

# Keeping the accounting up to date

As Charity law regulates that the financial position should be able to be determined at any time, maintaining the accounting regularly is an important aspect of the role of PCC Treasurer. Daily, weekly or monthly accounting can easily become very time-intensive.

Your Parish Advisor is only an email or a telephone call away, to assist you to set up and maintain a simple record of the accounting transactions for your church.

Please don't become discouraged if you cannot fathom how the previous Treasurer handled the church's accounting. Everyone has their own method of dealing with the accounting and not all methods are understandable by others.

If you need to start afresh - do so! You will find that it's far less time-consuming to begin your new role with what is familiar to you, than to struggle with a system that seems to be shrouded in mist.

## Regular Accounting

Similar transactions are best grouped under suitable headings. Some PCC Treasurers use specific charity accounts software to be able to deal with Fund Accounting, such as Liberty Accounts or Finance Co-ordinator.

Rather than using specific software though, it is possible to organise your accounting on a spreadsheet, in such a way that you can minimise the time spent simply adding the figures together and analysing them into categories.

A spreadsheet will then add the values automatically and provide you with totals. The accounting spreadsheet template, downloadable from the diocesan website, is used by many PCC Treasurers to analyse everything into the right groups.

*Below is a picture of a proportion of the accounting spreadsheet:*

PCC of St Jude's Chichester				Unrestricted income - Donations and legacies											Charitable		Trading income				
Agreed / cleared?	Bank Statement page no.	Banked sub-total check	Date	Name/details	Banked Amount	Difference not yet entered	Giving by PDS	PGS - GA refund	Regular Giving by STO - GA	Regular STCs-non-GA	Regular Envelopes - GA	Envelopes - Other - GA	Cash/Digital Collections - GASDS	Cash/Digital Collections - Non-GASDS	Own Gift Aid recovered	Wall safe donations	Legacies	Grants	Weddings Funerals Fees PCC	Hall/Room Bookings	
		0.00		TOTALS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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The spreadsheet has been designed to be a basic template which, line by line, prompts the user when the analysis fails to add to the total. Spreadsheets tend to be used these days instead of manually writing transactions in a book or ledger.

The template is only a guide. You can add new rows and columns if you need them.

### Mirroring the Bank Statements

To ensure that everything is recorded accurately, *compare* with the bank statements, preferably monthly, your input for every transaction written in your accounting record (this used to be referred to as the "books") in a calendar month.

If the input to the software or account book has been done accurately

- the book opening balance plus
- the total of money in, less
- the total of money out,
- will equal the month-end bank balance on the bank statement.

Only if cheques are written near the month end and input to the software or "books", but not cleared by the bank until after that date, will the bank balance differ from the accounting balance.

**To make things easy**, don't enter cheques until cleared, otherwise, a sometimes-lengthy reconciliation becomes necessary.

**Uncleared cheques:** To reconcile the bank for uncleared cheques,

- take the statement balance at month end,
- list the uncleared cheques, *cleared on subsequent statements*, and total them,
- deduct the uncleared total from the value of the statement balance and
- compare the resulting total with the balance in the software (or the "books").

If you have been accurate, the two will agree.

**Finding errors:** If the reconciled balance and the balance in the "books" do not agree, you will need to re-check the transactions. Here are some tips:

Divide the numerical value of your error by 2. If that value is an exact amount with no decimal places beyond £ and p (e.g. £34.22 divided by 2 = £17.11) try looking for £17.11 in the books or on the bank statement. Finding that amount will point you to your error.

You will discover that you have made a mistake with

- inputting a value,
- missing out a value or,
- accidentally, you have included something twice.

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Alternatively, divide your error by 9. If the resulting amount is again an exact £ and p you *may* have transposed two figures (e.g. £123.45 transposed to £132.45).

**Uncleared banking:** Sometimes a banking of money will be done just before the month end and will be recorded in the “books”, but the bank will not process it until the new month. Just like uncleared cheques, the balance then needs reconciliation.

Add the missing value to the value of the bank statement balance, then compare the “books” balance with the adjusted bank balance. Now, they should agree.

## Using online banking

Using charity online banking allows transactions to happen on the same day they are initiated, and your accounting record thus will always agree with the bank statements; reducing time spent recording and reconciling the accounting to the statements.

It is important that PCCs should review their banking arrangements to ensure that they comply with current regulations and best practice. Using a personal, single-authorisation account instead of a proper charity one, would be regarded by the Charity Commission as failure in the governance of the PCC; rendering the whole PCC liable to censure.

It has been reported that some treasurers have been using personal bank accounts as a shortcut to using free banking or, as a means of efficiency of working. Worse still, some charity trustees have discovered that allowing their treasurer to operate single-authority banking arrangements became too great a temptation, and money has disappeared without their authority.

The good news is that banks are offering proper charity bank accounts, where the transactions require a minimum of two authorisations, in a similar way to requiring two or more people signing cheques. If PCC members are in any doubt about the account that their treasurer is using, it is important to obtain proper information about its operation and, if necessary, to resolve to close that account and open a proper charity account as quickly as possible.

In all cases, whether using online banking or not, there should be proper financial policies and procedures to ensure that at least two people review the documentation, before authorising online or signing cheques.

## Accounting at year-end

Why not pre-plan your cash flow to try to ensure that all transactions clear through the bank before the year-end?

Try to pay all bills online or, send out all cheques (including your parish share) well before Christmas arrives. That way you may not have to reconcile the bank statement to your “books”.

In any case, unpaid bills only have to be classified as Creditors and published on the Statement of Assets and Liabilities (or the Balance Sheet).

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## Preparing the Annual Financial Report and Accounts

Often the PCC expects the Chairperson to draft the Trustees Annual Report, as required under the Charities Acts. Once that report is in draft it needs to include the Treasurer's financial review and the draft of the annual financial accounts.

To present and publish proper financial accounts, templates are available from the diocesan website. In all cases, the value of income should *exclude*:

- collections on behalf of another charity,
- the diocesan proportion of weddings and funerals fees, and
- the proceeds of a sale of a PCC property.

In Receipts and Payments Accounts the proceeds of sale of PCC property should appear as a line separate from the details of income from donations, income from charitable activities and income from trading activities.

In Accruals Accounts, only the gain or loss on sale will appear in the SOFA as a separate item.

**Approval of the annual accounts:** After the PCC has discussed/reviewed the report and passed a resolution to adopt the Trustees Annual Report and Accounts, they can be signed and given to the Independent Examiner for review.

The picture of an example of accounts on the diocesan website illustrates the presentation of Receipts and Payments, applicable to churches with an income of *less than* £250,000. Additionally, to this the PCC should present a Statement of Assets and Liabilities and relevant Notes to the Accounts.

**Reverting to R&P Accounts:** The presentation of the annual accounts is the decision of the whole PCC. The Treasurer may prefer a particular layout but should remember that the published information should be understandable by those not skilled in accounting. Most PCC Members and parishioners only understand Receipts and Payments Accounts. Inclusion of gains and losses on investments can mislead users to the extent that they may think that the PCC has much more money than is actually the case, making appeals for more funds difficult to sustain.

Even if your previous Treasurer presented Accruals Accounts, your PCC can revert to Receipts and Payments by specific resolution, to make things much easier to understand.

If PCC income, excluding collections for other charities, the Diocesan proportion of weddings and funerals fees, and sales of PCC property, *exceeds* £249,999, the PCC *has* to prepare and present Accruals Accounts in accordance with Charities Statement of Recommended Practice (SORP) 2015 as amended, which is based on accounting standard FRS102.

If a Treasurer wishes to use *any* form of accruals accounting, please be aware that the only lawful method is to use SORP 2015 and, it requires PCC approval to do so.

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**Reporting templates:** You can download from the diocesan website the template you need:

1. Receipts and Payments Full Template
2. Accruals Full Template
3. Receipts and Payments figures only
4. Accruals figures only
5. IE Report - Receipts and Payments
6. IE Report – Accruals
7. HOWTO Link excel to word

Recent versions of Office software enable Excel and Word to cross-link so that you can input figures into Excel, and they will update the Word cells. This enables your PCC's Annual Report to have a consistent look and feel. The HOWTO explains how to make the links.

If you examine the templates available above, you may notice

- the headings in the daily accounting spreadsheet are very similar to the headings in the annual accounts templates. Only where extra columns are needed to be able to arrive at a total for the Gift Aided Small Donations Scheme, or record movements on a restricted fund, will you see extra totals within the accounting spreadsheet that may need to add together, to produce the annual financial report, and
- the headings and the layout of the templates are similar to the Church of England Finance Return, making it easier to complete that return as well as prepare the annual report.

Your Parish Advisor can provide you with help in editing the basic template and assistance if you are stuck and cannot seem to balance, or are in need of much more help.