

CHURCH ACCOUNTING REGULATIONS 2006

Made (Approved by the General Synod) -- July 2006

Coming into force 1st August 2006

In pursuance of the power conferred by rule 54(8) of the Church Representation Rules the following Regulations are hereby prescribed by the Business Committee of the General Synod:

Definitions

1. In these Regulations:

“the Act” means the Charities Act 1993;

“the Charity Commission” means the Charity Commissioners for England and Wales;

“Council” means the parochial church council of a parish; and

“the SORP” means the Statement of Recommended Practice for accounting and reporting by charities published by the Charity Commission on the 4th March 2005 as from time to time amended, and any replacement Statement of Recommended Practice for accounting and reporting by charities published by the Charity Commission.

Revocation of the Church Accounting Regulations 1997 to 2001

2. The Church Accounting Regulations 1997 to 2001 shall continue to have effect in relation to accounts and annual reports of a Council for financial years ending on or before 31st December 2005 but, subject thereto, are hereby revoked.

Requirements in relation to accounts, audit etc

3. Subject to Regulation 4, a Council shall comply with its obligations under the Act (including any regulations made thereunder) and under the SORP with regard to:

- (a) the keeping of accounting records for the Council;
- (b) the preparation and preservation of annual statements of account for the Council;
- (c) the auditing or independent examination of the statements of account of the Council;
- (d) the transmission of the statements of account of the Council to the Charity Commission;

- (e) the preparation of an annual report for the Council and its transmission to the Charity Commission; and
 - (f) the preparation of an annual return for the Council and its transmission to the Charity Commission.
4. If, in respect of a financial year of the Council, the accounts of the Council are not otherwise required by the Act to be audited or examined by an independent examiner, the accounts of the Council for that year shall be examined by an independent examiner; and such examination shall be conducted, and treated for all purposes, as if it were an examination required by the Act.

Commencement and citation

5. (1) These Regulations shall come into force on the 1st August 2006 so as to have effect in relation to accounts and annual reports of a Council for financial years ending on or after 31st December 2006.
- (2) These Regulations may be cited as the Church Accounting Regulations 2006.

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GENERAL SYNOD

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Explanatory Memorandum

Background

1. Following the coming into force of s.4 of the Church of England (Miscellaneous Provisions) Measure 2005 (which substituted a new s.8 in the Parochial Church Councils (Powers) Measure 1956) the requirements for accounting by parochial church councils ('PCCs') are to be determined by regulations made under the Church Representation Rules. Under Rule 54(8)(a) those regulations are to be made by the Business Committee, subject to approval by the General Synod. They currently take the form of the Church Accounting Regulations 1997 to 2001 ('the existing regulations'), which represent regulations originally made by the Business Committee in 1997 as amended by further regulations made by it in 2001.
2. The general approach taken by the existing regulations has been reviewed by the Diocesan Accounts group, which has been established by the national Diocesan Secretaries Liaison Group. This group draws its membership from practitioners in dioceses, the National Church Institutions and professional advisers. The group has made a number of proposals concerning the existing regulations, which have been considered and approved by both the Finance Committee of the Archbishops' Council and the Archbishops' Council itself.
3. In essence it is proposed that, instead of expressly duplicating many of the accounting requirements applicable to charities generally under the Charities Act 1993 ('the 1993 Act') and the Statement of Recommended Practice for Accounting by Charities ('the SORP'), the Church should simply require PCCs to comply with the requirements of the 1993 Act and the SORP with regard to:
 - (a) the keeping of accounting records;
 - (b) the preparation and preservation of accounts;
 - (c) the auditing or independent examination of those accounts;
 - (d) the transmission of those accounts to the Charity Commission;
 - (e) the preparation of an annual report and its transmission to the Charity Commission; and

- (f) the preparation of an annual return and its transmission to the Charity Commission.
4. The Church Accounting Regulations 2006 ('the revised regulations') will give effect to this proposal. In doing so they will simplify the somewhat complex provisions of the existing regulations and mean that, in future, there will be no need to amend the revised regulations if and when the accounting requirements under the 1993 Act or the SORP are amended (although the Church will retain the power to amend them if it wishes). And, without in substance changing the general nature of the requirements imposed on PCCs, the revised regulations will emphasize that (subject to the one important qualification referred to in paragraph 10 below) PCCs are subject to the same regulatory requirements as other charities generally. (In that connection it is relevant that PCCs are of course charities for the purposes of the 1993 Act, though currently excepted from the need to register under it. Following changes expected to be introduced by the Charities Bill currently before Parliament, PCCs with incomes of more than £100,000 will be required to register.)
 5. Updated guidance on the matters referred to in paragraph 3 above will continue to be provided for PCCs through a revised edition of *'The Charities Act 1993 and the PCC'* (sometimes known as 'the green guide') and another shorter guide due for publication later this year. The revised regulations and an explanation of the changes made by them will be printed in these documents.

The revised regulations

6. The revised regulations have been made by the Business Committee and are now laid before the General Synod for its approval under Rule 54(8)(b) Church Representation Rules.
7. Paragraph 1 of the revised regulations contains definitions.
8. Paragraph 2 provides that the existing regulations will continue to have effect in relation to accounts for periods ending on or before 31st December 2005 but, subject to that, are revoked.
9. Paragraph 3 imposes the requirement that PCCs comply with the 1993 Act and the SORP in relation to their accounting responsibilities referred to in paragraph 3 above, subject to the exception specified in Paragraph 4 of the revised regulations.

10. The 1993 Act does not require charities whose annual income is below £10,000 to have their accounts independently examined or audited. However, the existing regulations require PCCs whose annual income is below £10,000 to have their accounts independently examined; and in the interests of accountability and in view of the risk of reputational damage if the accounts of a PCC are not subject to any external verification at all, it is considered desirable to preserve that requirement. Paragraph 4 of the revised regulations accordingly provides for independent examination of a PCC's accounts in cases in which that would not be required under the 1993 Act and for the examination to be conducted, and treated for all purposes, as if it were an examination required by the 1993 Act.

11. Paragraph 5 of the revised regulations provides that they will come into effect on 1st August and will apply to PCC accounts prepared for financial years beginning with the current one, ie that ending 31st December 2006.

Church House
London SW1P 3NZ
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