

II CONGREGATIONAL FINANCE REGULATIONS (REGULATIONS II 2016) (REPLACING REGULATIONS II 2012)

Edinburgh 21 May 2016, Session I

Replace Regulations II 2012 for Congregational Finance with the following:

1. ACCOUNTING, INDEPENDENT EXAMINATION AND AUDITING REGULATIONS FOR CONGREGATIONAL ACCOUNTS

(A) FORMAT OF CONGREGATIONAL ACCOUNTS

The annual accounts of the congregation (“the Accounts”) will be prepared in one of two formats:

- (1) In accordance with the methods and principles set out in the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 (the SORP) or
- (2) In the form of receipts and payments accounts including associated notes thereon, in accordance with the Charities Accounts (Scotland) Regulations 2006 as amended by the Charities Accounts (Scotland) Amendment Regulations 2010.

The second format may only be prepared by congregations with gross income of less than £250,000 in any financial year.

(B) CONTENT OF CONGREGATIONAL ACCOUNTS

- (1) Where the Accounts have been prepared in accordance with the methods and principles set out in the SORP then in addition to the information required by the SORP the Accounts or notes thereon must also contain the following:
 - (a) An analysis of donations and legacies;
 - (b) An analysis of income from charitable activities;
 - (c) An analysis of income from other trading activities;
 - (d) A note of the stipend endowment income and glebe rent applied on behalf of the congregation;
 - (e) Details of the receipt and disbursement of Special Collections and Fund Raising for Other Charities (if any). These details shall be shown separately from the Statement of Financial Activities;
 - (f) A Note or Notes disclosing the Accounting Policies adopted in preparing the Accounts (see annexed Schedule);
 - (g) Details of the current stipend scale applicable to Parish Ministers
 - (h) A Memorandum Note showing any additional information necessary or appropriate to an understanding of the financial affairs of the congregation, including details of any Funds held by the Church of Scotland General Trustees for or in connection with the congregation.
- (2) Where the Accounts have been prepared in the form of Receipts and Payments Accounts then in addition to the information required by Schedules 2 and 3 to Regulation 9 of The Charities Accounts (Scotland) Regulations 2006 (as amended) the accounts should also contain the following:
 - (a) A Receipts and Payments Account showing amounts actually lodged in and withdrawn from the congregation’s bank account during the year, but to include money received by the year-end but not banked and cheques written by the year-end but not cleared through the bank account and to exclude monies received by

the previous year-end but not banked and cheques written by the previous year-end but not cleared through the bank account. The Receipts and Payments Account should show under separate headings:

Ordinary General Receipts identifying receipts from Offerings and from Legacies separately from Other Receipts. All receipts should be further analysed as appropriate.

Ordinary General Payments identifying the payment towards the Ministries and Mission Contribution, Other Staffing Costs, and Buildings Costs separately from Other Costs. All payments should be further analysed as appropriate;

- (b) Details of the receipt and disbursement of Special Collections and Fund Raising for Other Charities (if any). These details shall be shown separately from Receipts and Payments Account;
- (c) A note of the stipend endowment income and glebe rent applied on behalf of the congregation;
- (d) Details of all Fabric, Reserve, Special and Trust Funds, including funds of congregational organisations, and Transfers between other Congregational Funds (if any);
- (e) A Statement of Balances analysed by fund at the year-end showing amounts held in bank accounts, investments held, other assets held, and amounts due to and due by the congregation at the year-end;
- (f) Details of the current stipend scale applicable to Parish Ministers;
- (g) A Memorandum Note showing any additional information necessary or appropriate to an understanding of the financial affairs of the congregation, including details of any Funds held by the Church of Scotland General Trustees for or in connection with the congregation.

(C) AUDIT/INDEPENDENT EXAMINATION OF CONGREGATIONAL ACCOUNTS

- (1) If the gross income of the congregation exceeds £500,000 in the current financial year an audit shall be conducted. Otherwise, an independent examination shall be conducted.
- (2) An audit shall be conducted by an auditor who is eligible to act as an auditor in terms of the relevant legislation for Companies (a) or by the Auditor General for Scotland.
- (3) An independent examination shall be conducted by a person who is reasonably believed by the Financial Board of the congregation to have the requisite ability and practical experience to carry out a competent examination of the accounts.

Where the Accounts have been prepared in accordance with the methods and principles set out in the SORP the independent examiner must also be:

- (a) a member of one of the following bodies:
 - the Institute of Chartered Accountants of Scotland
 - the Institute of Chartered Accountants in England and Wales
 - the Institute of Chartered Accountants in Ireland
 - the Association of Chartered Certified Accountants
 - the Association of Authorised Public Accountants
 - the Association of Accounting Technicians
 - the Association of International Accountants
 - the Chartered Institute of Management Accountants
 - the Institute of Chartered Secretaries and Administrators
 - the Chartered Institute of Public Finance and Accountancy

or

- (b) a full member of the Association of Charity Independent Examiners
or
- (c) the Auditor General for Scotland.

An auditor or independent examiner, or a connected person of an auditor or independent examiner, must not be the Minister or a member of the Kirk Session or the Financial Board.

- (4) The Report of the auditor or independent examiner shall be in the form set out in Regulation 10(4) or Regulation 11(3) of the Charities Accounts (Scotland) Regulations 2006.

(D) APPROVAL AND ATTESTING OF CONGREGATIONAL ACCOUNTS

- (1) After the Accounts have been prepared, they shall be submitted to the independent examiner or auditor and provided the independent examiner or auditor is content then they shall be submitted for the approval of the Trustees.
- (2) After the Accounts have been approved by the Trustees the appropriate report will be signed by the independent examiner or auditor. They shall then be submitted to the Presbytery by the 31st day of March following the financial year-end date, for examination and attestation by Presbytery to the effect that the Accounts are in accordance with the Regulations for Congregational Finance.
- (3) The Accounts must also be received by the congregation at the Stated Annual Meeting, or equivalent Congregational Meeting in the case of congregations not having the Model Deed of Constitution, such Meeting to be held not later than the 30th day of June following the financial year-end date.
- (4) Every Presbytery shall appoint an Accounts Inspection Committee having the task of examining Congregational Accounts annually and reporting thereon to Presbytery. The Committee shall include in its membership, by co-option if necessary, at least one person being a member of one of those recognised supervisory bodies listed at (C)(3)(a) above.
- (5) In cases where the Accounts are not in accordance with the Regulations for Congregational Finance, the Presbytery shall offer such advice and assistance as is necessary to ensure that the Accounts are amended in order to comply with the Regulations for Congregational Finance.
- (6) Every Presbytery shall submit annually to the Stewardship and Finance Department (by a date and in a form determined by the Council of Assembly) a report on its diligence in carrying out the provisions of those instructions. The Council of Assembly shall report on these returns to the General Assembly.

Schedule to Accounting, Independent Examination and Auditing Regulations for Congregational Accounts with reference to paragraph (B)1(f) – Accounting Policies

All Congregational Accounts prepared in accordance with the methods and principles set out in the SORP shall contain a Note or Notes disclosing the Accounting Policies adopted in preparing the Accounts. The Note or Notes shall *inter alia*:

- (a) state that the Accounts have been prepared on an *accruals basis* (income and expenditure).
[An *accruals basis* takes account of outstanding year-end income/debtors and expenditure/creditors.]
- (b) disclose the basis of accounting for heritable properties.
[Heritable properties should be recorded in the Accounts where title is locally held and where a cost or reliable valuation is readily available, and when not included a

statement of Congregational properties (eg Church, Hall, Manse, etc.) should be provided.]

- (c) disclose the basis of accounting for fabric expenditure.
[eg “normal repairs and maintenance are charged to the General Fund; extraordinary repairs and improvements are met from the Fabric Fund and/or by special fund raising efforts”.]

2. REGULATIONS FOR CONGREGATIONAL BUDGETS

- (a) It shall be the duty of the Financial Board of every congregation to create and maintain among the members of the congregation a commitment to the provision, by regular giving, of sufficient income to meet the costs of the whole financial affairs of the congregation and to take all necessary and appropriate measures to that end.
- (b) Every Financial Board shall prepare and approve an annual Budget of estimated General Fund Income and Expenditure. Although the Budget may be attached to the annual Accounts of the congregation, it shall not be within the scope of the audit or independent examination of the Accounts, nor should it form part of the Accounts submitted to the Office at the Scottish Charity Regulator (OSCR).
- (c) Every Financial Board shall provide its members annually with a copy of the Budget. In addition, copies of the Budget shall be made available, for information, at the Stated Annual Meeting or equivalent Congregational Meeting at which the annual Accounts of the congregation are received.

3. BORROWING OF FUNDS

No congregation is permitted to borrow funds, whether by way of overdraft or otherwise and whether from a bank or elsewhere without first obtaining the agreement of Presbytery.