

Easingwold Methodist Church
Financial Governance and Good Practice
Standard Operating Procedures for Internal Financial Control

February 2025

1. Introduction

The following Standard Operating Procedures have been drawn up following discussion with Circuit, and study of material provided by the central Methodist Church, districts within Connexion and the Association of Church Accountants and Treasurers (ACAT). They lay down procedures to be followed to facilitate good financial governance by members of the Church Council (CC) of Easingwold Methodist Church (EMC) as trustees, and by those with specific financial duties (as authorised by CC).

2. Church Council

Church Council has *authority and oversight over the whole area of the ministry of the church* (Methodist Church Standing Order 603). Furthermore, although not registered, EMC is recognised as a charity, with CC members acting as Charity Trustees. Members of CC are therefore collectively responsible for EMC's financial management, and for implementing and monitoring its internal financial controls. *(Our Methodist insurance policy indemnifies all CC members in respect of their personal liability for legal claims up to £100,000 each year, checked by MRH, November 2024).*

Each year EMC Church Council should:

2.1. Make the following appointments:

- TREASURER (SO635)
- CHURCH STEWARDS and COMMUNION STEWARDS - responsible for counting and recording all collections. (SO 634 and 637)
- INDEPENDENT EXAMINER/AUDITOR (SO636) who is independent of CC and its members. It is the responsibility of the Minister to ensure that this appointment is made and that a report is received after each examination or audit.

NB: Although different from the prescribed Standing Orders, normal practice at EMC is to appoint for three years (up to a maximum of six years) with confirmation in the role on an annual basis. (The appointment can be extended further than six years in exceptional circumstances, following agreement by CC.) Such practice is accepted by Circuit.

2.2. Receive and approve the year end accounts and reserves policy, once the accounts have been independently examined. Comments from the independent examiner must be passed to CC and appropriate steps agreed where action is needed. Any qualification in the examiner's report must be recorded in the minutes of the meeting at which the examined accounts are presented. It is strongly recommended that the accounts are examined prior to approval by CC so any adjustments required by the examiner can be made before submission to Circuit.

2.3. Confirm the number of financial accounts held by EMC, plus the authorised signatories on these accounts.

- 2.4. Review and agree the amount up to which the Property & Finance Committee can authorise before the need to refer a proposal to CC.
At a meeting on Council on 11 February 2025 the limit was set to £5000.
- 2.5. At the year end, receive from the Property Steward a list of contractors awarded contracts that year, indicating the number of contracts and the total value for the year. Any relationships that Council members have with contractors used or other organisations to which payments have been made should be declared.

3. Property & Finance Committee

Although all members of CC have overall responsibility, EMC has elected to give oversight of the general running of the finances of the church to a Property & Finance Committee (P&FC).

- 3.1. Membership of the P&FC should comprise:
 - Chair
 - Secretary
 - Minister (ex officio)
 - Church Treasurer
 - Senior Steward
 - Property Steward
 - Cleaner& Manager
 - Room Bookings Administrator
 - Not more than two other Church Members, as required

The Property & Finance Committee has a small Finance Team (currently comprising the Treasurer (Michelle Hackney), Robert Farmer and Carolyn Hardie-Forsythe). This team aids the Treasurer in day-to-day financial matters (eg banking money; cheque and internet banking authorisation).

- 3.2. Meetings of the P&FC should be held at least three times a year to agree financial recommendations and other decisions that should be brought to the next meeting of CC.
- 3.3. The Committee has authority to agree and authorise spending up to a limit set by the Council (currently £2000).
(NB Terms of Reference for the P&FC will be produced separately – Feb 2025.)

4. Accounting for Income

- 4.1. At least two (unrelated) people (Stewards) should together count the Sunday offerings and other cash takings from special events. Details must be recorded on the counting slips provided and the money immediately put in the safe (for collection by a member of the Finance Team). The Offerings Register must then be completed and signed by both people.
- 4.2. Bankings should be carried out regularly, with security and personal safety issues considered when cash is taken to the bank. (The money is covered by EMC& insurance whilst in the safe and in transit to the bank.)
- 4.3. Any material discrepancies between the total on a collection analysis sheet and the amount banked must be investigated immediately.
- 4.4. All monies collected on the premises or outside that relate to church-supported and external organisations or events MUST be banked by the church. No money

must be forwarded to other organisations without first being paid through church account. This provides a clear audit trail and protects against fraud or theft, to be paid.

- 4.5. No cash should be left unattended in the church, unless recorded and put in the church safe.
- 4.6. Gift Aid claims should be calculated and claimed as soon as possible after each year end, but must be claimed within 4 years of the end of the financial period in which the donation was received; otherwise the money is lost. For cash donations under the small gifts scheme, the claim must be made within 2 years of the end of the tax year in which donations were made.

5. Expenditure Authorisation and Payment

- 5.1. All monies should be held in official bank accounts or investments relating to Easingwold Methodist Church. No money should be held in private accounts.
- 5.2. Before a payment is made, the accompanying payment details (eg bill, invoice, expenses claim form) must have been signed as approved by an authorised official (Church Officers or members of the Property and Finance Committee) or by the person who has requested the expenditure (eg Property Steward). No individual can approve their own expenses.
- 5.3. All payments by cheque and internet banking must be signed/approved by two authorised signatories, as appointed by CC.
At January 2025 authorised signatories are Michèle Hackney (Treasurer), Robert Farmer and Carolyn Hardie-Forsythe (members of the Finance Team). Authorised persons for electronic bank transfers are MH and RF.
- 5.4. Incomplete or blank cheques or those without accompanying payment details must not be signed or authorised.
- 5.5. All cheque signatories, or those people able to authorise electronic payments, must be clear on what has been authorised for payment by CC.
- 5.6. A (duly authorised i see 5.2, above) expenses claim form, with attached invoices/receipts, must be used for the reimbursement of expenses incurred by members on behalf of the church.
- 5.7. Incoming cash should not be used to make cash payments. All monies must pass through the church's bank account.

6. Monitoring of the Church Financial Affairs

- 6.1. Bank reconciliations must be performed to ensure that the accounting records agree with the actual balances held at bank. This must be demonstrated at the end of year, but must also be carried out regularly (at least monthly), in order to identify any potential issues, eg banking errors, which may need attention.
- 6.2. Financial reports must be made available in good time for CC meetings so that informed decisions can be taken on significant expenditure.
- 6.3. Outstanding debts due to the church must be managed in an appropriate manner and reported to the CC if persistent.
- 6.4. Bank statements should be received or viewed online regularly to enable reconciliations to be carried out.

- 6.5. Expenditure against restricted funds must be properly applied for the purpose to which it was intended.
- 6.6. Accounting records must be maintained for six years and their location must be known to appropriate CC members and church officers.

7. Statutory Reporting and Year End Procedures

- 7.1. Annual accounts must be submitted to the York Circuit Treasurer by 30 November, having been examined by an Independent Examiner and approved by CC (in that order).
- 7.2. A reserves policy must be prepared and agreed by CC to submit with the annual accounts. This must describe what the reserves are held for and the justification for holding them, and indicate what is considered to be the desirable level of reserves.
- 7.3. The relevant financial thresholds for reporting and accounting, as determined by the Charity Commission, must be adhered to.
At EMC accounts are prepared on a receipts and payments basis (rather than accruals) and an independent examiner (rather than auditor) acts as external scrutineer.

8. Assets and Investments

- 8.1. The Property Steward and Treasurer must together ensure that church buildings are adequately insured, and that other insurances (eg public liability and employers' liability) are sufficient and up to date.
- 8.2. A quinquennial inspection (arranged by Circuit) must take be undertaken by professionally qualified persons at least once every five years. The Treasurer should be involved with the results and advise on resources available to meet the recommendations. The findings of the inspection must be relayed to CC for approval of any action to be taken.
- 8.3. The Treasurer should be involved with the results and costings of the quinquennial inspection, and advise on the resources available to meet the recommendations.
- 8.4. If the church has surplus funds on an ongoing basis, CC members should consider how this relates to its reserves policy and consider supporting wider Methodism or other charitable causes within its powers with any excess funds.

9. Lay Staff

- 9.1. Before employing a lay member of staff, the District's lay employment adviser should be consulted for advice and to ensure up-to-date lay employment policies are followed.
- 9.2. All employees must be paid the minimum of the Living Wage. The rates are agreed by the Connexional Allowances Committee and reviewed with effect from 1 April each year.
- 9.3. Policies for staff salary reviews and terms and conditions of employment must be created, regularly reviewed. Job descriptions, person specifications and other necessary documents must be prepared by the CC or its delegated sub-committee.

- 9.4. Eligible staff must be auto-enrolled into a pension scheme at the appropriate date, unless this is not required by the member of staff.
- 9.5. Leave and sickness records must be maintained and monitored. Liability for outstanding leave must be monitored.

10. Review

These Standard Operating Procedures should be reviewed annually by the Treasurer (and Property & Finance Committee) and any proposed alterations brought to CC for approval.

MRH (Treasurer)

Approved by Council 11/02/2025