

# School Fund Guidance

## Management, Audit and Accounting Arrangements for Non-Official Monies

### 1.0 Introduction

- 1.1 The management, audit and accounting arrangements for non-official monies (voluntary / school funds) are an important responsibility of the governing body and head teacher.
- 1.2 The purpose of this guidance is to remind governors and head teachers on the establishment of a policy and procedure relating to the management of voluntary funds, and is designed to protect the interests of all involved in the administration of these funds.
- 1.3 This guidance applies to funds that belong to the school and not funds held by other organisations, such as Parent Teacher Associations, where there are separate arrangements.

### 2.0 Background Information

- 2.1 The 1988 Education Act made governing bodies responsible for decisions relating to the delegated budget. The financial management of those funds is subject to controls embodied within the Scheme for Financing Schools, and also the legal requirements that are placed on the LA itself. In the case of voluntary funds, as with public money, similar controls need to be in place, not least because such funds are often generated by the use of those resources (manpower, buildings, etc.) that are under the direct control of governors, and because those funds are raised under the school's name. Several factors point to a level of governing body responsibility and involvement in the management of voluntary funds.
- 2.2 The document "Keeping your Balance" produced by Ofsted and the Audit Commission referred to voluntary funds by stating

*'Voluntary funds often provide schools with a substantial additional source of income. Although such funds are not public money, the standards for the guardianship of these need to be as rigorous as those for the administration of the school's delegated budget. Parents, pupils and other benefactors are entitled to the same standards of stewardship for the funds to which they have contributed.'*

- 2.3 The document referred to above sets out the required standards, including the roles of the head teacher and the governing body, and the need to have the fund audited as soon as possible after the end of the accounting year as defined by the school.

### 3.0 **Recommendations**

- 3.1 In order to ensure the above and thereby safeguard the interests of all parties, the governing body and head teacher are recommended to agree that as a minimum the following be adopted and incorporated into voluntary fund policy and procedure:

- i. The maintenance of accounting procedures, which reflect the standards for accounting for public money;
- ii. Funds are subject to an annual independent audit by a suitably qualified or experienced person. A Certificate of Audit is required;
- iii. Annual accounts, and a report thereon, are submitted by the head teacher to the governing body;
- iv. There is a clear separation of voluntary funds and related records from delegated budget LA school accounts;
- v. Any suspected irregularities are reported immediately to the Director of Children Services or the Internal Audit Section;

### 4.0 **Management and Control**

- 4.1 The governing body should exercise general oversight of the management and control of voluntary funds and receive annually a set of accounts for all voluntary funds.

- 4.2 The purpose of each fund should be clearly defined and rules established relating to the nature of expenditure to be incurred. This information should be incorporated into a school fund mission statement. Ideally this should be undertaken by the head teacher together with other members of staff, the governing body and those with an interest in the fund. Subsequently, the school fund mission statement should be approved by the governing body, and reviewed regularly to ensure this remains up to date.

The remit of the school fund is to enhance the education of pupils by providing educational and recreational facilities over and above those provided by LA funding. It is important, therefore, that the school fund is not used for inappropriate purposes, for example, it must not be used for

gifts, flowers or alcohol, or for the benefit of staff. Staff private funds or savings for staff celebrations should not be processed through the school fund. The exception to this is the purchase of gifts for voluntary helpers. This is acceptable providing the gift is of a minimal amount not exceeding £25 and is not a regular payment.

The giving of presents must be regarded as an expression of personal consideration and must be financed by individual contribution to a collection which should be administered outside of the school fund. Similarly, the school fund should not be used as a holding account for collections for staff gifts or staff parties.

- 4.3 A member of staff should be designated as treasurer for a voluntary fund.
- 4.4 The head teacher is responsible and accountable for the management and control of all voluntary funds on a day-to-day basis.
- 4.5 The head teacher may delegate certain duties to other members of staff. In this event the head teacher must examine and check records and accounts on at least a half termly basis.

#### 5.0 **Bank Accounts**

- 5.1 All bank accounts should be held in the name of the voluntary fund, and 'Salford City Council' should not be included in the bank account name. The name of the school should be included.
- 5.2 There should be no reference whatsoever to any named employee in the name of the bank account(s).
- 5.3 At least two signatures should be required on any cheque or written instruction to the bank.
- 5.4 A list of designated authorised signatories should be supplied to the bank. For practical purposes there should be at least three signatories to the account requiring any two of these to draw cheques.
- 5.5 Where appropriate the school should consider the use of an interest bearing account.
- 5.6 Arrangements should be made for regular monthly statements of all accounts to be provided to the head teacher who should authorise them appropriately.
- 5.7 Cheques should be crossed as "A/C Payee only".

5.8 Blank cheques must not be pre-signed. Cheques completed for despatch should be signed by both signatories and supported by relevant documentation when payment is being made.

5.9 Voluntary fund bank accounts should not be overdrawn.

## 6.0 **Book of Account and Other Records**

6.1 The type and complexity of any necessary books of account and other records will depend upon:

- The size of the voluntary fund in cash terms (i.e. annual turnover and accumulated funds);
- The scale of operations (i.e. number and value of transactions);
- The need for detailed analysis.

6.2 The most important aspect is the need to record all transactions in a cashbook (or by electronic means e.g. spreadsheet or database) and to complete the record at the time the transaction takes place. As a minimum records should be reconciled to bank statements on a half termly basis.

6.3 A minimum requirement is that simple accounts on a receipts and payments basis are kept.

6.4 To substantiate these accounts supporting documents should be retained. These will include bank statements, cheque stubs, deposit slips stubs, copy receipts, invoices, vouchers, minutes of committee meetings and correspondence. Such documents should be properly and securely filed and retained as they form part of the accounting records. Documents need to be kept for six years to satisfy the requirements of HMRC.

## 7.0 **Income / Cash**

7.1 All income should be acknowledged by the issue of a numbered receipt. Such receipts must be in duplicate. Alternative arrangements may include the recording of signatures in a cash book as acknowledgement of the exchange of income.

7.2 In appropriate circumstances instalment collection cards may be used (e.g. collection of money from pupils for a school trip). A receipt should be issued to the teacher concerned for the total amount of interim payments received and paid into the fund. As detailed above in 7.1, a record of signatures may be recorded within a cash book or similar arrangement.

- 7.3 Where instalment cards are used a record of amounts collected from pupils should be maintained by the staff member concerned.
- 7.4 All income should be banked without deduction and at the earliest opportunity. Specific bankings should be capable of being reconciled to prime records.
- 7.5 All cash which cannot be banked immediately should be kept in a safe, locked place.
- 7.6 Schools should ensure that adequate insurance cover exists in respect of cash held on site.

## 8.0 **Expenditure**

- 8.1 Persons authorised to incur expenditure on behalf of the voluntary fund should be defined and recorded.
- 8.2 All payments must be supported by an invoice or other acceptable voucher.
- 8.3 Invoices and vouchers should be numbered and filed.
- 8.4 As far as possible all payments should be made by crossed cheque.
- 8.5 Expenditure should be within the terms of reference agreed for the fund and be within any agreed parameters. It should be remembered that income is raised largely through the generosity of parents and expenditure should benefit pupils directly. The fund should not be used to support staff social events or rewards for staff.
- 8.6 Personal cheques should not be cashed through the voluntary funds.
- 8.7 Loans should not be made from voluntary funds.

## 9.0 **Petty Cash**

- 9.1 If there is a need for cash payments, then a petty cash imprest should be established. Members of staff receiving cash from such an imprest should be required to sign a receipt.
- 9.2 An appropriate record of payments and supporting vouchers should be maintained.

## 10.0 **Statement of Account**

10.1 At the end of the accounting year the Head Teacher is responsible for ensuring that an annual statement of account is prepared. It is not the responsibility of the independent auditor to produce this statement.

10.2 The statement should be signed by the treasurer of the fund(s) and the head teacher.

10.4 The School will need to prepare:

- i. An Annual Statement of Expenditure & Income for the period;
- ii. A Fund Statement (including a bank reconciliation between the bank statement and cashbook).

10.5 Specimen documentation is included below.

## 11.0 **Audit**

11.1 An examination of the systems of control should be made by a suitably qualified or experienced person. A Certificate of Audit should be produced. The Auditor should review the records in line with the remit of the school fund i.e. by ensuring that income and expenditure meets the stated criteria of the school fund mission statement.

11.2 Specimen documentation is included below.

11.3 Internal Audit retains the right to test the adequacy of any such arrangements.

11.4 The statement, once audited, should be submitted to the next Governing Body meeting for review and approval, and acknowledged within the corresponding meeting minutes.

**XYZ SCHOOL**

**ANNUAL STATEMENT OF EXPENDITURE & INCOME**

**YEAR ENDING XX.XX.XX**

	£	£	£
<b><u>INCOME</u></b>			
Uniform	2,000		
Sponsorship	2,800		
Photographs	4,000		
Book Club	1,000		
Tuck	600		
Xmas Fair	<u>2,000</u>	12,400	
<b><u>EXPENDITURE</u></b>			
Uniform	1,500		
Photographs	3,000		
Book Club	400		
Tuck	500		
Xmas Fair	<u>1,800</u>	<u>(7,200)</u>	<u>5,200</u>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>			<u>5,200</u>

**COMPLETED BY:**

**REVIEWED BY AUDITOR:**

Name (Print) .....

Name (Print) .....

Signature .....

Signature .....

Date .....

Date .....

**XYZ SCHOOL**

**FUND STATEMENT**

**YEAR ENDING XX.XX.XX**

	£	£
OPENING CASH BOOK BALANCE (DATE)		27,000
SURPLUS FOR THE YEAR		<u>5,200</u>
BALANCE OF FUND (DATE)		<u>32,200</u>

**REPRESENTED BY**

BANK BALANCE (DATE)		3,200*
DEPOSIT ACCOUNT (DATE)		<u>29,000</u>
		<u>32,200</u>

**BANK RECONCILIATION AS AT (DATE)\***

CASH AT BANK (DATE)		4,000
<u>LESS: UNPRESENTED CHEQUES</u>		
Cheque No. 136	(400)	
Cheque No. 139	<u>(400)</u>	<u>(800)</u>
		3,200*
DEPOSIT ACCOUNT - CASH AT BANK		<u>29,000</u>
		<u>32,200</u>

**COMPLETED BY:**

**REVIEWED BY AUDITOR:**

Name (Print) ..... Name (Print) .....

Signature ..... Signature .....

Date ..... Date .....



**CERTIFICATE OF AUDIT FOR THE SCHOOL FUND ACCOUNT**

**XYZ SCHOOL**

**YEAR ENDING XX.XX.XX**

I have examined the Annual Statement of Income & Expenditure and Fund Statement together with the systems of internal control in operation.

I have reviewed the income and expenditure in line with the stated criteria of the School Fund Mission Statement.

Based on a review of the related spreadsheets/cashbooks, bank statements, invoices, receipts and vouchers together with information and explanations received, I certify that the Statements provide a true and fair view of the fund position for the year audited.

The following recommendations have been made to improve internal controls:

- 1.
- 2.

Name (Print) .....

Signature .....

Qualification .....

Date .....

**HEADTEACHER'S DECLARATION**

I confirm that the account named above (including recommendations) has been independently examined and was/will be presented to the school governing body for consideration and approval.

Name (Print) .....

Signature .....

Date .....