

ACCOUNTING METHOD AND ACCOUNTS SCRUTINY (updated 3/10)

Main Points -

- which method of accounting to use (23)
- the accounts scrutiny required (24)

For Methodist charities the thresholds table contained in the Introduction sets out the requirement:-

Every charity, and that of course includes each local Church, Circuit and District, is to prepare annual accounts (normally for the year ended 31st August) which should be independently examined or audited as appropriate.

In most cases the Standard Form of Accounts is to be used (section 21)

23 Method of preparation of accounts

- Those charities with **annual gross income of less than the Accruals threshold** may prepare accounts on a **receipts and payments basis**.

Those charities with a **gross income exceeding the Accruals threshold** must prepare full **Accruals accounts** that comply with Charities (Accounts and Reports) Regulations 1995 in England and Wales, The Charities Accounts (Scotland) Regulations 2006 in Scotland and follow the Charities SORP. Receipts and Payments accounts could be prepared in the following year if income dropped, but it would be prudent to continue to prepare Accruals accounts if there was a continuing high level of expenditure e.g. on a major building project.

In the Channel Islands and in the Isle of Man, the Standard Form of Accounts must also be used, to comply with Standing Order requirements.

24 Level of accounts scrutiny required

- All Methodist Churches must have their accounts independently examined or audited including those with income under **£10,000 to comply with Standing Order 012**.
- Where gross income or total expenditure exceeds **the audit threshold** an audit is required. The auditor must be a **registered auditor**. **In Scotland an audit must be carried out by a registered auditor**.

An audit is also required if gross assets exceed £3.26m (£2.8m in Scotland) and gross income is more than £250,000 (£100,000 in Scotland). See Section on 'Thresholds' for details.

- Church accounts with income and expenditure below that level must be examined by an **independent examiner** or a registered auditor.