

# The Parish Treasurer

## HANDBOOK



# The Diocese of Polokwane

## 2019

## **Key Tasks**

The size and scope of the Treasurer's job will depend on the size and complexity of the Parish. But each Treasurer will be expected to:-

- Carry out the financial policy of the Parish Pastoral Council (herein after referred to as PPC). The PPC has the responsibility of both raising and spending money to meet its responsibilities. The Treasurer implements their decisions.
- Prepare an annual budget to assist the PPC plan its income and expenditure for the next year.
- Record all financial transactions carried out on behalf of the PPC.
- Monitor the church's finances throughout the year, and alert the PPC if any difficulties are likely.
- Ensure that the PPC meets all its financial obligations, such as clergy expenses or insuring the church buildings against fire, theft and public liability.
- Maintain, and set-up if needed, a book-keeping system.
- Prepare the annual accounts for the Annual Parochial Church Meeting, ensuring that the accounts comply with current Non Profit (NPO) and/or Public Benefit Organisation requirements (PBO).

## **Who can be a Treasurer?**

There is no need for a Treasurer to be a qualified accountant, although in the larger parishes this would clearly be helpful. Much more important are the personal qualities which the potential Treasurer has to offer. A readiness to serve in the post is always

helpful, although many PPC's seem to find a way round this! None the less a Treasurer must:-

- Be Honest. This should be beyond doubt. PPC's may wish to take-up references, but realistically this may not always be possible.
- Be financially competent. This means not simply having the ability to maintain a cash record, but having some grasp of the need to monitor cash flows.
- Have an understanding of the parish, its needs and potential, both at the level of individual church members and also the wider local community.
- Have an understanding of the role of the parish in its wider context of parish, diocese and the international church, and how the finances at each level inter-relate.
- Be able to explain financial issues clearly both within the PPC and to the general church membership.
- Attend PPC meetings so as to be aware of all the PPC's plans, and not just those dealing directly with finance. The position of Treasurer is filled every three years at the first PPC meeting after the Year End. It is possible to co-opt someone onto the PPC to undertake the duties of Treasurer, but it is much better if the Treasurer is a full member of the PPC.
- Be prepared to be available between formal PPC meetings as a member of the Parish Finance Committee, so that urgent business can be conducted easily.
- Be able to maintain confidentiality, particularly over the financial situation of individual church members and their personal giving.

- Be in harmony with the PPC, the parish priest and with the wider church.
- Meet the wider requirements of the NPO Act and Income Tax Act for all trustees - aged over 18 years old, and not be disqualified because of bankruptcy or convictions for financial wrongdoing.

## **Record Keeping**

The main types of records that will need to be maintained are:

- **The cash book(s).** This contains the record of every item received by the PPC or paid on its behalf. If several items of cash are received on one day, for example the different collections on any given Sunday, these would be recorded individually as "Cash received", with a corresponding entry for the total sum paid-in, as "Cash to bank". Most stationers' shops supply various designs of cash books, such as the Guildhall or Collins versions.
- **Collections records.** These can be cross-checked against the subsequent banking entries. Weekly collections and income from envelopes should be checked as they are counted, by at least two people. Their names and signatures should be on each record.
- **Payments.** It should be exceptional if a payment is not made by Electronic Funds Transfer (EFT). It should always be supported by a receipt. A consecutive, numbered, listing of receipts helps to reconcile them with expenditure entries in the cash book and bank statements.
- **Petty cash.** "Cash" can be used to provide a banking entry to support the initial credit balance in a Petty Cash book. All payments from petty cash should have a matching receipt, and the total of such payments, when added to the remaining cash

in hand, should balance against the initial cash withdrawal from the bank.

- **Bank account(s).** Most Banks now offer Treasurer's accounts which provide Electronic banking facilities. The Treasurer needs to keep all bank statements to support the PPC accounts, for a period of five years. In view of the need to comply with the NPO and Income Tax Act' requirements and identify separately the different types of funds, as explained below, it may be useful to operate more than one account.
- **Internet Banking.** Many banks offer facilities for operating accounts over the internet. Care should be taken to ensure that all transactions enacted in this way are properly authorised by at least 2 authorised officers.
- **Bank signatories.** Each payment should require a minimum of two persons involved, usually any two from four including members of the PPC, the parish priest, pastoral council members, finance committee members and Treasurer. The Treasurer needs to keep a record of who are the authorised signatories, and ensure that it is updated regularly.
- **Investment account(s).** In order to maximise the interest earned by the PPC's funds, money that is not needed on an instant access basis should be deposited in one or more investment accounts. These should pay interest gross, as the PPC has no liability for tax in this respect, and advice on suitable accounts can be obtained from the Diocesan Finance Council. Annual statements are provided, showing interest accrued and capital movements.
- **Return of Parish Finance.** This is a quarterly and annual requirement which helps the Diocese monitor its financial situation. This should be done on the templates provided to the Parishes by the Diocese.

- **Annual accounts.** These are considered in more detail below but records should be held for at least five years.
- **Correspondence file.** These records should also be held for at least five years.

## **Types of Funds**

As a guideline the Parish can implement four recognised types of funds which are promoted by the Diocese and which need to be clearly identified in the PPC's annual accounts. It should be remembered that the members of the PPC are the Trustees of all the money under their control.

- **Unrestricted fund.** An example would be the general fund. These are monies which are under the control of the PPC and which can be spent on any purpose it deems fit. This covers items such as income from collections, or payment of expenses, regular running costs, etc.
- **Designated fund.** This is where the PPC might decide to put money aside for a specific purpose. These funds are really a subset of unrestricted funds because the PPC can, at any point, review their decision and reallocate them. For example, the PPC might want to put R50,000 towards building a memorial garden. However, if urgent repairs are suddenly needed on the church hall, the PPC could then decide to use the R50,000 for this reason.
- **Restricted fund.** This is money which can only be used for a specific purpose from the outset. An example would be the income from a parish fund raising event which was clearly identified as being in aid of the repair fund. The money could thus only be spent on the purpose identified. In trying to decide if a fund is restricted, it is important to ask about the donor's

intention. Did the donor(s) give the money for a particular purpose? If so, the money is almost certainly a restricted fund. And remember, only a donor can "restrict" a fund.

- **Endowment fund.** This is a fund of money which has come to the church or PPC with the specific instruction that only the interest generated by the money can be spent. For example, the proceeds of a legacy which specifies that the original sum is to be invested so that the income can be used for the replacement of Mass booklets.

## **Budgets**

All well-run financial institutions produce a budget each year. In it they give an estimate of expenditure and income for their financial year, which for the church runs from 1st January to 31st December. Its value is to provide:

- an indication of the amount of money which the PPC needs to raise.
- the likely income from various sources, such as pledges, usual fund raising activities, etc..
- predictable items of expenditure which can be agreed in advance, such as electricity, water, insurance and usual administrative costs.
- the diocesan Parish Share and any other levy.
- allowances for replacement of items that have a limited life - routine maintenance, new books, etc.
- major repair work that can be foreseen.
- a margin for reserves/contingency.

- any planned charitable giving.

The budget will indicate the likely surplus or shortfall that the PPC will need to address in its planning for the next year, so that it can consider ways in which it needs to make economies in expenditure and/or raise income from fundraising or by drawing on reserves. It is at this stage that the need to enlist the help of the Diocesan Finance Council, for example, can be highlighted, or the results of such fundraising can be monitored to avoid yet another unexpected financial problem. A budget will also enable the routine payment of bills, such as that for the electricity or insurance, to be made by the Treasurer without the need to seek specific authorisation from the PPC.

A possible time-scale for the preparation of the budget is from June to September, when the accounts from the previous year have been accepted at the PPC, and in time for the PPC to consider what action it needs to take prior to the start of the next financial year. No budget will be 100% in line with actual income and expenditure, but without one, the Parish will be extremely lucky to avoid recurrent financial crises.

### **Routine Expenditure**

It is useful to have an idea of the routine items that the PPC needs to consider. They are the Trustees of the parish funds, and it is for them to authorise payment and also to find the income to meet that expenditure. None the less, the PPC will look to its Treasurer for advice.

- **Diocesan costs.** The main expenditure will be the diocesan parish share, which covers the clergy stipend, pension contributions and the parish's share of wider diocesan ministry costs.

- **Clergy working expenses.** These should be partly covered by the PPC, and the Diocesan Finance Council can advise on the appropriate items to reimburse, and rates such as car mileage allowances, that are agreed annually with the Diocesan Pastoral Council. The method and frequency of payment will be a matter between the parish priest and his PPC; if for any reason the PPC is unwilling or unable to pay some or all of the correct expenses, then the Bishop would need to be consulted on how best to proceed.
- **Church running expenses.** Water, electricity, cleaning and insurance.
- **Visiting clergy, organists, cleaners,** will normally all need payment. For permanent employees, the PPC should check with the Receiver of Revenue about the need to deduct PAYE tax along with UIF, etc.

### **Fraud and Audit**

It is sadly true that all of us are tempted, even if, mercifully, few actually succumb. However, it is only responsible to ensure that at all stages in the handling of the PPC's funds, from collections to payments, there are mechanisms in place that can help decrease the risk of fraud and increase the transparency of the PPC's management of the sums for which it is the trustee. These measures will also assist in defining the "audit trail", so that whoever completes the audit or inspection of the annual accounts will find their task made much easier. So:-

- Two people should check cash receipts and sign clear records of this.
- Bank credits should link with these records.

- All payments should be made by EFT, with a separate petty cash system as outlined on page 4.
- Monies received should be paid to the PPC or the church, not to individuals.
- The PPC members should be involved in the monitoring of what is, after all, their money - for example they should have sight of the bank statements from time to time.
- All parishes are required to have a Financial Review of their Finances by an independent accounting officer who is competent and professionally qualified for such function.
- The independent accounting officer must not be a member of the PPC and ideally should be external to the parish.

### **Annual Accounts**

The PPC is subject to the requirements of the various Non-Profit Organisation and Income Tax Acts. Specimen annual parish accounts are available from the Diocesan Finance Council which can serve as a model for the presentation of the full financial report. However, some general points of information are given:

- for most parishes, the accounts are prepared on a simple receipts and payments basis; only the largest parishes need accounts prepared on what is known as an "accrual" basis. If this applies to your parish, diocesan finance council staff can advise accordingly.
- the financial year covered by the report should be clearly identified.
- accounts for each of the funds under the control of the PPC, and the category of fund which they represent must be shown.

- a certificate signed by the independent examiner on the audit is required.
- income and expenditure under clear categories, with the corresponding figures for the previous year must be shown.
- a statement of Assets and Liabilities as at the 31st December should be included.
- the accounts must be clearly signed and dated by the Treasurer after acceptance by the PPC.
- a Statement of Accountancy Policies used in drawing up the accounts must be included.
- an Annual Report drawn up in the format set up in accordance with the Diocesan Finance Council needs to be published alongside the accounts.

A copy of these accounts, once accepted by the PPC must go to the Diocese.

### **Help**

However daunting all these various responsibilities and requirements may seem, you are not alone in your task. There may be help available locally from the previous office holder, or the Treasurers in other parishes in the diocese. To back-up this, and available at any time during the working week, ring the Bishops Secretary at the Office of the Diocese where there will always be someone with expertise to advise.