule 54(1) by reference to section 43(3)(a) of the Charities Act 1993 as “an independent person who is reasonably believed by the trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts”.
25. Subject to Regulation 7, an independent examiner who has examined the accounts of the Council under these Regulations and section 43 of the Charities Act 1993 shall make a report to the Council which the Council shall make available to those whose names are on the church electoral roll which:
- (a) states his name and address and the full parochial name (town/village and church dedication) of the ecclesiastical parish to which the accounts refer;
 - (b) is signed by him and specifies any relevant professional qualification or professional body of which he is a member;
 - (c) is dated and specifies the financial year in respect of which the accounts to which it relates have been prepared;
 - (d) specifies that it is a report in respect of an examination carried out under these Regulations and regulations made under Part VI of the Charities Act 1993 and in accordance with any applicable directions given by the Charity Commissioners;
 - (e) states whether or not any matter has come to the examiner's attention in connection with the examination which gives him reasonable cause to believe that in any material respect:
 - (i) the Council's accounting records have not been kept in accordance with section 41 of the Charities Act 1993; or
 - (ii) the accounts do not accord with those records; or
 - (iii) where the statement of accounts has been prepared on the accruals accounting basis, it does not comply with any of the requirements of these Regulations and Regulation 3 of the Charities (Accounts and Reports) Regulations 2000, other than the requirement to show a true and fair view as given in Regulation 14.
 - (f) states whether or not any matter has come to the examiner's attention in connection with the examination to which, in his opinion, attention should be drawn in the report in order to enable a proper understanding of the accounts to be reached;
 - (g) where any of the following matters has become apparent to the examiner during the course of the examination, namely, that:
 - (i) there has been any expenditure or action which appears not to be in accordance with the requirements of the Parochial Church Councils (Powers) Measure 1956 or any special trust of the Council; or
 - (ii) that any information contained in the statement of accounts is inconsistent in any material respect with the report of the Council in respect of the financial year in question; or
 - (iii) any information or explanation to which he is entitled has not been afforded to him; contains a statement to that effect.
26. In respect of the Charity Commissioner's functions to institute inquiries or act for the protection of charities, the independent examiner shall communicate to the Charity Commissioners in writing any matter of which he becomes aware in his capacity as such which relates to the activities or affairs of the Council, or of any institution or body corporate which is a connected person in relation to the Council and which he has reasonable cause to believe represents deliberate or reckless misconduct by one or more Council members. The independent examiner shall at the same time communicate the same information in writing to the archdeacon in whose archdeaconry the parish is located and the secretary of the Diocesan Board of Finance.

Annual reports

27. The rules provide that a report on “the proceedings of the parochial church council and the activities of the parish generally” be provided to the annual meeting. This report shall specify the financial year to which it relates and shall include:

- (a) A report on the proceedings of the Council and the activities in the parish, including any significant developments and achievements and any significant changes in those activities during the year. Any important events which have affected those activities and any likely future developments in those activities should also be included.
- (b) A report on the financial activities of the Council including the ways in which the activities of the parish have been funded and the way in which the activities of the parish will continue to be funded.
- (c) The following information shall be included:
 - (i) the full parochial name (town/village and church dedication) of the ecclesiastical parish;
 - (ii) the location of the church and the address for correspondence;
 - (iii) a statement that the Council is required, as stated in the Parochial Church Councils (Powers) Measure 1956, to co-operate with the minister in promoting in the parish the whole mission of the Church, pastoral, evangelistic, social and ecumenical;
 - (iv) the names of the members of the Council who have served since the commencement of the financial year until the approval of the accounts;
 - (v) a brief description of the way the Council organises itself in order to carry out its aims and objectives;
 - (vi) the number on the Electoral Roll reported during the year and the average weekly attendance in that year.
 - (vii) a description of the policies (if any) which have been adopted by the Council
 - (A) for the purpose of determining the level of income reserves which it is appropriate for the Council to maintain in order to meet effectively its needs, including its legal and constructive obligations;
 - (B) for the selection of investments for the charity; and
 - (C) for the selection of charitable individuals and institutions who are to receive grants out of the Council's funds;

The report shall be dated and signed by the chairman presiding at the Council meeting at which it was adopted.

28. In the case of any financial year in which the Council's gross income exceeds £250,000, the report shall be a review of all activities, including –
- (i) a statement regarding the performance during the financial year of the investments belonging to the Council;
 - (ii) material transactions, significant developments and achievements during the year in relation to the objects;
 - (iii) any significant changes in those activities during the year;
 - (iv) any important events affecting those activities which have occurred since the end of the year and any likely future developments in those activities; and
 - (v) where any fund of the Council was in deficit at the beginning of the financial year, the steps taken by the Council to eliminate that deficit; and shall contain a statement as to whether the Council has given consideration to –
 - (vi) the major risks to which the charity is exposed; and
 - (vii) systems designed to mitigate those risks.

APPENDIX I

Regulation 10

The Statement of Financial Activities (SOFA)

The analysis of resources in the SOFA shall be as follows:

- (a) Incoming resources in respect of each fund or fund type as applicable:
 - (i) incoming resources from donors;
 - (ii) other voluntary incoming resources;
 - (iii) incoming resources from operating activities to further the Council's objects;
 - (iv) activities for generating funds;

- (v) income from investment;
- (vi) other incoming resources.
- (b) All resources expended
If the gross income for the year is greater than £250,000, expenditure on the following must be separately shown:
 - (i) costs of generating funds;
 - (ii) grants;
 - (iii) activities directly relating to the work of the Church;
 - (iv) support costs for (ii) and (iii) where material;
 - (v) the management and administration of the Council.
- (c) Material gross transfers between the funds of the Council
- (d) Net incoming resources for the financial year before calculation of gains or losses on disposal of fixed assets intended for investment or on revaluation of fixed assets intended for use or investment (i.e. the aggregate of all amounts entered in (a), (b) and (c) above).
- (e) Any gains or losses on the disposal of fixed assets intended for investment or on revaluation of fixed assets intended for use or investment, divided into:
 - (i) gains or losses on disposal of investment assets;
 - (ii) unrealised gains or losses on revaluation of fixed assets intended for use.
- (f) Net movements in funds in the financial year (i.e. the total of all entries made in (d) and (e) above).
- (g) The total of funds brought forward from the previous financial year.
- (h) The total of funds carried forward to the next financial year (i.e. the entries in (f) above plus the amount entered in (g) above).

APPENDIX II

Regulation 12

The Balance Sheet

The information required to show the financial state of affairs is:

- (a) Fixed assets, divided into:
 - (i) tangible assets, such as motor vehicles and computers, for use by the Council;
 - (ii) investment assets (including any properties held for investment purposes)
Note: in the unlikely event that the Council does have intangible assets, they must be shown separately. Inalienable and historic assets that exist at 31 December 2000 should be detailed in the notes to the accounts and only valued if reliable cost or valuation information is available. Additions to inalienable or historic fixed assets subsequent to 31 December 2000 are included in the balance sheet at cost. In the absence of a cost, additions to inalienable or historic assets are excluded from the balance sheet where valuation methods lack sufficient reliability or the valuation costs are onerous in relation to the benefits derived by users of the accounts.
- (b) Current assets, divided into:
 - (i) stock and work in progress;
 - (ii) debtors;
 - (iii) investments
 - (iv) cash at the bank, on short-term deposit and in hand;
- (c) Creditors due within one year
- (d) Net current assets or liabilities (i.e. the difference between that entered in (b) above and that entered in (c) above).
- (e) Total assets after deduction of current liabilities (i.e. that entered in (a) above plus that entered in (d) above)
- (f) Creditors due after one year
- (g) Provisions for liabilities or charges
- (h) Net assets (i.e. that entered in (e) above less that entered in (f) and (g) above)
- (i) The funds of the Council divided into:

- (i) unrestricted income funds
- (ii) income funds that are restricted as to their use
- (iii) capital (endowment) funds.

APPENDIX III

Regulation 18

Notes to be appended to the Accounts

The information to be provided by way of notes to the accounts is:

- (a) a description of the accounting policies adopted and any material changes in these, the reason for such change and its effect (if material) on the accounts in accordance with the methods and principles set out in the SORP and summarised in the Church guidance;
- (b) a description of the nature and purpose of all material funds of the Council in accordance with the methods and principles set out in the SORP and summarised in the Church guidance.
- (c) either a statement (“an unqualified statement”) that no related party to the Council has been paid or is payable remuneration or other benefits from the funds of the Council or, if an unqualified statement cannot be given, details of
 - (i) the amount of such benefits; and
 - (ii) the name of the person to whom they have been paid or are payable;
- (d) such particulars of the cost to the Council of employing staff and such particulars of the emoluments of those staff as may be required by the SORP and summarised in the Church guidance;
- (e) particulars of any related party transaction undertaken in the name of or on behalf of the Council in which any person connected with or related to the Council has a material interest;
- (f) a description of any incoming resources which represent capital, according to whether or not that capital is permanent endowment;
- (g) an itemised analysis of any material movement between any of the restricted funds of the Council, or between a restricted and an unrestricted fund of the Council, together with an explanation of the nature and purpose of each of those funds;
- (h) the name of an institution or body corporate which is connected with the Council, together with a description of the nature of the relationship of the Council with that institution or body corporate and of its activities, including where material its turnover and net profit or loss for the corresponding financial year of the institution or body corporate and any qualification expressed in the auditor’s report on its accounts;
- (i) particulars of any guarantee given by the Council where any potential liability is outstanding at the date of the balance sheet ;
- (j) particulars of any loan outstanding at the date of the balance sheet
 - (i) which was made to the Council and which is secured by an express charge against any of the Council’s assets or
 - (ii) which was made by the Council to any institution or body corporate connected with the Council;
- (k) particulars of any fund of the Council which is in deficit at the date of the balance sheet;
- (l) particulars of any remuneration paid to an auditor or independent examiner in respect of auditing or examining the Council’s accounts and particulars of any remuneration paid to him in respect of any other services rendered to the Council;
- (m) particulars of any grant made by the Council to another institution and details of the total amounts paid to individuals for charitable purposes of which the SORP requires disclosure;
- (n) particulars of any ex gratia payment made by the Council;
- (o) an analysis of any entry in the balance sheet relating to fixed assets:
 - (i) in the case of tangible assets for use by the Council according to the following categories:
 - (A) freehold interest in land and buildings;
 - (B) any other interest in land or buildings;

- (C) plant and machinery, including motor vehicles;
- (D) fixtures, fittings and equipment;
- (E) payment on account and assets in course of construction;
- (ii) in the case of investments, according to the following categories of investment:
 - (A) investment properties;
 - (B) investments listed on a recognised stock exchange or valued by reference to such investments such as unit trusts and common investment funds;
 - (C) investment in an institution or body corporate connected with the charity;
 - (D) other unlisted securities;
 - (E) cash; and
 - (F) other investments.
- (p) an analysis of any entry in the balance sheet relating to debtors, according to the following categories:
 - (i) debtors for goods and services;
 - (ii) amounts owed by an institution or body corporate which is a connected person to the Council;
 - (iii) other debtors; and
 - (iv) prepayments and accrued income;
- (q) an analysis of any entry in the balance sheet relating to creditors (whether short-term or long-term), according to the following categories:
 - (i) loans and overdrafts;
 - (ii) creditors for goods and services;
 - (iii) amounts owed to any institution or body corporate which is a connected person to the Council;
 - (iv) other creditors; and
 - (v) accruals and deferred income;
- (r) an analysis of all material changes during the financial year in question in the values of fixed assets in accordance with the methods and principles set out in the SORP and summarised in the Church guidance;
- (s) the amount or estimated amount of any contingent liability; its legal nature and whether any valuable security has been provided by the Council in connection with that liability and, if so, what;
- (t) particulars of any other financial commitments which are outstanding at the date of the balance sheet and which have not been provided for and are relevant to an assessment of the state of affairs of the Council;
- (u) particulars of the difference between the market value (as at the date of the balance sheet) of any land owned by the Council and the amount at which it is included in the balance sheet if the difference is felt by the Council to be so significant that attention should be drawn to it;
- (v) in the case of any amount required by these paragraphs to be disclosed, the corresponding amount for the financial year immediately preceding to that which the accounts relate;
- (w) any other information which is required by these Regulations to be disclosed in a note to the accounts or which may reasonably assist the user to understand the statement of accounts.

In the case of any financial year in which the Council's gross income exceeds £250,000, the notes shall include –

- (x) particulars of the cost to the Council of
 - (i) any policies of insurance against loss arising from the neglect or default of any of the Council members; or
 - (ii) any indemnity provided for Council members in respect of the consequences of any such loss;
- (y) a statement as to whether or not the accounts have been prepared in accordance with these Regulations and any applicable accounting standards and statements of recommended practice and particulars of any material departure from these Regulations or those standards and practices and reasons for such departure.