

GUIDELINES FOR ANNUAL ACCOUNTS EXAMINATION

OF

PARISHES OF THE DIOCESE OF EDMONTON

BY

ACCOUNTS EXAMINER(S)

CANON 5.124.

The Corporation shall ensure that the revenue, expenditure and all other financial records of the Parish are examined annually by the Accounts Examiner.

PURPOSE

To assist parishes to comply with Canon 5.124 of the Synod of the Diocese of Edmonton, the following has been developed to assist the Accounts Examiner.

CERTIFICATE OR REPORT

On completion of the examination of accounts the report of the Accounts Examiner shall be sent to the Diocese in accordance with Canon 5.127. (See Sample Opinion Attached)

PROCEDURAL GUIDELINES

INTERNAL CONTROL

- A. Have monthly reports to Vestry been prepared and submitted?
- B. Are bank accounts reconciled on a monthly basis?
- C. Are two or more signatures required on all cheques?
- D. Do two or more persons other than the treasurer count the weekly collection?
- E. Is cash in custody of at least two persons at all times until deposited or the record of amounts received prepared?
- F. Are all receipts deposited intact on a timely basis?
- G. Does someone other than the Treasurer or member of the Cash Count Team maintain the pledge records?
- H. Is there a properly handled petty cash fund in existence?
- I. Are disbursements made against an approved budget?
- J. Are pledge statements sent periodically?
- K. Is a separate accounting made of gifts for specified purposes? Are they acknowledged to the donor?
- L. Does someone other than the Treasurer receive and open mail?
- M. Does someone other than the Treasurer records cheques received in the mail?
- N. Are two persons required for access to the Safety Deposit Box?
- O. Are permanent trust, endowment or capital funds properly recorded, and income disbursed for purposes designated?

- P. Are there written instructions for handling cash and record keeping?

SUGGESTED REVIEW PROGRAM

DEFINITION

The terms “sample”, “test”, “test verify” refers generally to an approximately 3% to 10% selection of the transaction under review verification, unless discrepancies noted require an expansion of the test verifications in the Account Examiners judgement.

CASH RECEIPTS

A. Deposit Slips

1. Compare the deposit slips to the recordings in the Cash Receipts Book and to the bank statement, verifying the amounts, classification and receipt dates - by sample and test basis.
2. Compare the deposit slips with the receipts book or adding machines tapes or any other tally sheets used to add up the receipts - by sample and test basis.
3. Compare the receipts book or any other tally sheet to the pledges' contributions, correspondence, etc. - by sample and test basis.
4. Examine all correspondence pertaining to contributions and other receipts - by sample and test basis.
5. Check mathematics on deposits slips, receipt books or tally sheets - by sample and test basis and pledges records (any 5 letters of the alphabet).

B. Receipts

1. Plate Collections - Receipt book entries should be traced to weekly cash receipt records - on a test basis.
2. Pledges:
 - a. Pledge receipts - reconcile total pledge income received with the total amount pledged.
 - b. On a test basis - compare recorded individual pledge amounts to pledge cards.
3. Plate offerings including Easter, Christmas and contributions from parish organisations - Receipts under these categories should be test traced to amounts entered in the Receipt Book. Weekly Church School offerings must be included even though the Church School may maintain a separate bank account and a have a separate treasurer.
4. Contributions from other Sources - Receipts in this category should be scheduled and compared to the written agreement, etc. This category normally includes contributions for the use of buildings by others.

5. Investment income (if any) should be test verified by determining the number and kind of investments owned and the income attributable to those investments.

B. Receipts (continued)

6. Special Parish, Mission and Flow Through Funds - Receipts under this category should be listed in detail by the Accounts Examiner who should trace the Receipt Book entries to the cash receipt records and be satisfied that they were used for the purpose that the support was made.

7. Capital Funds - These funds received during the year specifically for capital or buildings funds should be reviewed in detail and verified on a test basis sufficient to assure the Accounts Examiner that all entries have been properly recorded.

8. Transfers of Non-Income Receipts - The Accounts Examiner shall verify in detail and ascertain that proper authorization has been given for all money borrowed or money received from the sale or redemption of securities. Authority for such transactions should be traced to the minutes of Vestry.

9. Transfer items such as the movement of funds from one bank account to another should be listed in detail and traced to the appropriate item in the Receipts Book to determine that it is not included in income.

CASH DISBURSEMENTS

A. All Operating Expenses - The Accounts Examiner should be satisfied that these have been properly classified to the appropriate expense category. Actual operating expenses should be compared to the budget by individual category and significant deviations be explained to the satisfaction of the Accounts Examiner.

B. Disbursements for Work Outside the Parish - Charges to this account should equal receipts received for this purpose plus or minus disbursements made in prior or subsequent periods. (see Item 6 under "Receipts")

C. Other Disbursements - This category includes expenditures for capital improvements or additions to property, equipment and the purchase of land or buildings and other non-expense items. These items should be investigated in detail to determine that they are properly classified.

D. Closing Cash - The Accounts Examiner shall verify bank balances as of the beginning and end of the year and be satisfied that the beginning and

closing cash figure is stated correctly by verifying beginning and ending bank reconciliations.

BANK BALANCES

- A. The Accounts Examiner shall ascertain the number of bank accounts and the purpose for which each is maintained. Receipts and disbursements in all chequing and savings accounts covering the disposition of church funds and to be incorporated in the statement of receipts and disbursements.
- B. The Accounts Examiner should ascertain that the parish requires two signatures for disbursements.

BANK RECONCILIATION Test Month Selected _____

- A. Reconcile Cash
 - 1. Reconcile/review the recording of deposits in transit on subsequent bank statements.
 - 2. Compare cheques returned by the bank to the recording of disbursements - by sample or test basis.
 - 3. Subtract cheques not returned by the bank from the test bank statement and prove the adjusted bank statement balance with the cash balance per books.
- B. Cheque Examination
 - 1. Examine the signatures on the face of the cheques, and the endorsements on the back of the cheques returned by the bank for authenticity - by sample or test basis.
- C. Bank Statement Cut-off:
 - 1. Compare cancelled cheques for the month after the close of the year, to verify the year end balance and the year end outstanding cheques and deposits in transit.
- D. Invoices:
 - 1. Compare the invoices with the recordings in the Disbursements Ledger - by sample or test basis.
 - 2. Examine the invoices with the monthly vendors' statement. No statement should be paid without support invoices.
 - 3. Examine the invoices for verification of receiving the product or service by the receiver's signature on invoices or attached packing slip - by sample or test basis.

4. Examine the invoices and vendors' statements for the payment and approval signature of the person responsible - by sample or test basis.
5. Check the invoices for dates and purchaser's name and address - by sample or test basis.
6. Check the arithmetic on the invoices and vendors' statements - by sample or test basis.

INVESTMENTS

- A. Records
 1. Examine all transactions for verification of acquisitions and dispositions.
 2. Trace all purchases to the Disbursement Ledgers.
 3. Traces all sales to the Receipt Ledgers.
 4. Examine the broker's advices (invoices) and compare with the Investment Ledger.
- B. Securities
 1. Examine or confirm with the agency hold in safekeeping, all securities as to ownership, certificate number and value.

GENERAL LEDGER (usually larger parishes only) Test Month Selected _____

- A. Examine all entries.
- B. Examine supporting vouchers
- C. Prove computations and additions.

GENERAL LEDGER (usually larger parishes only) Test Month Selected _____

- A. Traces all postings.
- B. Balance all accounts.
- C. Take a Trial Balance.

MINUTES OF VESTRY

- A. The Accounts Examiner should review the Vestry Minutes for proper authorization of financial transactions.

OTHER PROCEDURES

- A. The Accounts Examiner should verify that endowments, memorials and other designated funds are in separate accounts, that the interest is properly recorded and that expenditures are appropriately designated and approved.

B. Indebted of the Parish should be ascertained by the Accounts Examiner and all indebtedness items listed.

REPORTS

- A. Obtain a copy of the parish financial statements for the year.
- B. Prepare and opinion of the Accounts Examiner along with a Letter of Comments noting any exceptions or recommendations plus a summary of action required to correct any noted deficiencies.

SAMPLE OPINION

TO: The Rector, Wardens and Vestrypersons of _____.

The following Certificate of Examination is hereby submitted:

OPINION OF THE ACCOUNTS EXAMINER

I(we) have made an examination of the Financial Statements of

Name Of Parish

as of _____ and for the year then ended.
Last Day of Year Under Review

My (our) examination was made in accordance with the Guidelines For Annual Accounts Examination as approved by the Diocese of Edmonton. In my (our) opinion, the accompanying Financial Statements present in all material respects the financial position of _____
Name of Parish

and the results of its operations for the year then ended on a basis consistent with that of the preceding year.

Signed: _____

Due at the Synod Office within 30 days of completion. (Canon 5.127)