

**IRISH EPISCOPAL CONFERENCE**

**GUIDELINES**

**FINANCIAL CONTROLS AND RELATED PROCESSES  
WITHIN PARISHES**

**Adopted at Spring General Meeting of the Irish Episcopal Conference  
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## **EXECUTIVE SUMMARY**

The Charities Act 2009 was signed into law by the President of Ireland on Saturday, February 28<sup>th</sup> 2009. When commencement orders have been made by the Minister for Community, Rural and Gaeltacht Affairs the new regulatory regime will come into effect. Similarly, the Charities (Northern Ireland) Act 2008 received Royal Assent on 9<sup>th</sup> September 2008. Many of the provisions of the Charities Act (NI) require secondary legislation and, as such, will be introduced in stages. The Department of Social Development (NI) anticipates that all parts of the Act should become fully operational by early 2011. Across the country, therefore, these Acts, will result in far reaching changes for charities, their governance, financial control and reporting.

The Catholic Church in Ireland has decided, therefore, to develop and implement guidelines on financial controls within Dioceses and parishes. These guidelines are designed to bring about important improvements in the overall Church governance in this area.

The guidelines are not a challenge to the undoubted integrity and trust of clergy and those involved in supporting parish activities, but they are intended, through the identification of responsibilities, transparency and accountability, to provide adequate protection against potential fraud and negligence. Neither are they intended to undermine the juridical status of the Parish Priest in the Code of Canon Law.

In the initial phase it has been decided to concentrate on developing and implementing financial control guidelines for use in Parishes throughout Ireland; a second phase will follow which will cover the development of financial guidelines covering Dioceses.

The core principles on which these guidelines have been formulated are based on canon law, good business practice, sound financial principles and processes, accountability and transparency. The guidelines encourage parish clergy, whilst retaining overall and ultimate responsibility for finances, to involve and work closely with Parish Finance Committees and parishioners in the overall effective management of finances and related financial controls within the Parish.

In summary the key guiding principles include:

- A Parish Finance Committee comprising both clergy and lay people;
- Appropriately resourced Parish Office – either paid or voluntary – where possible;
- Robust control over income including involvement of at least two people in money collection, counting and banking of all parish income;
- Robust control over all payments;

- All bank accounts in the name of the Parish;
- Preparation of an Annual Budget;
- Regular reporting of parish income and expenditure to the Parish Finance Committee;
- Annual Audit of Parish Accounts by a registered accountant/auditor;
- Regular reporting to the Diocese, preparation of Annual Accounts and completion of Diocesan Returns and Annual reports to parishioners;
- Introduction of simplified and standardised diocesan reporting formats;
- Notification to the Diocese of material bequests and major donations;
- Training on financial matters for seminary students, deacons, priests and members of the Parish Finance Committees;
- An independent review of parish finances on the changeover of Parish Priests;
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- Introduction, at the discretion of the Bishop, of random audits of Parishes – not only in cases where financial mismanagement or fraud is suspected, but covering all parishes once in every 6-9 years;
- Introduction of a serious complaints/concerns process.

Implementation of these key changes represents a significant change in the management of parish finances. They will bring Church financial controls broadly into line with general accepted standards of control and governance within many charities and the private sector.

Whilst there are increasing examples of larger parishes already applying major elements of the above guidelines, it is acknowledged that the above changes may need to be phased in over a period to allow sufficient time for implementation. For larger parishes it is recommended that this period is 12-18 months maximum. Smaller parishes may require longer; in this respect attached to the guidelines is a recommended phased implementation plan covering smaller parishes.

## **GUIDELINES**

The key aspects of the guidelines are given below.

### **1.1 Mandatory Finance Committee**

Each Parish, in accordance with canon law (c.537) must have a Parish Finance Committee. Its role is consultative, in accordance with c. 532. It is separate from the Parish Pastoral Council. (c.536).

### **1.2 Finance Committee Membership**

The members of the Finance Committee should be:

- Parish Priest and clergy;
- 3-4 lay members;
- Normally the Chairperson should be a lay person, preferably with experience in financial and business matters;
- One member should act as Secretary;
- Parish Finance Officer resource in attendance.

The members should either be appointed by the Parish Priest in consultation with the Finance Committee or, where practical, elected by the parish.

The Chairperson of the Pastoral Council should be invited to attend some meetings of the Finance Committee each year, particularly when the Annual Budget, Annual Accounts and Diocesan Returns are tabled and approved.

All persons, whether clerics or laity, who take part in the administration of ecclesiastical goods, are bound to fulfil their duties in the name of the Church, in accordance with canon law. (c.1282).

### **1.3 Tenure**

- Ideally two terms of three years (subject to alternative candidates being available with the Parish);
- Rotation phased over time to ensure stability and retention of experience and skills.

### **1.3 Profile and key roles**

The Parish Priest acts in the person of the parish, in accordance with the law. (c.532). He is responsible for the implementation of sound financial controls within the Parish, supported by the Finance Committee.

The profile and key support roles of the Finance Committee are:

- Meetings 4-5 times per year including an annual meeting with the accountant to approve accounts and discuss internal financial control issues;
- Ensuring proper books of account are maintained and effective internal financial controls are in place;
- Preparation of the Annual parish budget;
- Critical review of Parish Accounts at least quarterly including performance against budget;
- Approval of the Annual Accounts;
- Appointment, re-appointment and replacement of auditors or accountants;
- Review of Diocesan Returns together with the Parish Priest;
- Review all fundraising activities;
- Review of outlays on repairs and maintenance and capital spending in line with authority limits, both local and diocesan, as directed by the Diocesan Financial Administrator or the Bishop;
- Protection and insurance of parish property in line with Diocesan requirements;
- Approval of parishioners/members of counting teams and other personnel involved in Parish Administration;
- Design and content of parish financial reports circulated to the Finance Committee and parishioners as appropriate;
- Preparation and approval of minutes of the Finance Committee;
- Awareness of the 'whistle blowing' process.

## **2. Parish Finance and Administration**

In larger parishes a suitably experienced Parish Finance Officer (voluntary or paid) should be appointed. In smaller parishes, where limited resources are available, this is likely to be part time and voluntary.

The Parish Priest, supported by the Finance Committee is responsible for ensuring that effective financial controls are in place relating to:

- Timely preparation and circulation of quarterly accounts;
- Effective control over lodgements;
- Robust control over payments (including salaries);
- Maintenance of Parish asset records;
- Timely preparation and submission of required Diocesan Returns;
- Preparation and finalisation of the Annual Budget;
- Key liaison and support to the auditor/ accountant in preparation and finalisation of the Annual Accounts.

## **3. Annual Parish Budget**

Each Parish should prepare an annual budget detailing estimated income, and expenditure for the forthcoming financial year. (c.1284.par.3).

This should be prepared within one month of the beginning of the new financial year, and be based on historical expenditure trends unless exceptional outlays on non recurring expenses, capital expenditure or major repairs are expected;

the budget should be approved by the Parish Priest and the Finance Committee.

#### **4. Annual Audit**

- Each Parish must keep accurate records of income and expenditure. (c.1284.par.4). Parishes with income in excess of a sum determined by the particular Diocese must have its annual accounts audited by a registered accountant (the auditor). The auditor, as part of the Annual Audit, should undertake a brief review, through discussions with staff and sample transaction testing, to ensure that the internal financial controls of the parish are operating satisfactorily. This review should be extended where there have been changes in staff.
- The Parish Finance Officer and Finance Committee should provide support and the required information to the auditor to complete the accounts in accordance with the established timetable and Diocesan requirements
- The auditor/accountant should meet with the Finance Committee annually in the process of formal approval of the Annual Accounts. He or she should have an opportunity at this meeting to raise any control issues identified during the audit.

#### **5. Auditors**

The Parish Priest, in consultation with the Finance Committee is responsible for the appointment, re-appointment and replacement of the Auditor. The Committee should review the appointment of the auditor each year and the appointment should be renewed at yearly intervals. It is recommended that the auditor should serve a maximum of 7 years.

#### **6. External Review on change in Parish Priest**

At the time of a changeover to a new Parish Priest, a review of parish financial affairs should be undertaken by an independent registered accountant who should review the financial books, bank accounts, and the asset records of the parish, and related control process, and ensure that all is in order prior to the new Parish Priest taking over.

The accountant should be responsible to the Diocesan Financial Administrator for the work undertaken, and the Audit Report should be circulated to the Bishop, the Diocesan Finance Administrator, the outgoing and incoming Parish Priests, and the Chairperson of the Finance Committee. Any required action as a result of issues raised in the Report should be handled directly by the Diocesan Finance Administrator in consultation with the local Bishop as appropriate.

The Diocesan Financial Administrator or the local Bishop may, at any time, instruct that a random audit of a particular parish, or parishes, if there are concerns in relation to the adequacy of financial controls. This should anyway be undertaken on a cycle of 6-9 years covering all parishes in the diocese.

## **7. Control over Income**

### **7.1 Church Collections**

- All collections (Sunday, weekday church collections together with all special collections including those covering clergy salaries) should be taken up by appointed teams (approved by the Finance Committee) at each mass. The collections should be placed securely by any two of the collectors in the church safe.
- The Parish Finance Committee should appoint counting teams who on a rota basis should count the church collections on Sunday of each week. The formal bank lodgement slip(s) should be prepared by the counting team who should record the amount counted in a separate register, indicating the date, the counting team, the amount counted and the sequential number of the lodgement slip(s).
- Where there is more than one church in each Parish, and all counting takes place at the main Church, then the collections from the other church(es) should be taken by the respective collectors to the main church and deposited in the safe.
- Once the count has been completed the monies should be placed in the safe by two of the counters; the lodgement slip plus the register should be placed in an envelope and given to the Parish Clerk.
- The room in which money is counted should never be left unattended during the count as any loss or theft of cash may not be covered by the related insurance policy.
- The designated Parish Finance Officer or Parish Clerk, accompanied for security purposes by at least one other independent person, should remove the monies from the safe on a weekly basis and together lodge them at the bank. All money transits to the bank should be in accordance with current limits as contained in the insurance policy. The times of transits to the bank should be varied to improve security.
- On receipt of the bank statement the counting register should be updated with the monies lodged and cross referenced to the bank statement by the Parish Finance Officer.
- The cash collection process should be reviewed regularly by an appointed member of the Finance Committee.
- The Parish Priest and the Finance Committee should ensure that collections which are taken for purposes outside the diocese are transmitted to these as soon as possible and not later than one month after the collection has taken place.

### **7.2 Church Collection Boxes – books/newspapers/candles**

- As a routine the church collection boxes should be emptied at least once a week by two people.
- The monies so collected should be put in tagged bags as appropriate and locked in the safe. The date of the collection, the people involved, and those responsible for depositing the money in the safe should be recorded in a register retained by the Parish Office.



- This register should be made available to the counting team each Sunday who should sign and confirm that the tagged bags/monies have been included in the weekly count. The counting and lodgement process should then follow as in 5.1 above.

### **7.3 Income received through bank debits and standing orders**

- Such income should be handled directly by the Parish Finance Officer. A register of direct debits and standing orders should be maintained by the Parish Office to control bank debits and standing orders. This should be compared to bank statements on a regular basis (at least quarterly) to ensure that all direct debits and standing order income has been received.

### **7.4 Donations and Income (bequests etc) received by post**

- Ideally, Parish post should normally only be opened when two people are present. However, since personal and parish post normally come together this may not be possible. The total amount of cheques received should be recorded in a receipt book. The receipt book should be cross referenced to the Bank Statement showing the related lodgement by the Parish Clerk.
- The lodgement slip should be prepared by the Parish Finance Officer and the lodgement process should be in line with 5.1 above. A receipt/acknowledgement should be issued in all cases.
- The Bishop should be advised of bequests and single donations above a specified Diocesan limit.

### **7.5 Monies received by clergy or parish office directly**

- Where monies are received by the clergy (other than those monies permitted to be retained i.e. mass stipends, or marriage/baptism/funeral contributions) – these should be handed directly to the Parish Finance Officer who should issue a receipt.
- Monies handed into the Parish Office should be receipted in all cases.
- Monies collected under this heading should be placed in the safe as in 5.1 above for counting by the counting teams.

## **8. Control over payments**

### **8.1 Clergy and Staff Salary payments**

The Parish Office should prepare the payroll (or it can be outsourced if necessary) and this should be approved by the Parish Priest before payment is executed. Copies of the payroll duly authorised should be retained for audit purposes.

All payments to individuals e.g. cleaners, church helpers should normally be paid through the PAYE system. Employment contracts should be issued to all staff and there should be clarity about pension arrangements, if any. Access to a

PRSA must be provided to all staff. In the event that payments are made to other individuals care must be exercised to ensure that such amounts are not subject to PAYE or deduction of tax at source.

As part of the selection process in recruiting parish staff references should be obtained and verified.

## **8.2 Non salary payments**

All payments should only be made when supported by the following documentation:

- A payment request covering each payment;
- A supplier invoice or receipt; suppliers should be requested to address all invoices to the Parish Office;
- Confirmation of delivery if a service provided or goods involved.

All payment requests should be approved by the Parish Priest.

- Payments by cheque up to €500 may be signed by the Parish Priest only; cheques for payments above that level should normally be countersigned by another priest;
- In the absence of another member of clergy such cheques should be counter-signed by either the Finance Committee chairperson or another approved member of the Committee.

Cheque books should be kept in a locked in a secure location and access limited to approved persons only. Failure to observe these precautions will result in any insurance claim for loss or theft being refused.

## **8.3 Major expenditure on capital or major repairs**

- The Parish Priest, in accordance with c.1281-1288, should consult with the Bishop and/or the Finance Committee (preferably by submitting a short written proposal outlining the expenditure and its nature) on capital expenditure or repairs above whatever limit has been agreed with the Finance Committee and/or specified by the Diocese.
- A copy of the approved proposal should be attached to the payment.
- The Diocese should specify the limit above which proposals are required to be submitted for Diocesan approval.

## **9. Petty Cash Payments**

- Petty cash payments should be restricted to amounts below €100 where cash payments are required.
- A cash float should be approved by the Finance Committee and increases in the float also approved. The cash float must be kept locked and secure when not required, in a separate petty cash box for which there is only one key which is held by the person responsible.
- The float should be managed by the Parish Finance Officer and, on a weekly/fortnightly basis, a summary of expenditure should be prepared. This, together with supporting documentation, should be submitted to, and approved by, the Parish Priest.

## **10. Bank Reconciliations**

- The Parish Office should prepare at least a quarterly bank reconciliation. This should be copied to and reviewed by either the Chairperson of the Finance Committee or a nominated member of the Committee.

## **11. Bank Accounts**

- All Parish Bank Accounts should be in the name of the Parish.
- The number of Parish Bank Accounts should be kept to a minimum.
- All Parish Deposit Accounts in which temporary surplus funds are invested to generate interest income must also be in the name of the Parish.
- The Parish Priest should, as part of the Annual Diocesan Returns, formally certify that all bank and deposit account balances, together with all Parish Income have been included in the Annual Accounts and Diocesan Returns.

## **12. Borrowings**

- The Parish should not borrow funds for day-to-day parish needs unless the Finance Committee have been fully consulted and, together with the Diocese, approve the borrowing and its related terms and conditions.
- All borrowings for investment in church property, including major repairs and maintenance, must be pre-approved by the Diocese where the amounts are above the local limit as set by the Diocese.

## **13. Assets**

- Every Parish should have an Asset Register indicating all properties and assets (with a value over €250) owned by the Parish, or held in Trust on behalf of the Diocese. This Register should show details as follows:
  - Property or asset description
  - Date acquired
  - Original value
  - Location
  - In the case of properties whether owned or held in Trust whether the Deeds of Title are held in the parish safe or with solicitors.

The Parish Priest will be required to send, as part of the Annual Diocesan Return, an annual declaration of assets advising any major changes during the previous year and confirming that the assets are appropriately insured.

## **14. Reporting**

### **14.1 Parish Accounts**

Parish Accounts should be prepared by the Parish Office at least quarterly. A summary of income and expenditure should be prepared and circulated to the Parish Priest and the Finance Committee for review. A minute of this should be made. The summary should include the bank and deposit account balances at the end of the quarter.

#### **14.2 Annual Accounts**

Annual Accounts should be prepared and audited by a firm of registered accountants. The audited accounts, once approved by the Parish Priest and Finance Committee, should be forwarded to the Diocese within three months of the end of the financial year. The accounting policies and standards to be used in the accounts will be mandated by the Diocese so as to enable it to comply with reporting requirements under the appropriate charity legislation.

#### **14.3 Diocesan Returns**

The Parish Office should prepare, for approval of the Finance Committee, the Diocesan Returns and submit these to the Diocesan Financial Administrator in accordance with the required timetable.

#### **14.4 Parish Information**

The Finance Committee should prepare and publish widely within the Parish a statement of Income and Expenditure for the Parish within three months of the end of the financial year. This should include a short commentary comparing the outcome to the previous year and providing explanations of significant changes in either income or expenditure.

#### **15 Insurance**

The Parish Priest, in consultation with the Finance Committee and under the direction of the Diocesan Insurance Broker and the Diocesan Bishop, is responsible for ensuring that Church property and assets are adequately insured.

#### **16. Parish Fund Raising**

In the event that the Parish decides, following consultation with the Finance Committee, and within the guidelines established by the Diocese, to raise funds through public fundraising (outside normal collections and church offerings), then the Parish Priest, supported by the Finance Committee, is responsible for ensuring effective control and management in relation to compliance with Charity Regulations, required police authorisations, health and safety issues, insurance, fundraising, and related management and utilisation of funds.

Major fundraising campaigns may require pre-authorisation from the Diocese.

#### **17. Induction Training**

An induction training program should be developed, either nationally or at diocesan level, for all new parish priests and new members of Finance Committees, and this should cover internal financial controls and related best practice. All should attend such a training program within three months of their appointment. The training should also be open to others who require further training and skill upgrading, or clergy who are likely to be appointed as Parish Priests within 1-2 years.

Training should also be introduced in the curriculum for seminarians during their preparation for the priesthood.

**18. Compliance**

Compliance with these guidelines will be assured through:

- Requiring the Parish Priest and Chairperson of the Finance Committee to sign, as part of the Annual Accounts and Diocesan Returns, a statement confirming full compliance with the guidelines and highlighting any areas of major non compliance and the related reasons and action plan to rectify this.
- The Auditor/Accountant will be required to identify in an accompanying note to the Annual Diocesan Returns a statement confirming that the audit has not identified any major areas of non compliance with the guidelines.
- The Diocesan Bishop, or the Irish Episcopal Conference, will establish procedures and processes to be put in place where there is continued major non-compliance with these guidelines.

**19. Serious Complaints/Concerns**

In the event that a member of the Parish Finance Committee and/or a Parishioner identifies or suspects fraud or abuse in the management of parish financial controls or other misconduct, they are encouraged to contact the Diocesan Financial Administrator and register, in confidence, a formal complaint. Each Diocese will have a formal procedure for covering such complaints and the related legal protection. The contact details and process of investigation should be posted to notice boards in each parish church.

## **APPENDIX 1**

### **PHASED IMPLEMENTATION OF GUIDELINES IN SMALLER PARISHES**

It is clearly acknowledged that smaller parishes face difficulties in fully implementing the guidelines and will need time to phase in the requirements.

The following phased implementation is proposed:

#### **Phase 1 – within 18 months**

As a minimum the implementation of the following: those marked with an asterisk should take priority:

- \*A Parish Finance Committee comprising both clergy and lay people;
- Appropriately resourced Parish Office support – either paid or voluntary;
- \*Robust control over income including involvement of at least two people in money collection, counting and banking of all parish income;
- \*Robust control over all payments;
- Regular (quarterly) reporting of parish income and expenditure to the Parish Finance Committee;
- An independent review of parish affairs on the changeover of Parish Priests;
- \*Introduction of a serious complaints/concerns process;

#### **Phase 2 – within, at a maximum, 3 years**

The remainder of the requirements of the Guidelines