

FINANCIAL PRACTISES

Guideline on how to establish
financial review practises
for your church

Based on:
How to Establish Financial Review Practises for Your Church
by LifeWay Christian Resources

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Financial records reviewed by a knowledgeable independent party

Your church should have a finance committee or knowledgeable deacon who oversees the organizations finances. This individual or group should review the financial statements for unusual trends, balances, or relationships and also review any supporting detail to provide assurance that the financial records support the statements.

Those responsible for finance should take periodic vacations

Other staff members or volunteers should be trained to serve as back up to the treasurer/person responsible for finance. Fraudsters often refrain from taking vacations to minimize the opportunity for others to detect their improprieties. Back up personnel have been known to find such things as theft of outgoing cheques causing payable balances to be overdue, theft of customer cheques causing customer account balances to be overdue.

Bank statements and reconciliations should be checked by a person not responsible for the finances

This applies to large, old or unusual items and suspicious transactions. Review of the cleared cheques could detect fraudulently produced cheques made payable to the treasurer or alias.

Cheques to be signed by someone other than the treasurer

Signed cheques should be countersigned by one of the church leaders who are not involved with the finances, on sight of the supporting invoice or payment request. Blank cheques should not be signed.

Church finances to be handled by more than one person where possible

Split the duties so that the job does not become onerous but also gives an ongoing audit as finances are checked each month. Duties could be split as follows:

- Recordkeeping
- Receipts and payments
- Tax and salary
- Gift Aid

Church offerings

Should be counted by more than one person and never left unattended or in the control of one person. An accurate record of offerings should be kept and countersigned by a second person. Offerings should be paid into the bank on a regular basis.

Budget review

Budget and actual performance should be reviewed regularly. Any major variations against budget should be investigated.

Receipt of money

All monies received to be logged with details and identified if there is a restriction on its use. Any donations received that are eligible for gift aid to be recorded separately.

Reporting

A financial report should be prepared and presented to the leadership on a regular basis (to correspond with leaders meetings). Any irregularities, trends or exceptions to be highlighted.

External audit

External financial statement audits to be conducted in accordance with generally accepted auditing standards.

- The audit be planned and performed to obtain reasonable assurance whether the financial statements are free of any misleading transactions or statements.
- An audit to include examination of all transactions and to see evidence of supporting documentation.
- An audit includes assessing the accounting principles used as well as evaluating the presentation of the financial situation.
- An external audit expresses an opinion that the financial statements present fairly, in all material respects, the financial situation of the organization and the results of its day to day operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

Audited accounts

Audited accounts and supporting documentation to be kept on file for a minimum of 5 years. Audited accounts to be submitted to any organization that requires them under the regulations set by any monitoring body (Charity Commission if a registered charity) or associated organization.

These guidelines do not profess to cover all aspects of church finances and are not sufficient to be used in any legal dispute. This document is only intended to give very general advice in relation to the topics covered. The guidelines are not meant to replace or supersede any professional financial advice from a qualified financial advisor.