

Practical examples

- 14.1 This chapter contains an example of each of the following:
- An annual report
 - A receipts and payments account and statement of assets and liabilities for a PCC under £10,000
 - A receipts and payments account and statement of assets and liabilities for a larger PCC
 - Accruals accounts, comprising SOFA, Balance Sheet and Notes
 - An Independent Examiner's report (*in different circumstances*)
 - Letter setting out agreed Terms of Engagement for the independent examiner
- 14.2 These examples do not try to reproduce the situation in the most complex parishes. They are included as an aid to following the guidance. Items which a PCC may need to include in its accounts and which are not shown in these examples will most likely be found in Chapter 6.
- 14.3 These practical examples show how to apply the guidance to PCC accounts with more than one fund. The examples are provided as illustrations of layouts and important principles only. It is emphasised that they are not full accounts and do not include all the notes and comparative figures that would be expected in a set of accounts. They also demonstrate how the wording of items in the accounts can be varied according to local circumstances.
- 14.4 PCCs are advised that, if they are not sure whether an item should be shown separately, it is generally better to include it. The accounts should show how the PCC expended the incoming resources available to it, whether they be from voluntary giving, grants from other bodies or money taken from reserves.

<p style="text-align: center;">St Emilion's Church, Barchester</p> <p style="text-align: center;">Annual Report and Financial Statements of the Parochial Church Council</p> <p style="text-align: center;">for the year ended 31 December 2001</p> <p style="text-align: center;">Incumbent: The Revd Onesimus Og The Rectory Church Road Barchester</p> <p style="text-align: center;">Bank: The Royal Bank of Wessex High Street Branch Barchester</p> <p style="text-align: center;">Independent examiner: Mr Samuel Shadrach 43 The Glebe Ambridge</p>

Example of Annual Report

St Emilion's Church – Annual Report for 2001

Background

St Emilion's PCC has the responsibility of co-operating with the incumbent, the Revd Onesimus Og, in promoting in the ecclesiastical parish the whole mission of the Church, pastoral, evangelistic, social and ecumenical. It also has maintenance responsibilities for the Church Centre complex of St Emilion's, The Green, Barchester.

Membership

Members of the PCC are either ex officio or elected by the Annual Parochial Church Meeting (APCM) in accordance with the Church Representation Rules.

During the year the following served as members of the PCC:

<i>Incumbent:</i>	The Revd Onesimus Og	Chairman
<i>Reader:</i>	Mr Adam Agrippa	
<i>Wardens:</i>	Mrs Bathsheba Babylon Mr Caleb Cornelius	Vice chairman
<i>Representatives on the Deanery Synod:</i>	Mr David Dathan Mr Eli Emmaus Mr Felix Festus	Secretary
<i>Elected members:</i>	Miss Gomer Goliath Mrs Hannah Hosea Mr Ishmael Isaiah Miss Jemima Joshua Mrs Kezia Korah Miss Leah Lot Mr Mark Moses Miss Naomi Noah Mr Paul Potiphar Miss Ruth Reuben Mr Timothy Thomas	(From APCM 2001) Treasurer (Until APCM 2001) (Until APCM 2001) (From APCM 2001)

Committees

The PCC operates through a number of committees, which meet between full meetings of the PCC:

Standing Committee:

This is the only committee required by law. It has power to transact the business of the PCC between its meetings, subject to any directions given by the Council.

Finance Committee:

Oversees the general financial dimension of the work of St Emilion's by monitoring income and expenditure, budgeting, maintaining appropriate financial controls and co-ordinating the annual review of the Christian Stewardship of money through planned giving.

Worship and Fellowship Committee:

Attends to matters relating to ministry to the local Church, such as aspects of worship, mid-week groups and the work with children and young people.

Mission and Evangelism Committee:

Attends to matters relating to ministry of the local Church to the community and the world, such as ecumenical links, evangelism and the support of mission and relief agencies.

Buildings Committee:

Attends to matters relating to the stewardship of plant, such as the church buildings and fabric, the churchyard, the Rectory and the house at 36 Church Road, formerly occupied by the curate.

Church attendance

There are 273 parishioners on the Church Electoral Roll, 91 of whom are not resident within the parish. Eighteen names were added during the year and nine were removed either through death or because they moved away from the parish. The average weekly attendance, counted during October, was 207, but this number increased at festivals and two Christmas carol services had to be held to seat all those who wished to attend.

Review of the year

The full PCC met six times during the year with an average level of attendance of 80%. Committees met between meetings and minutes of their deliberations were received by the full PCC and discussed where necessary.

A great deal of time and thought was spent during the year on making best use of the new services in Common Worship. Many have said how much easier it is to follow the services now that they are printed out in booklets. We also agreed the new style of Family Worship on the morning of the 3rd Sunday each month, following the outlines in Common Worship. This has meant that special arrangements have had to be made for baptisms and for welcoming the families at corporate worship on the 1st Sunday of each month. It is pleasing to be able to report that the new arrangements have been well received since they came into operation during September. They will be reviewed by the PCC after 12 months.

The PCC has also focused its attention on the questions posed to parishes in the deanery about the most effective deployment of stipendiary and non-stipendiary clergy.

The kitchen in the Church Hall was refurbished during August and the new environment meets the stringent health and safety requirements and allows us to continue the old people's luncheon club on Saturdays. A new photocopier was purchased.

The Mission and Evangelism Committee is to be congratulated on their fund-raising efforts. £1,640 was raised for the Indian Earthquake Appeal and over £1,000 has been raised for the farmers during the height of the Foot and Mouth crisis. It is good that these efforts on behalf of others can be combined with opportunities for fellowship. It is also our policy to work towards being able to give away to charitable causes a sum equal to 10 per cent of our general fund income.

The planned giving through envelopes and banker's orders increased by 8 per cent and it was good to see the use of Gift Aid envelopes increased. However the total income, including tax recovered but excluding the legacy, went up by only 2 per cent due to a reduction in general donations and because no rummage sales were held. We were grateful for a pecuniary legacy of £1,000 from the estate of Mrs Esther Ruth. £2,000 was set aside towards the cost of the much needed cleaning of the organ. The work was completed in time for Christmas.

£60,850 was spent to provide the Christian ministry from St Emilion's Church, including the contribution to the diocesan parish share, which largely provides the stipends and housing for the clergy. It increased by 12 per cent. The sum that the Churches in the deanery have to find is shared between the Churches according to a formula that is based mainly on a head count of the congregations. We have to find more of the sum at St Emilion's as the size of our congregation increased more compared with other churches.

The freehold house at 36 Church Road continues to be let temporarily, which provided a gross income of £3,700.

The state of the nave roof has been causing concern for some time. After many years, during which routine maintenance has been carried out, a detailed report on its condition will be prepared by the architect at the next routine inspection in April 2002. We have already anticipated the need for major structural renewal, and it is our policy to make provisions from general income in the hope that an urgent appeal can be avoided.

It is our policy to invest our funds balances with the CBF Church of England Deposit Fund.

During the year we started on a programme of identifying the major risks which impact the work of the Church in the parish. We already had a child protection policy in place and we drew up a set of financial procedures for the handling of cash. This has led to the recognition that a new safe for cash is needed in the vestry. An analysis of existing controls in place to deal with these risks is being developed by identifying further actions required to mitigate these risks.

On behalf of the PCC

The Revd Onesimus Og (Chairman)

2 March 2002

Example of Receipts & Payments account under £10,000

St Evens' Church, Denton – Financial Statement for the Year Ended 31 December 2001

General Fund Receipts & Payments Account

	2001	2000		2001	2000
	£	£		£	£
<i>Receipts</i>			<i>Payments</i>		
Church collections and donations	2,287	2,204	Quota	4,562	4,014
Freewill offerings	283	297	Ministry expenses	1,093	1,003
Gift Aid donations	2,837	2,689	Salaries – organist	90	80
Fees	128	84	Insurance	1,372	1,280
Interest on deposit account	12	14	Heating and lighting	345	418
Interest on CBF deposit account	1,162	1,008	Churchyard expenses	144	83
Tax refund on Gift Aid donations	837	845	Charitable donations	598	550
Christmas bazaar	826	740	Upkeep of services	168	157
			Repairs; Organ tuning	187	64
TOTAL RECEIPTS	8,372	7,881	TOTAL PAYMENTS	8,559	7,649
Excess of Payments over Receipts	(187)	232			
Cash & bank deposits at 1 Jan 2001	22,803	22,571			
Cash & bank deposits at 31 Dec 2001	22,616	22,803			

Restoration and Repair Restricted Fund

<i>Receipts</i>			<i>Payments</i>		
Barbecue and Fun Day	929	–	Cost of Barbecue and Fun Day materials	300	–
Sponsored cycle ride	245	280	Tower investigations	216	–
Coffee mornings	137	81			
Interest from CBF deposit	212	178			
	<u>1,523</u>	<u>539</u>		<u>516</u>	<u>–</u>
Excess of Receipts over Payments	1,007	539			
Cash & bank deposits at 1 Jan 2001	3,890	3,351			
Cash & bank deposits at 31 Dec 2001	4,897	3,890			

Statement of Assets and Liabilities at 31 December 2001

<i>Assets</i>	<i>General Fund</i>	<i>Rest & Rep Fund</i>	<i>TOTALS</i>	
			<i>2001</i>	<i>2000</i>
	£	£	£	£
Bank current account	109	47	156	187
High interest deposit account	512	–	512	621
CBF deposit account	21,995	4,850	22,845	25,885
TOTAL CASH	22,616	4,897	27,513	26,693

It is estimated that there is £580 in tax to be recovered from the Inland Revenue. The tax claim will be made in May 2002. Church furnishings are included in the Inventory and vested in the wardens on special trust.

Liabilities

Unpaid electricity bill £93

Note: The receipts from the Barbecue and Fun Day exceeded the payments by £629. The hire charge for the bouncy castle was £150.

Example of Receipts & Payments account over £10,000

St Emilion's Church, Barchester – Financial Statement for the Year Ended 31 December 2001

General Fund Receipts & Payments Account

	2001		2000	
	£	£	£	£
Receipts				
<i>Incoming resources from donors</i>				
Planned giving	29,400		27,200	
Collections and other giving	9,900		10,600	
Income tax recovered	<u>8,700</u>		<u>8,300</u>	
		48,000		46,100
<i>Other voluntary incoming resources</i>				
Legacy	1,000		–	
Donations	<u>1,700</u>		<u>1,800</u>	
		2,700		1,800
<i>Income from operating activities to further the work of the Church</i>				
Sales of the parish magazine	1,000		1,100	
Contributions for local community use of Church Centre	3,900		3,800	
Fees	<u>400</u>		<u>300</u>	
		5,300		5,200
<i>Income from operating activities to generate funds</i>				
Magazine advertisement fees	1,200		1,000	
Rent from temporary letting of Curate's House	3,700		3,700	
Summer Fete and Christmas Bazaar	2,400		2,500	
Rummage sales	<u>–</u>		<u>700</u>	
		7,300		7,900
<i>Income from investments</i>				
Bank interest		150		200
		<u> </u>		<u> </u>
Total Receipts		63,450		61,200
Payments				
<i>Grants to further the work of the Church</i>				
Overseas mission and relief agencies		2,550		2,550
<i>Church activities</i>				
Diocesan parish share	41,500		37,050	
Church running expenses	4,700		4,800	
Clergy expenses	1,900		1,800	
Cost of services	2,600		2,100	
Printing the magazine	1,800		1,800	
Buildings maintenance	2,500		5,200	
Cleaning Church Centre	1,200		1,200	
Transferred to Designated Organ Fund	2,000		–	
Training Course – Sunday School teachers	<u>1,000</u>		<u> </u>	
		59,200		53,950
<i>Church management and administration</i>				
Printing and stationery		1,100		1,200
		<u> </u>		<u> </u>
Total Payments		62,850		57,700
Excess of Receipts over Payments		600		3,500
Bank current and deposit accounts at 1 January 2001		4,300		800
		<u> </u>		<u> </u>
Bank current and deposit accounts at 31 December 2001		4,900		4,300
		<u> </u>		<u> </u>

Example of Receipts & Payments account over £10,000

Church Fabric (including tower) Receipts & Payments Account –
Restricted Fund

	2001		2000	
	£	£	£	£
<i>Receipts</i>				
Restricted donations	4,100		5,250	
Interest from CBF Deposit Fund	950		700	
		5,050		5,950
<i>Payments</i>				
Repairs to the lych-gate roof		1,400		–
Excess of Receipts over Payments		3,650		5,950
Bank current and deposit accounts at 1 January 2001		13,400		7,450
Bank current and deposit accounts at 31 December 2001		17,050		13,400

Organ Fund Receipts & Payments Account – Designated Fund

<i>Receipts</i>	Interest from CBF Deposit Fund	250	200
<i>Payments</i>	Organ inspection	–	150
Excess of Receipts over Payments		250	50
<i>Transfers</i>	from general fund	2,000	–
Bank current and deposit accounts at 1 January 2001		3,300	3,250
Bank current and deposit accounts at 31 December 2001		5,550	3,300

Statement of Assets and Liabilities at 31 December 2001

	<i>General Fund</i>	<i>Fabric Fund</i>	<i>Organ Fund</i>	<i>Totals</i>	
	£	£	£	2001	2000
	£	£	£	£	£
<i>Monetary assets</i>					
Bank current account	400	–	–	400	350
CBF Deposit Fund	4,500	17,050	5,550	27,100	20,650
Total cash	4,900	17,050	5,550	27,500	21,000
<i>Debtors</i>					
Local Authority grant for churchyard	300			300	–
End of year income tax claim (recd Jan 2002)	2,240			2,240	–
Total debtors	2,540			2,540	–
<i>Other assets</i>					
Freehold house at 36 Church Road (purchase price on 5 November 1984)	59,000			59,000	59,000
<i>Liabilities</i>					
Organ cleaning and tuning carried out in December 2001	–	–	6,200	6,200	–
Total liabilities	–	–	6,200	6,200	–
<i>Non-monetary assets</i>					
Lawnmower from the estate of Mr Luke Titus					

Example of Accruals account

Parochial Church Council of St Leger, Ambridge

Statement of Financial Activities

For the year ending 31 December 2001

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	TOTAL FUNDS	
					2001 £	2000 £
INCOMING RESOURCES						
<i>Incoming resources from donors</i>	2(a)	55,950	1,600	–	57,550	54,900
<i>Other voluntary incoming resources</i>	2(b)	3,250	13,900	–	17,150	14,000
<i>Incoming resources from operating activities</i>						
– to further the Council's objects	2(c)	1,200	–	–	1,200	850
– to generate funds	2(d)	200	–	–	200	250
<i>Income from investment</i>	2(e)	3,250	2,500	–	5,750	6,250
<i>Other incoming resources</i>	2(f)	350	–	–	350	–
TOTAL INCOMING RESOURCES		<u>64,200</u>	<u>18,000</u>	<u>–</u>	<u>82,200</u>	<u>76,250</u>
RESOURCES EXPENDED						
<i>Costs of generating funds</i>	3(d)	50	250	–	300	75
<i>Grants</i>	3(a)	13,000	20,000	–	33,000	36,000
<i>Activities directly relating to the work of the church</i>	3(b)	40,250	1,000	–	41,250	44,350
<i>Church management and administration</i>	3(c)	500	25	–	525	510
TOTAL RESOURCES EXPENDED		<u>53,800</u>	<u>21,275</u>	<u>–</u>	<u>75,075</u>	<u>80,935</u>
NET INCOMING/(OUTGOING) RESOURCES		10,400	(3,275)	–	7,125	(4,685)
GAINS AND LOSSES ON INVESTMENTS	5(b)	5,000	1,250	500	6,750	2,000
NET MOVEMENT IN FUNDS		15,400	(2,025)	500	13,875	(2,685)
BALANCES BROUGHT FORWARD AT 1 JANUARY 2001						
		<u>27,000</u>	<u>4,000</u>	<u>2,000</u>	<u>33,000</u>	<u>35,685</u>
BALANCES CARRIED FORWARD AT 31 DECEMBER 2001						
		<u>42,400</u>	<u>1,975</u>	<u>2,500</u>	<u>46,875</u>	<u>33,000</u>

Parochial Church Council of St Leger, Ambridge
Balance Sheet at 31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible fixed assets	5(a)	28,000	31,000
Investment assets	5(b)	12,000	3,315
CURRENT ASSETS			
Stock		150	150
Debtors	7	850	1,000
Short term deposits		10,000	1,000
Cash at bank and in hand		1,000	1,985
		<u>12,000</u>	<u>4,135</u>
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	8	(5,125)	(5,450)
NET CURRENT ASSETS		<u>6,875</u>	<u>(1,315)</u>
NET ASSETS		<u>46,875</u>	<u>33,000</u>
FUNDS			
	6		
Unrestricted		42,400	27,000
Restricted		1,975	4,000
Endowment		2,500	2,000
		<u>46,875</u>	<u>33,000</u>

Approved by the Parochial Church Council on 23 March 2002 and signed on its behalf by:

The Revd Canon Elisha Areopagus (chairman)

The notes on pages 95 to 98 form part of these accounts

Example of Accruals account

Parochial Church Council of St Leger, Ambridge

Notes to the Financial Statements

For the year ended 31 December 2001

1 ACCOUNTING POLICIES

(Refer to the Appendix to Chapter 8 for model accounting policies)

2 INCOMING RESOURCES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	TOTAL FUNDS	
				2001 £	2000 £
2(a) <i>Incoming resources from donors</i>					
Planned giving:					
Gift Aid donations	32,000	–	–	32,000	29,000
Income tax recoverable	10,200	–	–	10,200	9,100
Other planned giving	2,900	–	–	2,900	3,250
Collections (open plate) at all services	9,900	1,600	–	11,500	13,000
Gift days	700	–	–	700	500
Sundry donations	250	–	–	250	50
	55,950	1,600	–	57,550	54,900
2(b) <i>Other voluntary incoming resources</i>					
Grants	–	12,000	–	12,000	10,000
Donations, appeals, etc	–	1,900	–	1,900	–
Legacies	3,250	–	–	3,250	4,000
	3,250	13,900	–	17,150	14,000
2(c) <i>Income from operating activities: to further the Council's objects</i>					
Bookstall	75	–	–	75	50
Church hall lettings etc	950	–	–	950	700
Fees	175	–	–	175	100
	1,200	–	–	1,200	850
2(d) <i>Income from operating activities: to generate funds</i>					
Magazines (advertisement fees)	50	–	–	50	50
Fetes, bazaars, other fund-raising events	150	–	–	150	200
	200	–	–	200	250
2(e) <i>Income from investment</i>					
Dividends and interest including any reclaimable tax	3,250	2,500	–	5,750	6,250
	3,250	2,500	–	5,750	6,250
2(f) <i>Other ordinary incoming resources</i>					
Insurance claims	350	–	–	350	–
	350	–	–	350	–
TOTAL INCOMING RESOURCES	64,200	18,000	–	82,200	76,250

Parochial Church Council of St Leger, Ambridge
Notes to the Financial Statements (continued)

For the year ended 31 December 2001

3	RESOURCES EXPENDED	Unrestricted	Restricted	Endowment	TOTAL FUNDS	
		Funds	Funds	Funds	2001	2000
		£	£	£	£	£
3(a)	<i>Grants</i>					
	Missionary and charitable giving:					
	Church overseas:					
	– missionary societies	8,000	–	–	8,000	8,000
	– relief and development agencies	1,500	–	–	1,500	1,500
	Home missions and other Church Societies	3,500	20,000	–	23,500	26,500
		<u>13,000</u>	<u>20,000</u>	<u>–</u>	<u>33,000</u>	<u>36,000</u>
3(b)	<i>Activities directly relating to the work of the Church</i>					
	Ministry: diocesan parish share	24,000	–	–	24,000	23,000
	clergy expenses	2,500	–	–	2,500	3,500
	curate's house repairs	400	–	–	400	500
	other clergy costs	600	–	–	600	1,000
	Church – running expenses	5,000	–	–	5,000	6,000
	Church maintenance	1,000	–	–	1,000	2,000
	Sunday school leaders training	1,500	–	–	1,500	2,000
	Expenditure on parish magazine and bookstall	250	–	–	250	150
	Upkeep of churchyard	750	–	–	750	700
	Church Hall running costs	3,250	1,000	–	4,250	4,500
	Salary of the organist	1,000	–	–	1,000	1,000
		<u>40,250</u>	<u>1,000</u>	<u>–</u>	<u>41,250</u>	<u>44,350</u>
3(c)	<i>Church management and administration</i>					
	Administration:					
	Printing and stationery	450	25	–	475	450
	Bank charges	50	–	–	50	60
		<u>500</u>	<u>25</u>	<u>–</u>	<u>525</u>	<u>510</u>
3(d)	<i>Costs of generating funds</i>					
	Fetes, bazaars, other fund-raising events	50	–	–	50	75
	Costs of stewardship campaign	–	250	–	250	–
		<u>50</u>	<u>250</u>	<u>–</u>	<u>300</u>	<u>75</u>
		<u>53,800</u>	<u>21,275</u>	<u>–</u>	<u>75,075</u>	<u>80,935</u>
	TOTAL RESOURCES EXPENDED					
4	STAFF COSTS					
	Wages and salaries				2,750	2,500
	Social security costs				500	500
	Pension costs				750	750
					<u>4,000</u>	<u>3,750</u>

During the year the PCC employed an organist, gardener and church cleaner, none of whom earned £50,000 p.a. or more. As the parish organist, Miss J. Joshua, who is a member of the PCC, was paid £1,000 during the year. PCC members were reimbursed travelling and subsistence expenses of £1,400 for the year. There were no other disclosable transactions in respect of PCC members, persons closely connected with them or other related parties.

Example of Accruals account

Parochial Church Council of St Leger, Ambridge
Notes to the Financial Statements (continued)

For the year ended 31 December 2001

5	FIXED ASSETS FOR USE BY THE PCC	Freehold land and buildings £	Church equipment £	Total £
5(a)	<i>Tangible fixed assets</i>			
	ACTUAL/DEEMED COST			
	At 1 January 2001	28,000	8,000	36,000
	Additions	–	–	–
	At 31 December 2001	28,000	8,000	36,000
	DEPRECIATION			
	At 1 January 2001	3,000	2,000	5,000
	Charge for the year*	1,000	2,000	3,000
	At 31 December 2001	4,000	4,000	8,000
	NET BOOK VALUE			
	At 31 December 2001	24,000	4,000	28,000
	At 31 December 2000	25,000	6,000	31,000

The freehold land and buildings comprise the curate's house located at 1 Lazarus Rise, Ambridge. For accounting purposes, the historical cost of this property is deemed to be its 1994 valuation, and has not been updated. Church equipment comprises a photocopier shown at estimated value at the date of gift on 3 January 2000.

* Note: depreciation is charged against the appropriate cost category – see para 8.32 of the guidance

5(b)	<i>Investment fixed assets</i>	£
	Movements in the year:	
	Market value – 1 January 2001	3,315
	Purchases at cost, less disposals at carrying value	1,935
	Net gains on disposals and annual revaluation	6,750
	Market value – 31 December 2001	12,000

Holdings at 31 December 2001: 410 shares in the CBF Church of England Investment Fund

6	ANALYSIS OF NET ASSETS BY FUND	Unrestricted Funds £	Restricted Fund £	Endowment Fund £	Total £
	Fixed Assets for Church use	28,000	–	–	28,000
	Investment Fixed Assets	10,000	1,000	1,000	12,000
	Current Assets	8,500	2,000	1,500	12,000
	Current Liabilities	(4,100)	(1,025)	–	(5,125)
	Fund balance	42,400	1,975	2,500	46,875

Parochial Church Council of St Leger, Ambridge
Notes to the Financial Statements (continued)

For the year ended 31 December 2001

7	DEBTORS	2001	2000
		£	£
	Income tax recoverable	750	650
	Prepayments and accrued interest	75	200
	Other debtors	25	150
		<hr/>	<hr/>
		850	1,000
		<hr/>	<hr/>
8	LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
		£	£
	Deferred income	2,000	2,500
	Accruals of utility and other costs	2,000	1,000
	Creditors for goods and services – diocesan parish share	–	1,000
	Other creditors	1,125	950
		<hr/>	<hr/>
		5,125	5,450
		<hr/>	<hr/>
9	FUND DETAILS		

The restricted funds comprise the Church Hall Fund and the Mission Fund, which is funds raised for and grants made to support the mission work of Moses Cain and Grace Cross, members of the congregation working in the Far East.

The endowment fund comprises the Jericho Bequest. This is a permanent endowment which requires income to be spent on the running costs of the Church Hall.

Independent examiner's unqualified report Example 1

<p>Independent examiner's report to the PCC of St Emilion, Barchester</p> <p>This report on the accounts of the PCC for the year ended 31 December 2001, which are set out on pages . . . and . . . , is in respect of an examination carried out under Regulation 3(3) of the Church Accounting Regulations 1997 to 2001 ('the Regulations') and s.43 of the Charities Act 1993 ('the Act').</p> <p>Respective responsibilities of the PCC and the examiner</p> <p>As members of the PCC you are responsible for the preparation of the accounts; you consider that the audit requirement of Regulation 3(3) and section 43(2) of the Act do not apply. It is my responsibility to issue this report on those accounts in accordance with the terms of Regulation 25.</p> <p>Basis of this report</p> <p>My examination was carried out in accordance with the General Directions given by the Charity Commission under section 43(7)(b) of the Act and to be found in the Church guidance, 2001 edition, issued by the Finance Division of the Archbishops' Council. That examination includes a review of the accounting records kept by the PCC and a comparison of the accounts with those records. It also includes considering any unusual items or disclosures in the accounts and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.</p> <p>Independent examiner's statement</p> <p>In connection with my examination, no matter has come to my attention:</p> <p>(1) which gives me reasonable cause to believe that in any material respect the requirements</p> <ul style="list-style-type: none"> ● to keep accounting records in accordance with section 41 of the Act; and ● to prepare accounts which accord with the accounting records and comply with the requirements of the Act and the Regulations have not been met; or <p>(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.</p> <p>(Signed)</p> <p>Mr Samuel Shadrach ACCA 43 The Glebe, Ambridge 23 March 2002</p>	<p style="text-align: center;">Explanation</p> <p>Regulation 3(3) repeats section 43 of the Act and allows an independent examination unless the PCC's gross income or total expenditure exceeds £250,000 in the relevant year or in either of the two preceding years.</p> <p>This means that the PCC has concluded that it is not required by law to have an audit by a registered auditor.</p> <p>Regulation 25 Regulation 7 of the Charities (Accounts and Reports) Regulations 1995 (S.I.1995/2724) and prescribes the contents of the independent examiner's report. This example of an unqualified report includes all the necessary information and the style may therefore be copied.</p> <p>This means that the examiner has followed the Charity Commissioners' General Directions, which section 43(7)(b) of the Charities Act 1993 empowers them to make. Those Directions are given in Chapter 11 above.</p> <p>The full text of section 41 of the Charities Act 1993 is given in Chapter 13 above. It explains that the records must contain entries showing from day to day all sums of money received and expended by the PCC, where they came from and on what they were spent so that accounts could be prepared at any time. The accounts and records must be preserved for six years.</p> <p>This means that in all material respects accounts on the accruals basis have followed the Regulations and Chapter 8 above and are not contradicted by the Annual Report.</p>
---	---

Independent examiner's qualified report

Failure to disclose information

Example 2

The following paragraph may be added to the statement to qualify it:

Independent examiner's qualified statement

The incumbent and PCC refused to provide information on a separately administered charity, the Jeremiah Trust, comprising a substantial endowment benefiting the PCC from time to time, and so it could not be ascertained to my satisfaction that the Trust should not be accounted for by the PCC. This matter gives me reasonable cause to believe that in this respect the accounts do not comply with the accounting requirements of the Act.

In connection with my examination, no other matter except that referred to in the above paragraph has come to my attention . . .

A matter to be brought to attention in the examiner's report

Example 3

The following paragraphs show how a special disclosure may be added to the statement to qualify it:

Independent examiner's qualified statement

In connection with my examination, no matter has come to my attention which gives me reasonable cause to believe that, in any material respect, the requirements

- to keep accounting records in accordance with section 41 of the Act; and
- to prepare accounts which accord with the accounting records and to comply with the requirements of the Act and the Regulations have not been met.

The insurance premium for the church building is not shown in the accounts. The premium was paid by the Friends of St Emilion. The sum was £3,460 and represents an unrecognized donation-in-kind from the Friends to the PCC.

No other matter has come to my attention in connection with my examination to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Simplified independent examiner's report

PCCs under £10,000 only

Example 4

For accounts prepared on the Receipts & Payments basis – not suitable for PCCs with a gross income or total expenditure over £10,000.

Independent examiner's report to the PCC of St Evens, Denton,
for the year ended on 31 December 2001.

I have independently examined the accounts of the PCC as set out on page . . . as required by the Church Accounting Regulations 1997 to 2001.

The PCC has elected to prepare the accounts on the Receipts & Payments basis, and the requirement for independent examination allows me to report under Regulation 7 instead of Regulation 25.

My responsibilities are to:

- identify whether or not proper accounting records have been kept;
- check that the PCC accounts agree with the accounting records;
- look for possible significant errors in the accounts;
- check that the accounts have been properly prepared in accordance with the Church Accounting Regulations in so far as these apply to the Receipts & Payments basis;

Where matters arise from this examination that give cause for concern it is my duty to report it.

My report:

No matters have arisen during the course of my examination where I have to give an adverse report.

(Signed)

Mr Samuel Shadrach
43 The Glebe, Ambridge
26 March 2002

Sample letter of engagement – Examiner to PCC

The phrases in square brackets should be omitted when the examination is of accounts on the Receipts & Payments basis.

The Secretary of the Parochial Church Council
St Emilion's Church

Dear members of the PCC,

Engagement as independent examiner

The purpose of this letter is to set out in confirmation of our recent discussions the basis on which I am prepared to act as independent examiner to prepare a report in respect of the PCC's financial statements for the year ended 31 December 2001, and for future years until further notice, in accordance with section 43 of the Charities Act 1993 ('the Act') and sections 24 to 26 of the Church Accounting Regulations 1997 to 2001 ('the Regulations').

Responsibilities of members of the PCC

As members of the PCC, you are responsible for maintaining proper accounting records and for preparing accounts which [give a true and fair view and] have been prepared in accordance with the Regulations.

You are also responsible for determining whether, in respect of the year (and the preceding two years), the PCC meets the conditions for exemption from an audit of the accounts set out in section 43(1) of the Act and Regulation 3(3), and for providing me with information and explanations required for my examination.

Responsibilities of the independent examiner

I shall plan my work on the basis that an independent examiner's report on the accounts is required for the year, unless you inform me in writing to the contrary. As an independent examiner I have a statutory duty to state in my report whether any matter has come to my attention in connection with the examination which gives me reasonable cause to believe that in any material respect:

- a) accounting records have not been properly kept in accordance with section 41 of the Act; or
- b) the accounts do not accord with the accounting records or do not comply with the Regulations [other than in respect of the requirement for a true and fair view].

I also have a statutory duty to disclose in my report [inconsistencies between the accounts and the annual report] and matters coming to my attention in connection with the examination to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Should my work lead me to conclude that the PCC is not entitled to exemption from an audit of the accounts or should I be unable to reach a conclusion on this matter then I will not issue any report and will notify you in writing of the reasons. In these circumstances, if appropriate, I will discuss with you the need to appoint an auditor.

Scope of the independent examiner's work

My work will be carried out in accordance with general directions setting out the duties of an independent examiner issued by the Charity Commission and as contained in the Church guidance.

My work as independent examiner will be a less onerous form of scrutiny than an audit of the accounts in accordance with Auditing Standards. My examination will include a review of the accounting records kept by the PCC and a comparison of the accounts presented with those records. It will also include a review of

the accounts and consideration of any unusual items or disclosures identified. In such cases where I identify an unusual item, I will seek explanations from the PCC, and may carry out verification and vouching procedures where I require further clarification. [Similarly I will make assessments of the estimates and judgements made by you in your preparation of the accounts where they are material to the accounts.]

My work cannot be relied on to identify the occasional omission or insignificant error, nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which it is the responsibility of the PCC to guard against.

Should I become aware, for any reason, that the accounts may be misleading and we cannot agree appropriate amendments, and I then conclude that the matter cannot be adequately dealt with in my report, I will not issue any report and will withdraw from the engagement, and will notify you in writing of the reasons.

As part of my normal procedures, I may request you to provide written confirmation of any information or explanations given by you orally during the course of my work.

Fees

I am prepared to waive my fee for this examination.

Confirmation

Once it has been agreed, this letter will remain effective, until it is replaced or until I cease to hold the position of independent examiner. I shall be grateful if you will kindly confirm your agreement to the terms of this letter by arranging for the signature, and return, of the attached copy, or let me know if the terms of this letter are not in accordance with your understanding of my terms of appointment.

Yours faithfully

Index

All references are to page numbers, including the additional Insert pages

- abbreviations viii
- accountability vii, 1
- accounting policies for accrual accounts 40
 - independent examiner 65
- accounting requirements 1–2
- accruals basis *see* accruals accounts
- bases and scrutiny 3
- funds *see* fund accounting
- presentation 9
- Receipts & Payments basis *see* R & P accounts
- teams, united benefices and pluralities 3–5
- accounting standards 74
- accruals accounts 11, 19, 39–53
 - accounting policies 40, 52–3
 - accounts structure 39–40
 - assets 25–7
 - Balance Sheet 39–40
 - capitalization of fixed assets 38
 - structure 47–8
 - values 48
 - Charities SORP 39
 - fund accounting 42, 52
 - incoming resources 28, 30, 52
 - disposal of fixed assets 46
 - donor-imposed restrictions 45
 - donors 28
 - fund-raising activities 29
 - gifts in kind 45
 - gifts of quoted securities 29
 - grants receivable 46
 - intangible income 45
 - investment income 29
 - legacies 45
 - netting off 46
 - operating activities 29
 - tax recoverable 47
 - trading activities 46
- independent examiner 60–69
- materiality 40
- model set of accounting policies 52–3
- notes to the accounts (Insert pages vii–viii)
 - auditors' and independent examiners' remuneration 50
 - Cash Flow Statement 51
 - charitable commitments 49
 - contingent liabilities 49
 - employee emoluments 50
 - ex gratia payments 51
 - grants payable 49
 - indemnity insurance 50
 - individual fund analysis 48
 - loan liabilities 49
 - transactions with related parties 50
 - practical examples 93–8
 - resources expended 30–32, 52–3
 - Statement of Financial Activities *see* Statement of Financial Activities (SOFA)
 - Summary Statement of Financial Activities 41
- administration 77
- administration costs 32
- aggregation 4–5, 75
- Annual Parochial Church Meeting 6, 54
- Annual Report 33, 54–6
 - Charities SORP 55
 - independent examiner 66
 - legal and administrative information 56
 - narrative information 55–6
 - practical example 87–9
 - requirements 54–5
- assets 74 (*see also* Statement of Assets and Liabilities)
 - accountability 25–6
 - capitalization of fixed assets 48
 - depreciation 43–4
 - disposal of fixed assets 30, 46
 - inalienable
 - and historic fixed assets 26–7, 53
 - valuation 26, 27
- audit 60, 70
- auditors 50
- Balance Sheet 39–40 (& Insert pages vi–vii)
 - capitalization of fixed assets 48
 - structure 47–8
 - values 48
- bank deposits 36
- bases for accounts 3
 - accruals *see* accruals accounts
 - Receipts & Payments *see* R & P accounts
- bell ringers 17
- benefits 35
- bookstalls 29, 31
- branches 74
- capital funds 75
- Cash Flow Statement 51
- CBF Church of England Deposit Fund 36
- charitable commitments 49
- Charities (Accounts and Reports) Regulations 2000 (extract) 83–4
- Charities Act 1993: Part VI vii, 1, 81–3
- Charities SORP vii, 1, 39
 - accounting for assets 26
 - Annual Report 55
 - fund accounting 15
- Charity Accounting Regulations 1, 39
- Charity Commission 6
 - independent examiners' reports 68–9
 - leaflet CC8 18
 - leaflet CC19 16
- checklists
 - format and scrutiny of accounts viii
 - independent examination 71–3
- cheques 18
- choirs 17
- Church Accounting Regulations vii, 3, 38, 39, 54, 67 (& Insert pages i–viii)
- church hall lettings 29
- Church Inventory 25, 48, 53
- Church organizations 19, 24
- Church Representation Rules vii, 1, 54, 84–5
- Church schools 22
- collections 17, 18, 20, 28, 34–5
- connected charities 75
- consecrated property 25, 26, 53
- consolidated accounts 75
- contingency 75
- contingent liabilities 49
- custodian trustee 75
- DCCs 4–5
- debts 36, 37
- depreciation 43–4
- designated funds 75
- disposal of fixed assets 30, 46
- dividends 29
- donations 28, 34–5 (*see also* gifts)
- educational trusts 22, 23
- emoluments 50
- endowment funds 14–15, 75
 - erosion 17, 24
- engagement letter 102–3
- ex gratia payments 51
- excepted status 6
- expenditure 10–12, 30, 76
 - activities relating to the work of the Church 30–31
 - Church management and administration 32
 - costs of generating funds 30, 45, 76
 - grants 30, 49
 - Statement of Financial Activities (SOFA) 43
 - Support costs 31
- fees 17, 24, 29
- Financial Reporting Standards (FRS) 74
- FRS 1 51
- FRS 15 26
- FRS 18 40
- fund accounting 13
 - accounting records 15
 - accruals accounts 42, 52
 - collections 17
 - composition of established funds 16–17
 - determining responsibility for funds 19–20

- endowment funds 14–15, 75
- Gift Aid 17
- legacies 13, 18
- R & P accounts 33–8
- refusal of gifts 17–18
- reserves policy 16
- restricted funds 14–15, 17
 - R & P accounts 34
 - unspent 17
- transfers between funds 42, 44
- trusts *see* trusts
- unrestricted funds 14
- unused funds 15
- fund analysis 48
- fund-raising costs 30, 45, 76
- funeral collections 17
- General Fund 14
- Gift Aid 17, 28, 35
- gifts 29, 34–5
 - donor-imposed restrictions 45
 - refusal of 17–18
- gifts in kind 45
- grant income 29, 34–5, 46
- grants payable 30, 49
- gross expenditure 10–12
- gross income 3, 10, 11–12
 - exclusions 11
- historic assets 26–7
- houses 16, 25, 31
- inalienable assets 26–7, 53
- incoming resources 28, 30, 52
 - disposal of fixed assets 46
 - donor-imposed restrictions 45
 - donors 28
 - fund-raising activities 29
 - gifts in kind 45
 - gifts of quoted securities 29
 - grants receivable 46
 - intangible 45
 - investment income 29
 - legacies 45
 - netting off 46
 - Statement of Financial Activities (SOFA) 43, 44
 - tax recoverable 47
 - trading activities 46
- indemnity insurance 50
- independent examiners 3, 57–73
 - analytical procedures 63–4
 - appointment 57, 59
 - comparison of accounts with accounting records 62
 - comparison of audit with independent examination 60, 70
 - compliance procedures
 - accounting policies, estimates and judgements 65
 - form and content of accounts 64–5
 - disclosure of events subsequent to the year end 66
 - documentation 62
 - eligibility 57–8
 - examination and accounting thresholds 60–61
 - examiner's report 66–7
 - practical examples 99–101
 - PCC's annual report 66
 - planning checklist 71
 - qualified report 100
 - remuneration 50, 57
 - reports to the Charity Commission 68–9
 - review of accounting records 63
 - sample letter of engagement 102–3
 - simplified report 101
 - understanding the PCC 61
 - unqualified report 99
 - work programme 71–3
- insurance claims 30
- insurance cover 25
 - indemnity insurance 50
- intangible income 29, 35, 45
- interest payments 29
- Inventory 25, 48, 53
- investments 15, 29, 36–7, 53
- legacies 13, 18, 29, 34–5, 36, 45
- letter of engagement 102–3
- liabilities 37, 76
- loans 37, 49
- maintenance of buildings 25, 27, 31
- management 77
- market value 77
- materiality 34, 40, 77
- movable church furnishings 25, 27, 48, 53
- netting off 46
- operating activities 29
- overdrafts 37
- parish magazines 29, 31
- Parish Share 27, 30
- Parochial Church Councils *see* PCCs
- Parochial Church Councils (Powers) Measure 1956 80–81
- parochial organizations 19, 24
- PCCs (Parochial Church Councils)
 - accruals accounts *see* accruals accounts
 - aggregation of accounts 4–5
 - assets *see* assets
 - determining responsibility for funds 19–20
 - duties 6, 9
 - excepted status 6
 - fund accounting *see* fund accounting
 - gross income 3, 10, 11–12
 - exclusions 11
 - maintenance of buildings 25, 27
 - presentation of accounts 9
 - Receipts & Payments accounts *see* R & P accounts
 - related entities 19, 24
 - risk management 6–8
 - statutory accounting requirements 1–2
 - total expenditure 10–11
 - trusts *see* trusts
- permanent endowments 24, 75
- planned giving 28, 34–5
- pluralities 4
- presentation of accounts 9
- property 25, 31
- R & P (Receipts & Payments) accounts 12, 19, 33, 34, 77
- accounting principles 33
- consistency 33
- disclosure of accounting basis 33
- fund accounting 15, 38
 - restricted funds 34
- independent examiner 65, 66
- materiality 34
- model set of accounting policies 34, 38
- payments 36
- practical examples 90–92
- receipts 34, 36
 - benefits other than money or assets 35
 - collections 34–5
 - donations 34–5
 - gifts 34–5
 - grants 34–5
 - legacies 34–5
 - planned giving 34–5
 - recovery of tax 35
 - trading receipts and payments 35
- Statement of Assets and Liabilities *see* Statement of Assets and Liabilities
- records 77
- recovery of tax 35, 47
- regulatory requirements vii
- related parties 19, 24, 50, 77–8
- remuneration 50
- rent 29
- repairs 27, 31
- reserves 78
- reserves policy 16
- restricted funds 14–15, 17, 75, 76, 78
 - donor-imposed restrictions 45
 - R & P accounts 34
 - unspent 17
- retention of records 17
- risk management 6–8
- sale of assets 30, 46, 79
- scrutiny 3
- SOFA *see* Statement of Financial Activities
- SORP *see* Charities SORP
- special trusts 22–3
- Statement of Assets and Liabilities 11, 25, 27, 33, 38
 - costs and bank deposits 36
 - debts and money owed 36
 - fixed assets used by the PCC 37
 - investment assets 36–7
 - legacies 36
 - liabilities 37
 - recovery of tax 35
- Statement of Financial Activities (SOFA) 19, 39 (& Insert pages v–vi)
 - comparative figures 44
 - depreciation of fixed assets 43–4
 - expenditure summary 43
 - format 42
 - incoming resources summary 43, 44
 - reconciliation of funds 44
 - transfer between funds 44
- Statement of Recommended Practice *see* Charities SORP
- Statement of Standard Accounting Practice (SSAP) 74
- statutory requirements 1–2
- summarized accounts 9
- Summary Statement of Financial Activities 41

Index

- support costs 31, 79
- tax recoverable 35, 47
- teams 3–4
- total expenditure 10–12
- trading activities 35, 46, 79
- transfers between funds 42, 44
- trusts 16, 21
 - appointing trustees 24
- controlled by the PCC 23
- ecclesiastical purposes 22
- educational purposes 21, 23
- for the relief of poverty 23
- governing instrument 23
- incumbent and churchwardens' trusts 22–3
- objects 24
- permanent endowments 24
- special trusts 22
- united benefices 4
- unrestricted funds 14, 76, 79
- unused funds 15
 - reserves policy 16
- Urgent Issues Task Force (UITF) abstracts 74