

The Church of Scotland

Receipts and Payments Accounts

Guidance Notes

(Revised Nov 2014)

Receipts and Payments Accounts Guidance Notes

New Style of accounts

The new style of accounts is **mandatory** for all congregations from the financial year beginning on or after 1 April 2006. For most congregations this will be the year ended 31 December 2007. The new format will replace the previous style of accounts and only one version of accounts (which will be in the new style) should be prepared. Original signed copies of the accounts **in the new format** should be sent to Presbytery, to the General Treasurer at 121 George Street and to the Office of the Scottish Charity Regulator (along with the completed OSCR Annual Return). **The accounts must not be submitted to OSCR until they have been attested by Presbytery and found to be satisfactory.**

The Charities Accounts (Scotland) Regulations 2006 allow for two types of annual accounts to be prepared – *Receipts and Payments Accounts* **or** *Accrued Accounts*. This Guidance relates to **Receipts and Payments Accounts**.

Receipts and Payments Accounts can **only** be prepared by congregations whose annual gross income is less than **£250,000**. Where income has exceeded £250,000, **even if for a non recurring reason**, such as a receipt of a legacy, then Receipts and Payments Accounts **can not** be prepared. Annual gross income includes all income of a congregation. This will include income of all restricted and designated funds held by the congregation. Income of organisations forming part of the congregation should also be included.

The income and expenditure of **all organisations which form part of the church** (i.e. which come under control of the Kirk Session, or are regarded as part of the congregation's activity, or which claim Gift Aid tax using the congregation's charity number) **must** be incorporated in the accounts probably as designated funds (but possibly as restricted funds). Any organisations which are not included in the accounts of the congregation should then be regarded as independent of the congregation and possibly renting halls or rooms from the congregation (either on a paid or unpaid basis). Such organisations will not then be eligible for any of the provisions relating to charities such as Gift Aid and there may also be implications in respect of insurance cover. **Uniformed organisations** should **not** be included in the accounts and should **not use the congregation's charity registration number for any reason**. Such organisations will either be registered separately as charities or will be included by the charity registration of the appropriate national body of the organisation concerned. The Guild and the Sunday School are examples of two particular organisations **which should be included** but there are likely to be others and each local case should be examined individually.

Separately Registered Charities which come under the control of the trustees of the congregation (e.g. separate Trust funds, fundraising bodies to support particular projects etc.) **must be consolidated with the accounts of the main congregation.**

What are receipts and payments accounts?

Receipts and Payments Accounts simply record all the cash (and cheque) transactions in the year and are therefore prepared by analysing the various types of cash received and payments made. If, for example, a large repair was incurred prior to the year end but not paid until the following accounting period then the cost would not appear in the current year's Receipts and Payments Account.

The Charities Accounts (Scotland) Regulations 2006 also allow for other disclosures to be simplified when receipts and payments accounts are prepared.

Independent Examination

The independent examiner can not be a member of the Kirk Session or Congregational Board (or other comparable body) or a member of any other committee of the congregation which may affect his or her independence.

Where receipts and payments accounts have been prepared then the independent examiner can be “anyone who is reasonably believed by the charity trustees to have the requisite ability to have the practical experience to carry out a competent examination of the accounts”. It is therefore the responsibility of the trustees to identify a suitable person, and who need not be a qualified accountant (although this may be desirable should the accounts be particularly complicated in any particular year).

Important : Where the annual gross income of a congregation exceeds £500,000 then an audit will be required and specific guidance should be obtained from the Church offices.

Receipts and payments accounts format.

Receipts and payments accounts **must** only contain amounts actually received or paid during the year. “One off” accruals for significant expenses or items of income are **not** permitted. The accounts should contain all of the details set out in the Charities ~Accounts (Scotland) Regulations 2006. Copies of the Regulations can be downloaded from OSCR’s website (webpage address <http://www.oscr.org.uk/Linkstothelegislation.stm>). Details are also included in the Checklists for Examination of Congregational Accounts issued to treasurers. Following the suggested sample format of congregational accounts will also ensure compliance with the Regulations.

Budget

A budget for the following year is not required by the charity accounting legislation and therefore must not form part of the accounts submitted to OSCR. It **is** a requirement of the Church of Scotland Regulations anent Congregational Finance that a budget be prepared and this should be presented to the congregation along with the annual accounts, and also submitted to Presbytery.

Specific Guidance on Sample Accounts

The sample accounts should be used as a guide and the format followed as closely as possible. It is, of course, impossible to provide a sample which will cover every possible situation and in some cases some amendments to the sample will be appropriate. Further advice is available from the Church offices (amcdowall@cofscotland.org.uk).

Front cover

The full name of the congregation should be stated along with the Scottish charity registration number and the Church of Scotland congregational reference number. The Scottish charity registration number is that which appears on the Register of Charities maintained by the Office of the Scottish Charity Regulator (OSCR) and will begin with the letters SC. Some congregations may also have a reference number previously issued for Gift Aid claims (beginning with the letters CR) and this is **not** the number which should be used here.

Reference and administrative information

This page lists all of the information which must be given in all cases. Once again the name of the congregation must be stated along with the Charity registration number and the congregation reference number. A contact address must also be given. This may be that of the treasurer or session clerk but this will also be available to the public on OSCR's website so it may be more appropriate to use the address of the church. If the church address is used then it is important that arrangements for the collection of mail are in place.

The names of all of the Charity Trustees should be listed. Charity Trustees are defined as "the persons having the general control and management of the administration of the charity". Within the Church of Scotland this will normally mean all members of the Kirk Session (including the minister) and Congregational Board. This will include the minister as a member of the Kirk Session. Other ministerial staff (e.g. auxiliary and assistant ministers and deacons) are unlikely to be trustees unless they are **voting** members of the Kirk Session or Congregational Board. If an interim moderator has been appointed (either due to vacancy or illness of the minister) then the interim moderator will be a Trustee for the period of the appointment.

All Trustees who served at any time during the year **and up to the date of approval of the accounts should be given**. For example if the accounts for the year ended 31 December 2007 are approved by the trustees on 31 March 2008 then all Trustees who served at any time between 1 January 2007 and 31 March 2008 should be listed. If a trustee ceased to be a Trustee during this period then the date of cessation should be included and similarly if a trustee was appointed at any time during this period then the date of appointment should be given.

The names of the Principal Office Bearers should be given. This is likely to be the Minister, Session Clerk, Clerk to the Board and Treasurer.

The full name and address of the independent examiner should be given.

The name and address of the **main** bank used by the congregation. If more than one bank is used then only the main bank need be given.

Trustees' Annual Report

The information requested is to provide the reader of the report with a good understanding of the activities and achievements of the charity. The report included in the sample accounts is only an example and indicates a number of sections which should be specific to each congregation. It is likely that a number of different office bearers within the congregation will write different sections of the report.

The amount of detail given will vary for each congregation but should reflect the level of activity within a congregation. The headings used in the sample report are mandatory and all sections should be included.

OSCR have stated that should they have questions on accounts submitted to them then they will first look for clarification in the Trustees' Report before writing to the congregation for further information. This means that as much information as possible about any special circumstances during the year which have affected the income, expenditure or year end balances should be given in the Trustees' report. The most appropriate section to give this information would be in the sections headed "Achievements and Performance" and "Financial Review".

The Trustees' Report also requires the congregation to state which "Governing Document" the congregation operates under.

If your congregation operates with a Kirk Session but no other body for temporal affairs apart from any committees of the Kirk Session itself then the congregation is operating under the **Unitary Constitution** (or, in older congregations **quoad omnia constitution**). In this case the members of the Kirk Session will be the charity trustees.

Where a Congregational Board is in place then the congregation is operating under the **Model Deed of Constitution** and all members of the Kirk Session **and** all members of the Congregational Board will be the charity trustees.

These are the two main constitutions which congregations will operate under but there will also be a number of congregations which will operate under a further two possibilities.

Some congregations will have a Deacon's Court as well as a Kirk Session and in this case all members of the Deacons' Court as well as all members of the Kirk Session will be the charity trustees.

In those congregations where a Board of Management is responsible for the temporal affairs then all members of the Kirk session and all members of the Board of Management will be the charity trustees.

The Reserves Policy should state the reasons for the level of reserves which are held by the congregation. The purpose of the Reserves Policy is to identify situations where reserves are being held for no apparent reason. Care should be taken to ensure that the level of reserves allowed by the Reserves Policy is not less than the level of reserves actually held.

Independent Examiner's Report

The style used is that suggested by OSCR. If the Examiner is unable to give a "clean" report then any matters which have come to his / her attention that prevent a "clean" report should be detailed.

The full name and address of the Independent Examiner must be given.

The Independent Examiner's Report **must** be dated **after** the date on which the accounts are approved.

Comparative Figures

In all cases where comparative figures are given these should be restated in order to comply with the new format of the accounts and to be comparable with the current year figures.

Specific Guidance on Sample Accounts (cont)

Receipts and Payments Account

The receipts and payments recorded in the Receipts and Payments account should mirror the bank accounts for the period after adjusting for outstanding cheques and lodgements at the beginning and end of the year. This means that the excess of receipts over payments (or payments over receipts) for the year should be identical to the difference between opening and closing bank balances.

Charity accounting distinguishes between three types of funds:

- Unrestricted Funds* can be used for any purpose which is in accordance with the aims of the charity. Unrestricted funds may often include *Designated Funds* which have been set aside for a specific purpose **by the charity**, and the charity has the option to reverse the designation and use them for any purpose.
- Restricted Funds* have been given for specific purposes and **the donor** has stipulated how they must be used. Such funds can not be used for any other purpose.
- Endowment Funds* are those where the charity can utilise the income from such funds but can not realise and use the capital.

The three types of funds must be accounted for separately in the Receipts and Payments Account and elsewhere in the accounts. In the sample accounts there is a column for each type of fund in the Receipts and Payments Accounts and the notes to the accounts then provide further details of each of the funds contained within each category.

The headings on the face of the Receipts and Payments Account should be used wherever they apply with additional detail and analysis given in an appropriate note to the accounts. The descriptions of receipts and payments given in the sample notes to the accounts **are only examples** and can be amended where appropriate.

The Receipts and Payments Account should provide details of the nature of the amounts received and paid and payments for charitable activities should be shown separately from Governance costs and other payments.

It is anticipated that for most congregations the vast majority of payments are likely to be included in the Charitable Activity category. Examples of other types of payments are Investment Managers' Fees (Cost of Generating Funds) and Independent Examiner's Fees (Governance Costs).

Specific Guidance on Sample Accounts (cont)

Statement of Balances

Bank and cash balances should be shown and the increase / decrease should agree to the Receipts and Payments Account excess of receipts over payments (or payments over receipts) for the year. Balances must be split between the three categories of funds.

All bank and deposit accounts should be included in the top section of the Statement of Balances. This will include monies held with the Investors Trust Deposit Fund. Monies held with the Investors Trust Growth or Income Funds should be included as investments (see below).

The details given below the bank and deposit balances are for information only and do not form part of the double entry within the accounts. The purpose of these items is to give details of **significant** amounts which add to the understanding of the accounts. This would include such items as investments held, Gift Aid receivable and large unpaid bills.

Investments should be shown at **market value** with the cost shown as a note.

Where title of fixed assets is vested in the General Trustees then these should **not** be included. Locally owned assets should only be included where the cost or valuation is known.

Any amounts owing **to** the congregation at the year end should be disclosed. (e.g. Gift Aid receivable)

Any amounts owed **by** the congregation at the year end should be disclosed. (e.g. a large repair carried out in December but not paid for until January).

All of the figures in the Statement of Balances should be analysed among the various categories of funds.

Trustee remuneration and expenses note

Details should be given of all amounts paid to any trustee (including the minister). Where the payment is in respect of work done or services provided then the name of the trustee and the amount paid should be included. The minister's stipend should **not** be included as this is not paid directly by the congregation. Any Voluntary Additional Payment to the minister should be included.

If no payments to trustees have been paid then the note should state this.

Where trustees have received reimbursement of expenses then the note should state the number of trustees receiving reimbursement and the total amount reimbursed. Payments to the minister for travelling expenses and council tax paid in respect of the manse should be included here.

Where payments have been made or expenses reimbursed to a connected person of a trustee then this should also be included here.

Where no such payments have been made then the note should state this fact.