

## INDEPENDENT EXAMINATION – WORK PROGRAM

**Name of Parish:** ..... **Year ended:** .....

*This Work Program accompanies the Registrar's Guidelines for an Independent Examination of Parishes and is provided to assist independent examiners in the conduct of their assignment which should be carried out in accordance with the examiner's engagement letter to the churchwardens.*

<b>Financial Report</b>	<b>Yes</b>	<b>No</b>
1. Does the financial report appear to have been completed satisfactorily in accordance with the Parishes Act and the Registrar's Guidelines	<input type="checkbox"/>	<input type="checkbox"/>
2. Agree figures in the financial report to the parish's accounting records (ledger accounts) - ie. MYOB, QuickBooks, Spreadsheet or Cash Book).	<input type="checkbox"/>	<input type="checkbox"/>
3. Cross reference a copy of the financial report to the ledger records or trial balance and undertake any supporting analysis necessary to show the link between the accounting records and the financial report.	<input type="checkbox"/>	<input type="checkbox"/>
4. Read the parish annual report (if available) and consider whether the contents and events reported are consistent with both the financial report and any other information gained during the course of the examination.	<input type="checkbox"/>	<input type="checkbox"/>
5. Consider the adequacy of disclosure of all parish financial transactions under the control of the churchwardens. [consider: sunday school, tennis club, etc]	<input type="checkbox"/>	<input type="checkbox"/>

### **Reliability of Accounting Records**

6. Examine the year-end bank reconciliation (and, for a larger parish, any other control accounts) to ensure they do not include any unexpected or unusual items. Check that outstanding cheques have been presented within a reasonable time after year-end	<input type="checkbox"/>	<input type="checkbox"/>
7. Consider whether the accounting records are kept up to date on a reasonably regular basis. For example, monthly write-up and bank reconciliations should be regarded the minimum frequency.	<input type="checkbox"/>	<input type="checkbox"/>
8. Test check the arithmetical accuracy of some of the accounting records.	<input type="checkbox"/>	<input type="checkbox"/>
9. Consider whether the bookkeeper and treasurer have sufficient skills and resources to carry out their duties. If your opinion is adverse, report this discretely to the churchwardens.	<input type="checkbox"/>	<input type="checkbox"/>

### **Transaction Testing**

- |      |  |  |
|------|--|--|
| 10   | Test by sampling some income and expense items from the main accounting records (ie general ledger or cash book) and cross check the details to supporting invoices, vouchers or other original documentation.   |  |
| 10.1 | Select up to ten expenditure items and check that the original voucher (eg. a paid telephone account) is marked in such a way that it cannot be used again and shows evidence of having been authorised (eg. the treasurers initials or stamp)   |  |
| 10.2 | Select up to five offertory tally sheets from regular worship services, looking for evidence that more than one person was involved in the counting and the offering was banked within the next three days. Where the parish income includes donations collected on behalf of others (eg. Christmas Bowl Appeal), enquire if and when such designated revenue was passed on to the third party within a reasonable time. |  |
| 10.3 | Select a sample of entries directly from original offertory tally sheets and trace the details back to the prime books of account or general ledger and consider whether they appear to have been correctly entered. Do the same for a few expenditure items for the same reason.<br>[this examination is effectively the reverse of 10.1 & 10.2]  |  |



Yes No

- 10.4 Where the parish handles the remuneration arrangements for its clergy and support staff, review the relevant PAYG & personnel records and returns to the Taxation Office
11. In reverse, select a sample of entries directly from original offertory tally sheets and trace the details back to the prime books of account or general ledger and consider whether they appear to have been correctly entered. Do the same for a few expenditure items for the same reason.

**Examining the financial report**

12. Consider the parish's incoming resources, resources expended, assets and liabilities as shown in the financial report in the light of the general knowledge obtained about the parish and its activities as well as budgets for the year and corresponding figures for the previous year. Where there are unexpected fluctuations or inconsistencies, obtain explanations from the parish.
13. Have any issues been identified which, whilst falling outside the scope of an independent examination, suggest that the financial statements are materially mis-stated?

**Additional work for accounts prepared on the accruals basis**

14. Review the accounting policies adopted by the parish and ensure they are consistent with the generally accepted accounting principles  
[If financial policies & procedures of the parish are not documented, recommend this to the parish treasurer]
15. Enquire if there have been any events since year end which should be disclosed in the financial report or which indicate that amounts included in the financial report should be amended.
16. Ensure any material contingencies or commitments identified have been properly shown in the financial report.

**Internal Controls**

17. Enquire whether the churchwardens have satisfied themselves that sufficient internal controls exist to provide reasonable assurance that parish funds are not exposed to fraud or error.
- Internal controls to consider may include –
- Security and custody of weekly offerings
  - More than one cheque/EFT authorisation
  - Banking procedures - bank depositing & withdrawals
  - Vestry scrutiny of regular financial reports
  - Personnel records, super, GST & other tax compliance
  - IT and password security

**Risk**

18. Enquire whether the churchwardens have considered risks the parish is exposed to – and whether the parish vestry have plans to mitigate against those risks.

**Reporting to the Registrar**

19. Matters identified during the course of the work which suggest legal, accounting or other similar problems, should be carefully considered. If they represent significant instances of deliberate or reckless misconduct in the administration of the parish, then a written report should be made to the Registrar of the Diocese with a copy to the area archdeacon.

**Completion**

20. Review your engagement letter and the *Registrar's Guidelines* to be satisfied that you have satisfactory completed your assignment.

## REPORT OF THE REVIEWER IN THE ANGLICAN DIOCESE OF THE NORTHERN TERRITORY

### Independent examiner's report to the Churchwardens of [parish name/place]

This report on the financial report of the parish for the year ended 31st December 2020 is in respect of an examination carried out in accordance with the Parishes Ordinance 1977-2017 and the *Guidance for Independent Examinations of Parishes* issued by the Registrar of the Diocese of Melbourne, used with permission by the Anglican Diocese of the Northern Territory.

### Respective responsibilities of the Churchwardens and the examiner

The Churchwardens of the parish are responsible for the preparation of the financial report. It is my responsibility to issue this report on the financial report in accordance with the terms of my appointment as a reviewer.

### Basis of this report

My examination was carried out in accordance with the *Guidance for Independent Examinations of Parishes* issued by the Registrar of the Diocese of Melbourne, used with permission by the Anglican Diocese of the Northern Territory. Such an examination includes a review of the accounting records kept by the parish, and a comparison of those records with the financial report. It also includes considering any unusual items or disclosures in the financial report and seeking explanations from the Churchwardens concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in a statutory audit, and consequently I do not express an audit opinion on the financial report.

### Reviewer's statement

In connection with my examination, no matter has come to my attention:

- (1) which gives me reasonable cause to believe that in any material respect the requirements
  - to keep accounting records in accordance with the Parishes Ordinance; and
  - to prepare a financial report, which accords with the accounting records and complies with the requirements of the Parishes Ordinance and the *Guidance for Independent Examinations of Parishes* issued by the Registrar of the Diocese of Melbourne, used with permission by the Anglican Diocese of the Northern Territory; or
- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the financial report to be reached.

(Signed)

(Name)

(Address)

(Address)

(Date)



## REVIEW OF INTERNAL CONTROLS OF A PARISH

*The report of an reviewer does not refer to a review of the internal controls over the financial affairs of the parish. This checklist may be customised for a parish to 'add value' to the assignment – at the option of the reviewer.*

		Yes	No	NA
1	Are prior internal control questionnaires or reports available?			
2	Have recommendations from previous internal control reviews been implemented?			
3	Is a complete and current chart of accounts available, listing all accounts and their respective account numbers (if any)?			
4	Does the accounting system use the double-entry method of bookkeeping?			
	<b>Budget:</b> The use of a budget, although not mandatory for a small church, is nevertheless a critical management tool which assists in the stewardship and administration of resources and programs.			
5	Is the budget approved by the church council?			
6	Are all changes to the budget authorized by the church council and recorded in the minutes of the meetings?			
7	Is there a periodic review of the budget by the church council?			
	<b>Reporting:</b> The best accounting system is of little value unless the information is communicated to those responsible. Although there may be variations, there are certain minimum standards to assure adequate communication of the financial information.			
8	Is a treasurer's report submitted to the church council or finance committee regularly (eg. monthly)?			
9	Is the treasurer's report presented in sufficient detail to inform the reader as to the nature of the various items of income and expenditure and capital outgoings & commitments?			
10	Does the report present the current actual financial data compared with the approved budget?			
11	Is there regular reporting, at least quarterly, of all other funds and activities, including designated or restricted funds?			
	<b>Income:</b> Policies and procedures regarding the handling of offertories and other receipts help not only to protect from loss, but assure that all revenue is properly entered into church records.			
12	Are there safeguards to protect the offertories from theft or misplacement from the time of worship services until the time the funds are counted and banked?			
13	Are the offertories counted and deposited into the bank on a timely basis – ie. at least weekly?			
14	Are there at least two unrelated persons responsible for the counting of the offertories?			
15	Are the persons responsible for counting offertories rotated on a periodic basis?			
16	Do the counters have a standardized form for recording the offertory information?			
17	Are the counter's sheets retained and reconciled with actual deposits, and are all discrepancies investigated?			

18	Is the cashing of cheques received prohibited?			
19	Are all of the pledge envelopes or other memoranda retained and reconciled to the recorded amounts?			
20	Are all other cash receipts recorded and deposited on a timely basis?			
21	Are there procedures, which will highlight, or bring to someone's attention, the fact that all receipts or income have not been received or recorded?			
22	Are periodic statements provided to donors of record, i.e., at least quarterly?			
23	Are all discrepancies investigated?			
	<b>Expenditure:</b> The following procedures will assist in assuring that all payments and other outgoings are properly approved, recorded, and supported by appropriate documentation.			
24	Are all disbursements made by cheque, except for small expenditures made by petty cash?			
25	Are all cheques pre-numbered and used in sequence?			
26	Are all voided cheques properly cancelled and retained?			
27	Are all cheques made payable to specified payees and not to cash or to bearer?			
28	Is there a clearly defined approval process for all disbursements, whether by cheque or electronically?			
29	Are all disbursements supported by original documentation?			
30	Is the original vendor's invoice or other documentation cancelled at the time of signature to prevent duplicate payment?			
	Are any disbursements made directly out of cash offertories?			
31	Is the signing of blank cheques prohibited?			
32	Are all persons authorised to sign cheques or approve electronic payments authorised to do so by resolution of the church council or the churchwardens?			
33	Are all paid accounts, invoices and statements filed in a folder away after payment in chronological or cheque number order?			
34	Prior to payment, does someone check that the payee's ABN number has been disclosed on the relevant invoice or statement?			
35	Is more than one signature required for any disbursement?			
36	If only one signature is required for expenditure under \$500, do disbursements over \$500 require more than one signature?			
36	If signature imprint machines are used, are the keys kept under lock and key except when in use?			
37	Are all movements in trust funds [or disbursements requiring special approval of funding sources] properly recorded and managed in accordance with decisions of the church council or Finance Committee?			
	<b>Journal entries:</b> Journal entries offer an opportunity to make adjustments to accounting records where the church has adopted accrual accounting, rather than cash accounting. The general journal is just as important a book of original entry as the cash receipts and cash disbursements journals.			

38	Is there an appropriate explanation accompanying each journal entry?			
39	Are all journal entries approved by a knowledgeable person of authority other than the person initiating the entry?			
40	Is adequate documentation maintained to support each journal entry?			
	<b>Bank reconciliation:</b> The monthly reconciliation of all bank accounts is a primary tool for assuring the proper recording and accounting for all bank account activity.			
41	Are all bank accounts reconciled within 10 days of month end?			
42	Is the bank account reconciled using the computer program (ie QBooks/MYOB)?			
43	Are bank account reconciliations completed by someone other than the person who participates in counting offertories or authorising disbursements?			
44	Do the reconciliation procedures provide for:			
	a) Comparison of dates and amounts of deposits as shown on the bank statement with the cash receipts journal?			
	b) Investigation of bank transfers to determine that both sides of the transactions have been recorded?			
	c) Investigation of all bank debit and credit memos?			
	d) Review of all cheques outstanding over 90 days?			
	e) Voiding of outstanding cheques during the year-end reconciliation?			
	f) Is the bank immediately notified of all changes of authorized cheque signers?			
45				
	<b>Petty cash:</b> The following controls are meant to provide for a timely recording of expenditures of cash in the accounting system.			
46	Is the responsibility for the petty cash fund assigned to only one person?			
47	Are all petty cash funds maintained on an imprest basis, i.e., the total amount of vouchers paid or disbursed, plus cash, will always equal the amount of the fund?			
48	Is there adequate review of documentation before the fund is reimbursed?			
49	Is the petty cash fund reimbursed at least monthly?			
50	Is the cashing of cheques and loans to employees prohibited?			
51	Is the actual petty cash protected from theft or misplacement?			
	<b>Investments:</b> Procedures for the proper recording and control of all investment instruments will help to assure that all assets and related income are accounted for and properly reported.			
52	Are all investment instruments held in the name of the church or some other church-approved entity?			
53	Is authorization for the sale and/or purchase of investments provided for by the church council or authorized investment committee?			
54	Are all investment documents (eg term deposit certificates) adequately protected from fire, theft, or misplacement?			
55	Are the interest, dividends, and unrealized gains or losses			

	recorded?			
<b>Property and equipment:</b> Controls and procedures involving the physical assets of the church aid in detecting, identifying, and preventing losses.				
56	Is formal approval of the church council required for all equipment and property additions and disposals?			
57	Is an Assets Register or some other detailed inventory of all property, furniture, fixtures, and equipment maintained showing:			
	a) Date acquired?			
	b) Detailed description?			
	c) Cost or fair market value at time of donation?			
	d) Any funding source restrictions?			
58	Is a periodic review conducted to:			
	a) Compare the actual property, furniture and fixtures, and equipment to the recorded inventory listing?			
	b) Ensure the adequacy of the insurance coverage?			
	c) Improve loss prevention?			
<b>Liabilities and other debt:</b> All liabilities and other debt must be clearly reported, and all provisions or restrictions complied with.				
59	Is all borrowing or indebtedness authorized by the church council and other appropriate committees?			
60	Are all loan agreements and/or lease agreements in writing and properly safeguarded?			
61	Are there periodic reviews conducted to determine compliance with any debt/lease provisions?			
62	Are all liabilities noted on Financial Statements/ Reports to church council?			
<b>Restricted gifts and income:</b> Gifts restricted by donors are not handled in the same manner as other contributions, and procedures are necessary to assure that these gifts are recorded properly and all restrictions are observed.				
64	Are records maintained of all bequests, memorials, endowments, or any other restricted gifts to include:			
	a) Date, amount and donor of gift?			
	b) Any restrictions or limitations?			
65	Are all restricted gifts and grants approved by the Church council or other authoritative body?			
66	Are the income and other transactions periodically reported to the church council?			
67	Are written acknowledgments issued for all contributions other than pledges?			
<b>Payroll:</b> The application of policies and procedures involving the employment of individuals assures compliance with payroll reporting to the various statutory authorities.				
68	1. Are personnel files maintained to include:			
	a) Employment application and/or letter of employment?			
	b) Authorizations of pay rates and effective dates?			
	e) ATO Withholding Forms?			

69	Is there a written record of hours worked and approved by a supervisor when applicable?			
70	Are there adequate records to:			
	a) Show computation of gross pay?			
	b) Account for all deductions from gross pay?			
	c) Support PAYG and BAS returns to ATO?			
71	Are BAS returns lodged on a timely basis?			
73	Are all employees, clergy and lay, receiving a Payment Advice Slips when paid?			
74	Are all employees receiving annual PAYG summaries?			
75	Are pastoral fringe benefits authorised by the churchwardens and properly documented?			
<b>Computer systems:</b> The use of computers creates the need for additional procedures to safeguard the system and data.				
76	Are current or duplicate copies of the computer's operating system and programs maintained off site?			
77	Are the files backed up at least weekly and the backups maintained off premises?			
78	Is access to the computer and computer programs limited to authorized persons?			
79	Is there adequate documentation, including user manuals, available on-site for all computer programs?			
80	Is a printed copy retained of all journals, general ledger, financial statements and any other computerized records?			



## **SAMPLE OF ENGAGEMENT LETTER FOR AN INDEPENDENT EXAMINATION**

To the Churchwardens  
Church of:  
Address:

Dear Churchwardens

### **Engagement as independent examiner**

The purpose of this letter is to set out the basis on which I am prepared to act as independent examiner to prepare a report in respect of the parish's financial report for the year ended 31st December 2020, and for future years until further notice, in accordance with the Parishes Ordinance 1977–2017.

### **Responsibilities of members of the parish**

As churchwardens you are responsible for maintaining proper accounting records and for preparing the annual financial report, which have been prepared in accordance with the *Registrar's Guidelines for Independent Examinations* in the Diocese of Melbourne (the Guidelines), used in the Anglican Diocese of the Northern Territory with permission.

You are also responsible for providing me with information and explanations required for my examination.

### **Responsibilities of the independent examiner**

I shall plan my work on the basis that an independent examiner's report on the accounts is required for the year, unless you inform me in writing to the contrary. As an independent examiner I have a duty to state in my report whether any matter has come to my attention in connection with the examination, which gives me reasonable cause to believe that in any material respect:

- a) accounting records have *not* been properly kept in accordance with the Parishes Ordinance; or
- b) the financial report does not accord with the accounting records or do not comply with the Guidelines.

I also have a duty to disclose in my report matters coming to my attention in connection with the examination to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

### **Scope of the independent examiner's work**

My work will be carried out in accordance with the Guidelines for Independent Examinations issued by the Registrar of the Diocese of Melbourne, used with permission by the Anglican Diocese of the Northern Territory.

My work as independent examiner will be a less onerous form of scrutiny than an audit of the financial report in accordance with Australian Auditing Standards. My examination will include a review of the accounting records kept by the parish and a comparison of the financial report presented with those records. It will also include a review of the financial report and consideration of any unusual items or disclosures

identified. In such cases where I identify an unusual item, I will seek explanations from the parish, and may carry out verification and vouching procedures where I require further clarification.

My work cannot be relied on to identify the occasional omission or insignificant error, nor to disclose breaches of trust or statute, neglect or fraud which may have taken place and which it is the responsibility of the churchwardens to guard against.

As part of my normal procedures, I may request you to provide written confirmation of any information or explanations given by you orally during the course of my work.

**Fees**

Provided I have received the information, documentation and explanations I have requested in a reasonable time prior to the annual meeting (eg. one month), I am prepared to waive my fee for this examination.

**Confirmation**

Once it has been agreed, this letter will remain effective, until it is replaced or until I cease to hold the position of independent examiner. I shall be grateful if you will kindly confirm your agreement to the terms of this letter by signing and returning to me a copy of the letter, or let me know if the terms of this letter are not in accordance with your understanding of my terms of appointment.

Yours faithfully

The churchwardens agree with the terms of this engagement

.....  
(Signed)

.....  
(Signed)

Name:  
Address:

Churchwarden:

Date:

## **REGISTRAR'S GUIDANCE FOR INDEPENDENT EXAMINATIONS OF PARISHES**

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An independent examination is an alternative to an audit or review of a parish's annual financial report. The guidelines which follow are designed to assist independent examiners of the annual financial reports of parishes in the Anglican Diocese of Melbourne.

### **1: Examination and accounting thresholds**

**Task:** Carry out such specific procedures as are considered necessary to provide a reasonable basis on which to conclude that an examination is required and that an audit does not apply to the parish.

**Threshold:** Parishes with total receipts less than \$250,000 in a financial year may replace an audit with an independent examination.

### **2: Understanding the parish**

**Task:** Obtain an understanding of the parish's organisation, accounting systems, activities and nature of its assets, liabilities, incoming resources and application of resources in order to plan the specific examination procedures appropriate to the circumstances of the parish.

#### **Guidance**

2.1 For a proper examination to be carried out it is important for the examiner to have an understanding of the operations, structure and objectives of the parish. This understanding will help the examiner to plan appropriate examination procedures. The steps taken by an examiner would normally include:

- consideration of the governing document of the parish (ie. the Parishes Act), paying particular attention to the parish's objects, powers and obligations;

- discussions with the Churchwardens and, where appropriate, the parish's staff to ascertain the structure, methods and means by which the parish seeks to achieve its objects;
- discussions with the Churchwardens and, where appropriate, the parish's staff about the affairs, and activities of the parish in order to gain an insight into any special circumstances and problems affecting the parish;
- reviewing the minutes of Churchwardens and Vestry meetings to ascertain details of major events, plans, decisions and changes to the parish; and
- obtaining details of accounting records maintained and methods of recording financial transactions.

### **3: Documentation**

**Task:** Record the independent examination procedures carried out and any matters which are important to support conclusions reached or statement provided in the examiner's report.

#### **Guidance**

3.1 Working papers should provide details of the work undertaken and support any conclusions reached, and record any judgmental matters which may arise. Working papers should normally be retained by the examiner for six years from the end of the financial year to which they relate, and would normally include:

- a letter of engagement from the independent examiner to the Churchwardens, together with evidence that this has been accepted by the parish (for example a return copy of the letter signed by a Churchwarden);
- relevant information extracted or obtained from minutes of minutes of Churchwardens and the parish's governing body (usually the Vestry or Church Council) and a record of discussions with the Churchwardens and the parish's staff;
- details of procedures carried out during the examination, with conclusions reached and any areas of concern identified;
- notes as to how any areas of concern have been resolved together with details of any verification procedures used;
- schedules showing the breakdown of accounting items that have been aggregated for financial statements disclosure purposes;
- copies of the trial balance, financial reports and financial statements and the parish annual report; and

- copies of any written assurances obtained from the Churchwardens confirming amounts included within the financial statements.

#### **4: Comparison with accounting records**

**Task:** Compare the financial statements of the parish with the parish's accounting records in sufficient detail to provide a reasonable basis on which to decide whether the financial statements are in accordance with such accounting records.

#### **Guidance**

4.1 It is necessary to compare the financial statements with the underlying accounting records. Where prepared on the accruals basis, all balances in the financial statements will need to be compared with the trial balance or any general ledger maintained – usually computerised. Where financial statements are prepared on the receipts and payments basis a direct comparison with the cash records of the parish should be carried out if no general ledger is kept.

4.2 Test checks will also be necessary of the posting of entries from books of prime entry (eg petty cash book, any sales or purchase ledgers or day books or gift fund records) to any general ledger and/or to the trial balance itself. Similar checks are also necessary even where accounting records are maintained by using a computer accounting package.

4.3 A review of bank reconciliations, payroll summaries and control financial statements prepared will provide a useful check as to the completeness of posting from books of prime entry.

4.4 There is no requirement for all accounting entries to be checked against source documents (eg invoices, supplier statements, purchase orders, offertory records etc) unless concerns arise during the course of the examination which cannot be resolved by seeking explanations. A test check should be adequate.

4.5 Whilst the Churchwardens are responsible for the preparation of the financial statements and financial reports, on occasions the examiner may also prepare financial statements on behalf of the Churchwardens. The preparation of financial

statements will not generally impinge on independence provided the examiner avoids involvement in the management or administration of the parish.

## **5: Accounting records**

**Task:** Review the accounting records in order to provide a reasonable basis for the identification of any material failure to maintain such records.

### **Guidance**

5.1 The parish's Churchwardens are responsible for maintaining the accounting records.

5.2 The examiner is required to review the accounting records with a view to identifying any material failure to maintain such records.

5.3 The review procedures are not aimed at identifying the occasional omission or insignificant error, but at any gross failure to maintain records in a manner consistent with statutory requirements.

5.4 Accounting records should be well organised and capable of ready retrieval and analysis. The records may take a number of forms, for example book form, loose-leaf binder or computer records.

5.5 The accounting records should:

- be up to date;
- be readily available; and
- provide the basic information from which the financial position can be ascertained, not only at the year end, but also on any selected date.

5.6 The accounting records should contain:

- details of all money received and expended, the date, and the nature of the receipt or expenditure; and
- details of assets and liabilities.

5.7 Smaller parishes may not maintain formal ledgers to record assets and liabilities, and in such instances the requirements can generally be met by maintaining files for unpaid invoices and amounts receivable. A record of fixed assets is generally necessary to meet the accounting requirements.

## **6: Analytical procedures**

**Task:** Carry out analytical procedures to identify unusual items or disclosures in the financial statements. Where concerns arise from these procedures, the examiner must seek explanation from the Churchwardens. If, after following such procedures, the examiner has reason to believe that in any respect the financial statements may be materially misstated then additional procedures, including verification of the asset, liability, incoming resource or application, must be carried out.

### **Guidance**

6.1 It is important that the examiner looks carefully at the financial report to see if the report reveals any unusual items, unexpected fluctuations, or inconsistencies with other financial information. This procedure is called analytical review. Steps taken would normally include:

- comparing the financial statements with those for comparable prior periods;
- comparing the financial statements with any budgets or forecasts that have been produced;
- considering whether incoming resources and the application of resources are consistent with known revenue or fund-raising sources, payroll details, activities, and the objectives of the parish - it is important to have obtained a proper understanding of the nature of the parish's activities and affairs for this aspect of the review to be successful;
- considering whether the liabilities and current assets disclosed are consistent with the scale and type of activities undertaken;
- considering whether fixed assets investments are producing income consistent with the nature of assets held; and
- considering whether the fixed assets are consistent with the scale and type of activities undertaken by the parish.

6.2 Where analytical review procedures identify any unusual items, unexpected fluctuation or inconsistency then explanations should be sought from the Churchwardens or, where appropriate, the parish's staff.

6.3 If the explanations provided by the Churchwardens or, where appropriate, the parish's staff do not satisfy the examiner, then additional procedures will be necessary. Such procedures may include:

- physical inspection of a fixed asset;
- verification of title to an asset;
- inspection of third party documentary evidence (eg invoice, contract or agreement) to verify an expense or liability or to confirm an amount of income received or receivable;
- third party certification of a bank balance, or other asset held including the custody of investment certificates; and
- checking of a post year end receipt or payment to confirm recoverability of a debt or the amount of a liability.

## **7: Form and content of financial statements**

**Task:** Carry out such detailed procedures as the examiner considers necessary to provide a reasonable basis on which to decide whether or not the financial report complies with the requirements of the Parishes Act. The *Work Program* is an example of the procedures an examiner may undertake.

## **8: Accounting policies, estimates and judgments**

**Task:** Review the accounting policies adopted and consider their conformity with fundamental accounting concepts, consistency of application and their appropriateness to the activities of the parish. The examiner must also consider and review any significant estimate or judgment that has been made in preparing the financial report.

### **Guidance**

8.1 The accounting policies adopted, and also any estimates or judgments made in preparing the financial statements, may have a material effect on both the financial



activities and state of affairs disclosed by the financial statements. Such matters therefore require careful consideration by the examiner.

8.2 The examiner should be satisfied that financial statements are prepared on a basis consistent with the going concern assumption and that the accounting policies adopted and applied are appropriate to the activities of the parish and to ensure a relevant, reliable, comparable and understandable presentation of the financial statements.

8.3 The examiner must consider the reasonableness of any estimates or judgments where they are material to the financial statements. Matters that may require consideration include:

- transfers to or from designated funds;
- valuation of gifts in kind;
- valuation of investments where no market prices exist;
- estimates resulting from transactions not being fully recorded in the accounting records; and
- where applicable, the allocation of costs between the various expenditure categories.

8.4 If the financial statements are prepared on the receipts and payments basis, the only fundamental accounting concept which applies is that of consistency. Accounting policies and judgmental issues have less relevance since the receipts and payments account is simply a factual record of money actually received and expended. The statement of assets and liabilities is a straightforward schedule of information.

## **9: Events subsequent to the year end**

**Task:** Enquire of the Churchwardens as to material events subsequent to the year end which may require adjustments or disclosure in the financial statements.

### **Guidance**

9.1 An event occurring after the balance sheet date may have a material effect on both the financial activities and state of affairs disclosed by the financial statements.

9.2 The events that have occurred subsequent to the year end should therefore be discussed with the Churchwardens and, where appropriate, with the parish's staff. Any effects on the financial statements under review should be considered. The matters that should be discussed include:

- whether any income anticipated and accrued into the financial statements at the year end has proved irrecoverable;
- discovery of an error or fraud;
- non compliance with taxation obligations;
- repayment of a grant or donation received;
- a valuation of a property indicating a permanent diminution in value.

9.3 Where an event occurring subsequent to the year end affects the amount or disclosure of an item in the financial statements this should be brought to the attention of the Churchwardens with a view to the financial statements being amended.

9.4 If financial statements are prepared on a receipts and payments basis, then there is no requirement to consider events subsequent to the year end, unless other examination procedures have given rise to concerns which need to be addressed in this way.

## **10: The parish annual report**

**Task:** Compare the financial statements to any financial references in the Parish's annual report; identifying any major inconsistencies and consider the significance such matters will have on a proper and accurate understanding of the parish's financial statements.

### **Guidance**

10.1 The annual report provides a report of the parish's activities during the financial year.

10.2 Procedures should be directed at identifying inconsistencies with the annual report which are misleading or which contradict the financial information contained in the financial statements.

10.3 Where inconsistencies are identified which may have a significant effect on the proper understanding of the financial statements, this should be drawn to the attention of the Churchwardens. If no appropriate amendment is made to the annual report then details of the matter should be provided in the examiner's report.

10.4 If the financial statements are prepared on the receipts and payments basis, there is no requirement placed on the examiner to consider the annual report. The examiner may, nevertheless, find the annual report a useful guide to the activities of the parish.

## **11: Examiner's report**

**Task:** Review and assess all conclusions drawn from the evidence obtained from the examination and consider the implications on the report to be made. If the examiner has cause to make a statement on any matter which has arisen, then the examiner must ensure so far as practicable that the report so made gives a clear explanation of the matter and of its financial effects on the financial statements presented.

### **Guidance**

11.1 In providing the examination report the examiner must state whether or not any matter has come to attention, in connection with the examination, which gives reasonable cause to believe that in any material respect:

- accounting records have not been kept in accordance with the Act; or
- the financial statements do not accord with the accounting records.

11.2 Where any of the above concerns have been identified there should be a clear explanation of the nature of the failure and of its financial effects on the financial statements. If the financial effect cannot be ascertained due to uncertainty, the nature of the uncertainty should be explained. If the concern relates to non-compliance as to the form and content of financial statements, this should be raised with the Churchwardens to seek the necessary amendment to the financial report.

11.3 The examiner is also required to state whether or not any matter has come to attention in connection with the examination to which, in the examiner's opinion,

attention should be drawn in the report to enable a proper understanding of the financial statements to be reached.

11.4 Where such matters have come to the attention of the examiner, then they should be brought to the attention of the Churchwardens with a view to seeking an amendment or adjustment to the financial statements. If concerns remain the matter should be addressed in the examiner's report. The matter concerned should be fully explained together with the financial effects on the financial statements.

11.5 There is also a requirement to provide a statement if the following matters have become apparent to the examiner during the course of the examination:

- any material expenditure or action which appears not to be in accordance with the constitution of the parish;
- any failure to be provided with information and explanation by any past or present office bearer or employee that is considered necessary for the examination; and
- in the case of accruals financial statements, any material inconsistency between the financial statements and the annual report.

11.6 In order to identify any material expenditure or activities undertaken outside the objects of the parish, an understanding of the stated objects of the parish, as set out in its governing document, is necessary. Understanding the parish will be of particular relevance in obtaining a background understanding of the parish's objectives and activities. Small or immaterial levels of expenditure on purposes outside of the objects of the parish will not generally be included in the examiner's report unless they are of a recurrent nature. Material expenditure or significant actions contrary to the objectives of the parish would be a major concern and details should be included on the examiner's report. The examiner need not carry out specific checks or procedures to identify such breaches, but such matters when identified must be included in the examiner's report.

11.7 Any failure to be provided with information and explanations may seriously hamper an examination. If information and explanations requested are not provided this matter must be included in the examiner's report.

11.8 In the case of financial statements prepared on an accruals basis any major inconsistency between the financial statements and the annual report may give rise

to misunderstanding. This should be brought to the attention of the Churchwardens with a view to the amendment of the discrepancy. Where concerns still exist this must be stated in the examiner's report.

## **12: Reporting to the Registrar**

**Task:** Inform the Registrar of the Diocese in writing if, whilst acting in the capacity of the examiner of a parish, information or evidence is obtained which gives the examiner reasonable cause to believe that any one or more of the parish Churchwardens has been responsible for deliberate or reckless misconduct in the administration of the parish.

### **Guidance**

12.1 If the examiner believes that one or more of the Churchwardens have been responsible for deliberate or reckless misconduct in the administration of the parish, then a separate written report of the matter must be forwarded to the Registrar. A reporting requirement would not arise through mere inadvertence or error of judgment whilst endeavouring honestly to carry out their duties. It is also unlikely that a reporting duty will arise unless a material loss or misapplication of funds has resulted or could result.

12.2 The duty to report relates to information or evidence obtained from the examiner's work undertaken or whilst acting in the capacity of the examiner of a parish. It is not intended that the examiner should report on small or insignificant matters, particularly where such matters have been satisfactorily resolved internally.

12.3 The reporting duty relates primarily to the actions of the Churchwardens. However, in considering individual actions, the examiner must take into account the Churchwardens overall responsibilities of management and control.

12.4 Where a reporting incident arises, the examiner should report the matter in writing to the office of the Registrar of the Diocese. The examiner should state:

- the parish's name and address;
- state that the report is made in accordance with the Parishes Act;
- describe the matter giving rise to concern and, where possible, provide an estimate of the financial implications; and
- where the Churchwardens are attempting to redress the situation a brief description of any steps being taken.