**Diocese of Sheffield** 

**Checklist** **– Statutory Requirements for the preparation of annual charity financial accounts**

**Required Annual Reports**

Statutory requirements require that a Trustees Annual Report and Independent Examination Report are prepared along with the Annual Accounts. The Independent Examination Report is provided by an Independent Examiner.

Refer to online links to guidance, templates and examples for the Trustee Annual Report: <https://www.parishresources.org.uk/resources-for-treasurers/accounting-and-reporting/the-annual-report/>

Refer online for guidance for trustees on what Independent Examinations involve: <https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-trustees-cc31>

Refer online to find out what an Independent Examiners Report should contain: <https://www.gov.uk/government/publications/independent-examiners-report-template-sorp-frs-102>

**Preparation of the Annual Accounts**

Trust law requires that trustees should be able to account separately for each restricted, endowment and unrestricted fund that they manage. Churches, where gross income is <= £250,000, can prepare their accounts on a Receipts & Payments basis instead of an Accrual basis. A Receipts and Payments account only records the transactions that have gone through the bank statements during the financial year. If the accounts are prepared on a Receipts and Payments basis then a Statement of Assets and Liabilities must accompany the accounts.

When preparing year-end accounts, trustees may either:

• prepare a separate receipts and payment account for each fund that they manage; or

• combine all types of funds in a single statement showing each type of fund in a separate column.

We would advise however that all types of funds are combined in a single statement showing unrestricted, restricted and endowment funds in separate columns.

Receipts and Payments accounts summarise cash movements. Therefore, all payments for similar types of expenses or similar activities and all receipts of similar types should be added together.

The Church of England Parish Finance Return template, available on the Diocesan website, is a useful aid as it shows the income and expense categories a church should use. The notes attached to the return will also help you decide which category a transaction is. The Parish Finance Form can be found at: <https://www.sheffield.anglican.org/finance>.

**Trading**

Activities such as lettings, premise hire, advertising, and sales of goods, do not meet the prime purpose of a church as they are regarded as business activities. These types of activities should be categorised separately as ‘Trading’ within the accounts.

Please note: Rent received from land or buildings owned by PCC is regarded as investment income and should be categorised as such. In the Parish Finance Return the income from this type of rent will be put in the Dividends, interest, income from property etc. category.

The treasurer and PCC should keep an eye on the annual gross income generated by their business activities. If the gross trading turnover is >= VAT threshold at any point during the year then the church will have to register for VAT. The threshold for 2023/2024 is £85,000.

Most churches will not need to worry about ever meeting this threshold, but it is good practice that the implication of VAT is taken into consideration when a church decides to take on trading activities.

**Statement of Assets and Liabilities for Receipts and Payments accounting**

A Statement of Assets and Liabilities must be included in the accounts as required by trust law. The statement is not a balance sheet. The statement lists the assets and liabilities and their amounts. The statement must show:

**Assets - examples**

* Cash in all bank accounts and in hand.
* Fixed assets are not included unless a fixed asset was purchased during the year. Depreciation does not apply to Receipts and Payments accounting. Any fixed assets purchased in prior years are fully depreciated in the year of purchase.
* All the amounts outstanding and owed to the church for the financial year reported eg:
  + gift aid, hire, rent, cash collected during the financial year but not yet deposited, etc.

**Liabilities - examples**

* Total of cheques sent out during the financial year but not yet cashed.
* Outstanding bills to be paid that relate to the financial year eg utility bills are generally generated after the billing period
* Income Tax and NI liabilities, and amounts due to staff
* Loans payable

**Checklist – for accounts prepared on a Receipt and Payment or Accrual basis**

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| --- | --- | --- | --- |
| **Questions** | **Y/N/NA** | **Links to useful advice** | **Notes** |
| Are accounts prepared on Receipt and Payment or Accruals basis? |  | [1 Introduction and Legal Overview](https://www.churchofengland.org/resources/clergy-resources/pcc-accountability-guide/chapter-1) |  |
| Are funds combined in a single statement showing unrestricted, restricted and endowment funds in separate columns? |  | **Receipts & Payments Template**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/>  **Accrual Accounts Template**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/> |  |
| Are all church bank accounts and funds included in the accounts? |  | [Chapter 2 | The Church of England](https://www.churchofengland.org/resources/clergy-resources/pcc-accountability-guide/chapter-2) |  |
| For accrual accounts, is there a full set of notes to the accounts? |  | **Accrual Accounts Template**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/>  **Accrual Accounts – Completion Notes**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/> |  |
| Are amounts shown to zero decimal places? |  |  |  |
| Has Gift Aid been claimed? |  | <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/> |  |
| Is premise hire, sales or advertising and associated costs shown as trading in the accounts? |  | Please refer to the introductory information above this checklist. |  |
| Is there an appropriate Statement of Assets and Liabilities for Receipts and Payments accounts? |  | Please refer to the introductory information above this checklist. |  |
| Is there an appropriate Balance Sheet for Accruals accounts? |  | **Accrual Accounts Template**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/> |  |
| Are transfers of money from one fund to another appropriately dealt with? Transfer of funds are to be inserted in the row underneath the Income and Expenditure report called Transfer of Funds. |  | **Receipts & Payments Template**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/>  **Accrual Accounts Template**  <https://www.sheffield.anglican.org/support/for-churches/generosity-finance/equipping-for-sustainability/> |  |
| Does the Trustees Annual Report cover all required criteria? |  | [Chapter 3 | The Church of England](https://www.churchofengland.org/resources/clergy-resources/pcc-accountability-guide/chapter-3) |  |
| Is there an adequate report from your Independent Examiner attached to the accounts? |  | [Independent\_examiner\_s\_report\_template\_R\_P\_accounts\_Oct\_2018.pdf (publishing.service.gov.uk)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/754413/Independent_examiner_s_report_template_R_P_accounts_Oct_2018.pdf) |  |
| Has the Annual Accounts, Trustees Annual Report and Independent Examination Report been presented as a bundle at the APCM and made available for public viewing? |  |  |  |
| Has your year-end data been entered on the Parish Returns Online system or has the Parish Returns form been completed electronically and submitted to the Diocese of Sheffield? |  | Download the form here:  [Finance & Statistics  - The Diocese of Sheffield (anglican.org)](https://www.sheffield.anglican.org/support/for-churches/generosity-finance/finance-statistics/)  Submit the form to:  [treasurers@sheffield.anglican.org](mailto:treasurers@sheffield.anglican.org) |  |