

**DIOCESE OF MANCHESTER**



**REPORT ON THE**

**GIFT AID**

**‘SELF AUDIT’**

**2004/2005**

# **GIFT AID AUDIT - 2004/05**

## **1. BACKGROUND**

The concept of an internal audit of Parish Schemes is not a new one. In 1994, the Archdeacons of Manchester, Bolton and Rochdale requested that all parishes carried out a self-audit of their 'Covenant Schemes' - 93.7% of parishes responded to the Archdeacons.

In April 2004, the then Archdeacons decided that a similar exercise be carried out but that the scope would be much wider than previously when the only subject was Inland Revenue requirements.

## **PREPARATION**

In July 2004 every parish was informed in a letter from the Archdeacons that they would be requested to carry out an audit of their Gift Aid systems and procedures later in the year. The letter also indicated that training would be provided.

In September 2004, seven training sessions were carried out in different locations by the Gift Aid Adviser, Christian Giving Officer and five members of the Diocesan Audit Inspection Team. The sessions were attended by 250 people representing 41% of parishes.

## **THE CHALLENGE**

The request to carry out a self-audit of Gift Aid Schemes was made by the Archdeacons on the 27<sup>th</sup> October 2004.

An 'Audit Book' was produced and the request made that every parish respond by completing the book and returning it to their Archdeacon at Church House by the 28<sup>th</sup> February 2005. If a parish had more than one scheme in operation, then a reply was required for each scheme. It was requested that more than one person should be present at the audit.

The subjects covered in the 'Audit Book' included:

- H M Revenue and Customs (HMRC) - previously 'Inland Revenue'
- Making best use of Gift Aid
- Good Practice
- Church Regulations
- Charity Law

It was expected that the self-audit would take about two hours to complete. This took longer if adequate systems and procedures were not in place, especially for larger more active schemes.

## **2. RESPONSE**

By the requested return date of the 28<sup>th</sup> February 2005, one third had replied, by 31<sup>st</sup> May 2005, 260 (84.7%). One year later the final audit arrived. 307 now received (100% response).

## **PROCESS AND REPLY**

Every audit was assessed by two members of the Audit/Inspection Team, working in pairs, assisted by the Officers.

Each audit was given a code which determined the type of letter sent to them:

- 1 - No apparent problems
- 2 - In general no serious problems, but some further action required by those conducting the audit.
- 3 - Several potential problems found, mainly caused by the audit not being completed, or unclear. Those completing the original audit were asked to respond.
- 4 - Some serious problems. A visit required by a member of the Audit/Inspection Team.

See appendix 'A' for code allocation across the Diocese.

One of the above four standard letters and an individual detailed Report was sent by the Archdeacons to the nominated Church contact. A request was made that a report be presented to the PCC about the contents of the letter.

The first batch of 249 replies were sent by the 31<sup>st</sup> May 2005 and visits to parishes coded 4 began in June.

### **WORK AFTER AUDIT REPLY**

Work is continuing to ensure that adequate records and audit trails exist in future and to eliminate major problems if audited by HMRC. The purpose of visits was to go through the audit to clarify all unclear responses, to complete any missing information or checks and to provide training for those present who are involved in the Gift Aid Scheme process.

- All Schemes **coded '4'** have been visited or arrangements are in place to carryout a visit.
- Some of the visits needed to be followed up; in one case a third visit was necessary.
- When a scheme reaches the required standard a further letter was sent to them by their Archdeacon.
- Schemes **coded '3'** were given the opportunity to look again at their systems to clarify some answers, to provide samples of forms and to confirm in writing that the necessary action had been taken. Problems included: questions not answered, procedures needing amendment and checks not carried out adequately. Again, once a Scheme reaches the required standard a further letter was sent to them by their Archdeacon.
- Schemes **coded '2'** contained minor problems and only minor action was required; maybe to send a sample form or the need to send acknowledgement/thank you letters.

### **3. COMMON WEAKNESSES**

The main problems areas were: -

- Gift Aid Declarations without an adequate tax warning about paying enough tax to cover the donation. Some Declarations did not contain the full details of the Church name.
- A sample month of envelopes was not retained and therefore the check to the recording book and the cashbook could not be carried out.
- The claim check, which required the net amount to be compared to the totals in the records, was inadequate. Some completing the audit misunderstood this question.
- Planned giving schemes names to numbers list did not match the name on the declaration.
- Schemes did not send an acknowledgement/thank you letter informing members about the tax claimed on their donation, and to remind them that if their tax position changed the Gift Aid Secretary must be notified.

- In the Tax year audited 2003/04, some did not cater for a fifty third Sunday.

## **ON GOING WORK**

With the support of the Archdeacons:

1. Schemes coded 3 or 4 should be pursued to bring their systems and procedures to the required standard.
2. There is a need to stress the importance of more than one person opening envelopes and the weekly banking of Church money; this is Charity Law.
3. Parishes should be made aware that the completion of the Church Services Register to include collections is Canon Law.

## **4. RECOMMENDATIONS**

In order to maintain and improve standards throughout the Diocese:-

1. Continue working with those schemes in categories 3 and 4, until 'acceptable' standards are achieved.
2. Regular training should be provided for the Gift Aid Secretary and also sessions for new personnel
3. The Audit/Inspection Team should continue to carry out visits to look at Gift Aid Systems and Procedures. At present these visits are restricted to those in the Parish Support - Gift Aid Scheme.
4. Consideration should be given to extending the above authority to all schemes (item three) and with the assistance of the Archdeacons, a rolling programme of six parishes in each Archdeaconry should be identified every year to be visited.
5. Encourage use of the 'DBF – Parish Support Scheme' where problems are being encountered. Appendix 'B' clearly shows that amongst the 38.44% of Church Schemes using the 'Support Scheme' the percentage of 'Good' and 'Acceptable' schemes is much higher.
6. The Diocesan website should be updated with news, information and changes in the law.

## **PROBLEMS ENCOUNTERED**

The Archdeacons' initial contact with parishes was with the Incumbent and this had an impact on attendances at the training sessions and caused delays in the return of the audit books. This method should be reviewed if a further exercise is commissioned due to a weakness in communications with parish officials.

## **WAS IT WORTHWHILE?**

There were many favourable comments because the exercise opened up relationships between those involved in the workings of the scheme.

Some schemes (potentially 26% of the Diocese), which previously would have faced problems if audited by HMRC, could now face an audit with more confidence.

See appendices 'A' – 'F' for detailed findings.

## **HMRC INVOLVEMENT**

A senior member of the Audit Section at HMRC was shown a copy of the Audit Book before it was issued; when 95% of the audits had been returned they visited Manchester to review the operation.

**THANK YOU TO:**

**The Audit/Inspection Team:** Anne Dawson, Paul Blackburn, Tom Heavyside, Arnold Hillary, Kevin Lees, David Martin, John Maxson, Tony Slack.

**John Vale** for his IT support.

**Sue Warren** who designed the Audit Book, planned the training sessions and the development of the website which now has full details of the Gift Aid Self Audit.

**Those involved in running Gift Aid Schemes in Churches** for their time, commitment and co-operation in completing this exercise.

**KEN WIGGANS**  
**Diocesan Christian Giving Officer**

**MAY 2006**

## SUMMARY OF LETTER CODES BY DEANERY

DEANERY NO / NAME	LETTER CODE				Letters sent
	1	2	3	4	
M1 - Ardwick	3	5	2	2	12
M2 - Eccles	1	9	3	2	15
M3 - Heaton	1	8	2	1	12
M4 - Hulme	2	8	2	1	13
M5 - North Manchester	2	9	3	2	16
M6 - Salford	9	5	1	2	17
M7 - Stretford	1	10	0	0	11
M8 - Withington	1	11	1	0	13
<b>MANCHESTER TOTALS</b>	<b>20</b>	<b>65</b>	<b>14</b>	<b>10</b>	<b>109</b>
B9 - Bolton	3	4	7	0	14
B10 - Bury	2	13	2	2	19
B11 - Deane	1	9	4	0	14
B12 - Farnworth	1	7	1	1	10
B13 - Leigh	2	5	3	3	13
B14 - Radcliffe & Prestwich	5	1	5	0	11
B15 - Rossendale	1	7	2	0	10
B16 - Walmsley	2	5	1	1	9
<b>BOLTON TOTALS</b>	<b>17</b>	<b>51</b>	<b>25</b>	<b>7</b>	<b>100</b>
R17 - Ashton Under Lyne	3	14	4	0	21
R18 - Heywood & Middleton	1	10	2	0	13
R19 - Oldham	5	4	4	1	14
R20 - Rochdale	3	17	4	3	27
R21 - Saddleworth	3	6	2	0	11
R22 - Tandle	2	5	3	2	12
<b>ROCHDALE TOTALS</b>	<b>17</b>	<b>56</b>	<b>19</b>	<b>6</b>	<b>98</b>
<b>DIOCESAN TOTALS</b>	<b>54</b>	<b>172</b>	<b>58</b>	<b>23</b>	<b>307</b>

**CODES = 1 - Good 2 - Acceptable  
3 - Potential problems 4 - Problems**

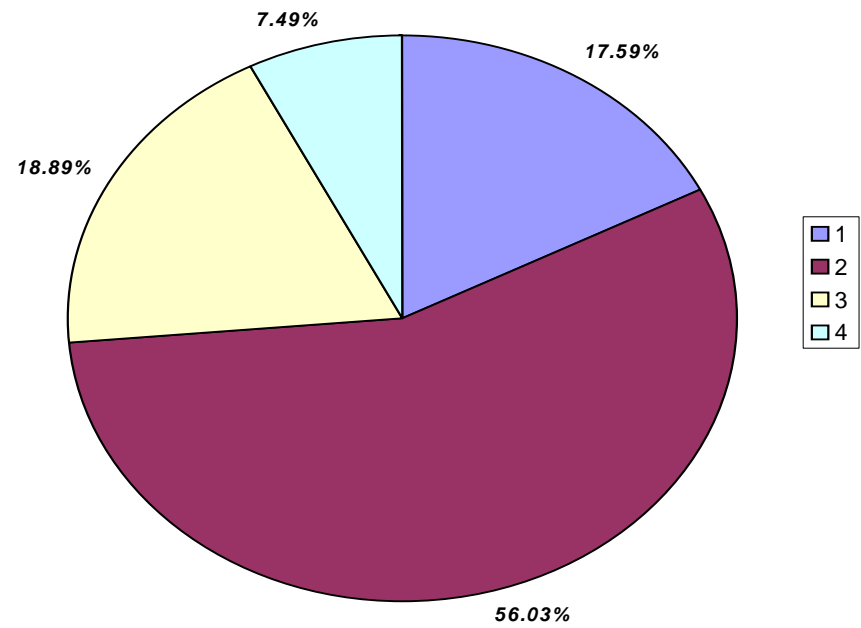
**Appendix 'A'**

## SUMMARY OF DEANERY RESULTS

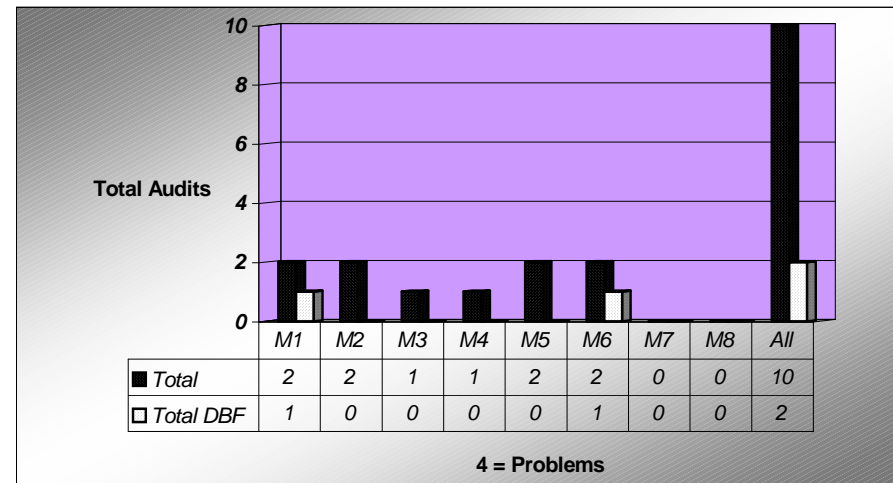
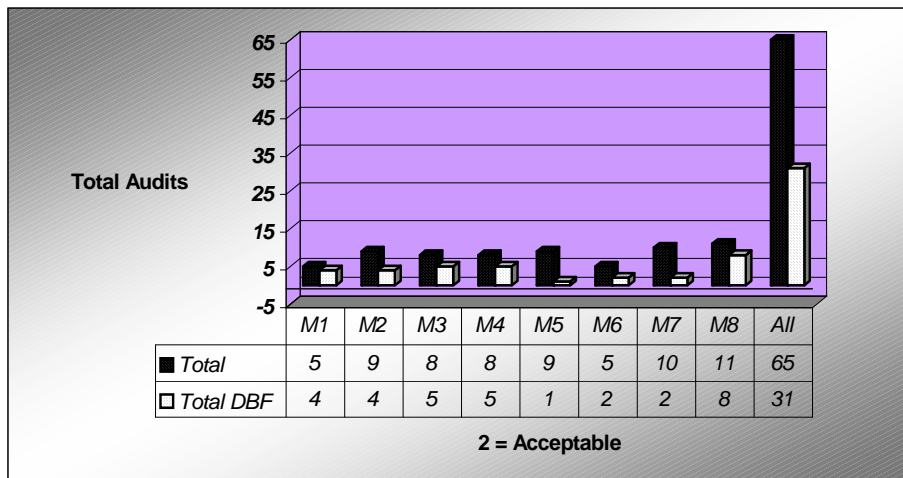
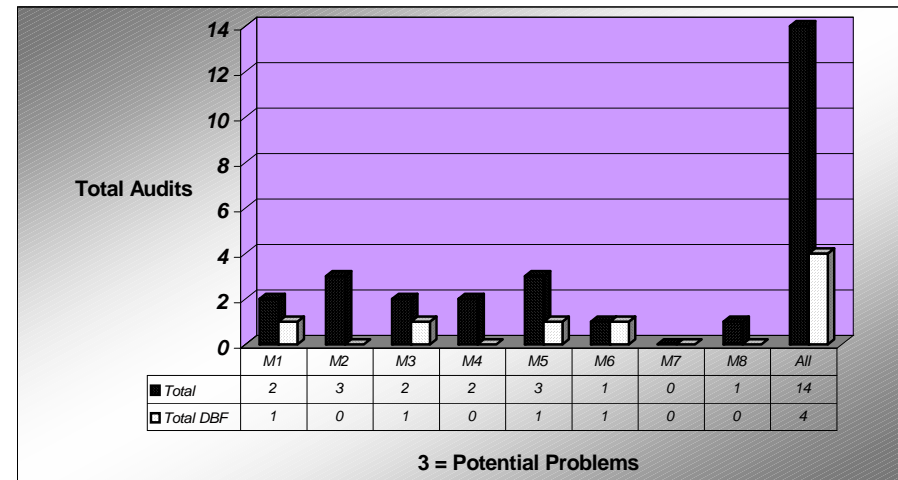
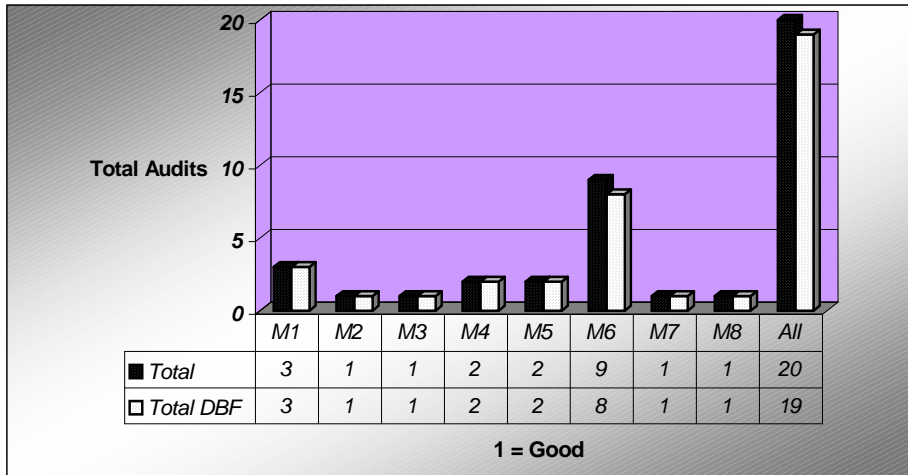
DEANERY NO/NAME	LETTER NUMBER								Letters Sent	
	1		2		3		4			
		DBF		DBF		DBF		DBF		DBF
<b>MANCHESTER</b>										
M1 - Ardwick	3	3	5	4	2	1	2	1	12	9
M2 - Eccles	1	1	9	4	3	0	2	0	15	5
M3 - Heaton	1	1	8	5	2	1	1	0	12	7
M4 - Hulme	2	2	8	5	2	0	1	0	13	7
M5 - North Manchester	2	2	9	1	3	1	2	0	16	4
M6 - Salford	9	8	5	2	1	1	2	1	17	12
M7 - Stretford	1	1	10	2	0	0	0	0	11	3
M8 - Withington	1	1	11	8	1	0	0	0	13	9
<b>MANCHESTER TOTALS</b>	<b>20</b>	<b>19</b>	<b>65</b>	<b>31</b>	<b>14</b>	<b>4</b>	<b>10</b>	<b>2</b>	<b>109</b>	<b>56</b>
% of total 109	18.35%		59.63%		12.84%		9.17%		100.00%	
% in DBF scheme	17.43%		28.44%		3.67%		1.83%		51.38%	
	LETTER NUMBER								Letters Sent	
	1		2		3		4			
		DBF		DBF		DBF		DBF		DBF
<b>BOLTON</b>										
B9 - Bolton	3	1	4	2	7	0	0	0	14	3
B10 - Bury	2	0	13	3	2	1	2	0	19	4
B11 - Deane	1	1	9	4	4	0	0	0	14	5
B12 - Farnworth	1	1	7	2	1	0	1	0	10	3
B13 - Leigh	2	0	5	4	3	1	3	0	13	5
B14 - Radcliffe & Prestwich	5	5	1	0	5	1	0	0	11	6
B15 - Rossendale	1	0	7	0	2	0	0	0	10	0
B16 - Walmsley	2	1	5	2	1	1	1	0	9	4
<b>BOLTON TOTALS</b>	<b>17</b>	<b>9</b>	<b>51</b>	<b>17</b>	<b>25</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>100</b>	<b>30</b>
% of total 100	17.00%		51.00%		25.00%		7.00%		100.00%	
% in DBF scheme	9.00%		17.00%		4.00%		0.00%		30.00%	
	LETTER NUMBER								Letters Sent	
	1		2		3		4			
		DBF		DBF		DBF		DBF		DBF
<b>ROCHDALE</b>										
R17 - Ashton Under Lyne	3	1	14	4	4	2	0	0	21	7
R18 - Heywood & Middleton	1	1	10	6	2	0	0	0	13	7
R19 - Oldham	5	4	4	1	4	1	1	0	14	6
R20 - Rochdale	3	1	17	5	4	0	3	0	27	6
R21 - Saddleworth	3	0	6	2	2	0	0	0	11	2
R22 - Tandle	2	2	5	2	3	0	2	0	12	4
<b>ROCHDALE TOTALS</b>	<b>17</b>	<b>9</b>	<b>56</b>	<b>20</b>	<b>19</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>98</b>	<b>32</b>
% of total 97	17.35%		57.14%		19.39%		6.12%		100.00%	
% in DBF scheme	9.18%		20.41%		3.06%		0.00%		32.65%	
<b>DIOCESAN TOTALS</b>	<b>54</b>	<b>37</b>	<b>172</b>	<b>68</b>	<b>58</b>	<b>11</b>	<b>23</b>	<b>2</b>	<b>307</b>	<b>118</b>
% of total 306	17.59%		56.03%		18.89%		7.49%		100.00%	
% in DBF scheme	12.05%		22.15%		3.58%		0.65%		38.44%	

**CODES** = 1 - Good 2 - Acceptable 3 - Potential problems 4 - Problems

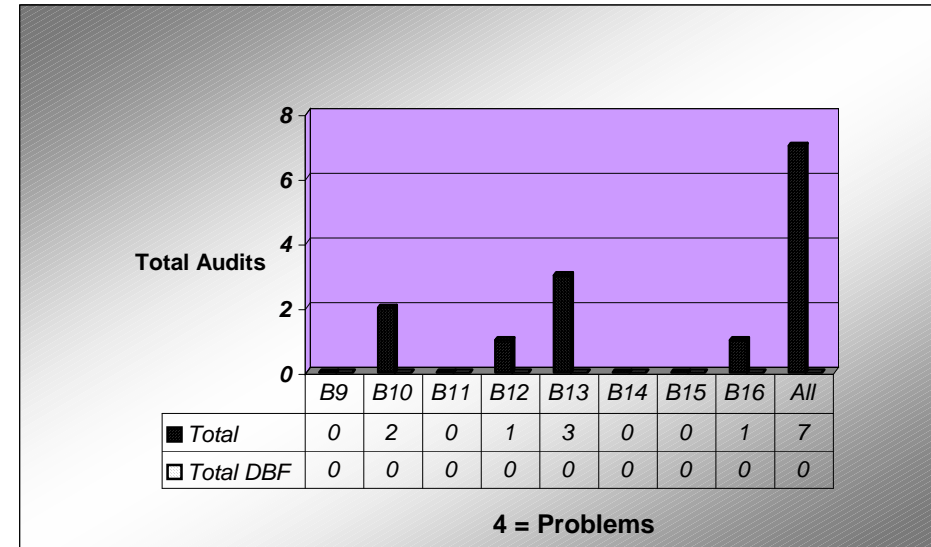
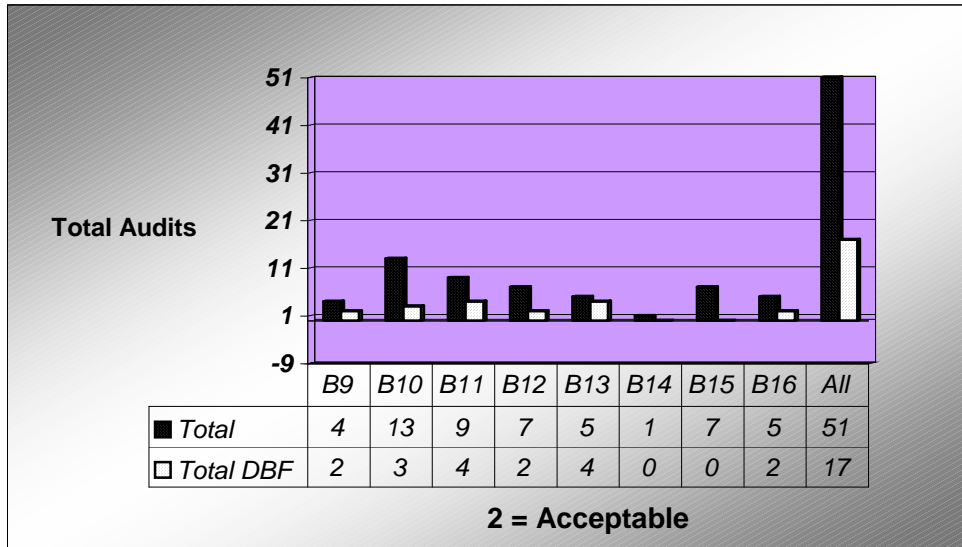
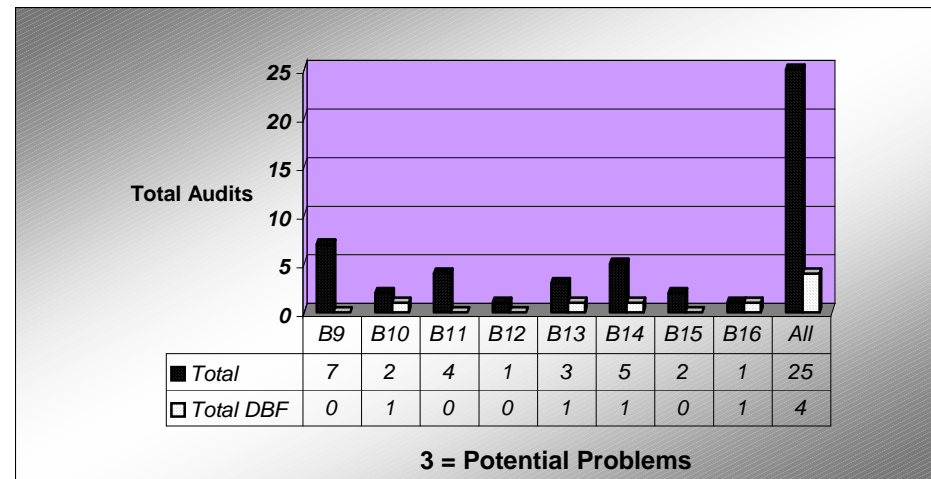
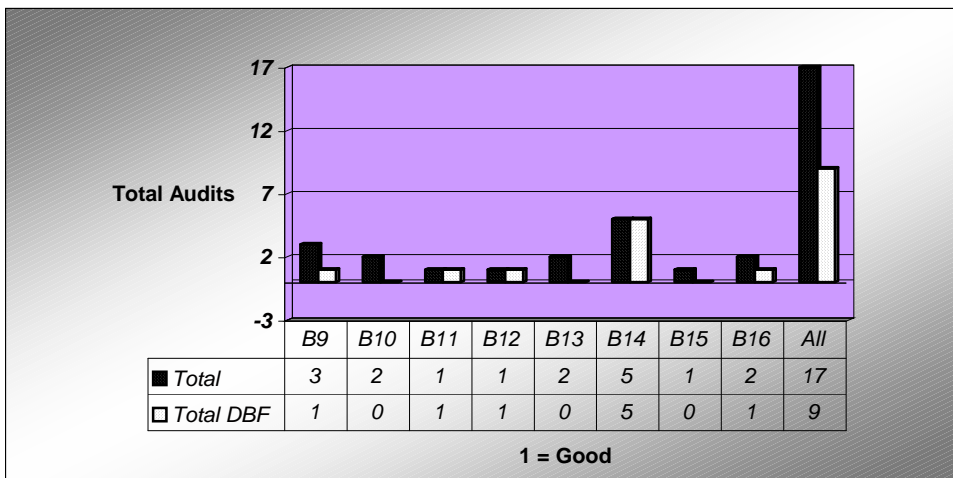
**DIOCESAN ALLOCATION OF ALLOCATED CODES**



## MANCHESTER ARCHDEACONRY



# BOLTON ARCHDEACONRY



## ROCHDALE ARCHDEACONRY

