

Administration of School Voluntary Unofficial Funds Financial Document 4

1. INTRODUCTION

1.1 Definition

- a. Voluntary or unofficial funds, including Private School Funds, are described as any funds (other than those of the Council) which exist for the purposes of a school and are established under the authority of the Governors of a school. This includes monies collected from students or pupils for activities arranged by the School.

It is generally the case that school staff have responsibility for the operation of such funds and need to report performance to the Governing Body on a periodic basis, at least annually.

- b. Voluntary Unofficial Funds include: -

Educational Visits	Field Courses Ski Trips Educational Holidays
Minibus Accounts	
Trading Accounts Tuck Shops	Book Shops Clothing Sales Photographs of Pupils
Sponsored Events	
Clubs	Theatre Chess
Donations	Charities Fundraising activities

1.2 Duties and Responsibilities of Governing Bodies.

- a. General oversight of Voluntary Fund arrangements.
- b. Introduce a policy which ensures that the purpose for which the fund is set up is clearly defined, agreed and minuted with a nominated contact(s).
- c. To ensure that they are made fully aware of all unofficial funds and that the Head Teacher notifies any proposed major changes in fund arrangements, e.g.
- i. introduction of new funds;
 - ii. changes to bank accounts including opening any new account, closure, transfer and use of balances;
 - iii. major fund raising projects;
 - iv. variation from fund objectives for any reason whatsoever;

- d. To ensure that the fund is administered in accordance with the objectives and policies of the fund and within the requirements issued by the Authority contained in the Derbyshire Scheme for Financing Schools and supporting Financial Document.
- e. Responsible for the appointment / re-appointment of suitable auditors who have no direct connection to the School or Fund administration.
- f. To ensure that audited annual statements of the fund account are received within three months of the end of the fund's financial year and consider any action necessary resulting from the Auditor's report; such receipt and action being recorded in the Governing Body's minutes
- g. To receive explanations as they see fit on the administration and conduct of the fund.
- h. To be consulted on significant purchases over an agreed limit set by the Governing Body.
- i. To ensure compliance with the Charity Act 2006.
- j. Where it is considered necessary the Governors will ensure that the Council's Audit Services' staff have the right of access to records of private funds and those persons responsible for their operation.

1.3 Duties and Responsibilities of Head Teachers.

- a. Responsible for the organisation and control of all unofficial funds within the School. Head Teachers must ensure that all records are retained in accordance with the recommendations of the Director of Finance and provide such explanations as may be required by the fund auditors.
- b. May delegate the operation of the Fund(s) and record keeping but must:
 - i. ensure records are maintained on an ongoing basis;
 - ii. prepare the relevant financial statements for consideration by the Governing Body on an annual basis after an independent audit;
 - iii. ensure that all members of staff involved are fully aware of correct procedures;
 - iv. recommend to governors suitably qualified persons to act as auditors.

1.4 Duties and Responsibilities of Teaching Staff.

- a. Teaching staff involved in specific activities such as trips, shops and sponsored events should keep adequate records to support expenditure incurred and income received.
- b. All income collected must be regularly handed to the fund administrator for banking promptly and intact.
- c. Expenditure must not be paid from income collected. Should it be necessary for payments to be made then a cheque should be obtained from the fund administrator. Expenditure must be supported by an invoice or till receipt.

- d. All records must be returned to the fund administrator when complete for audit purposes.

2. ADMINISTRATION OF THE FUND

2.1 Banking Arrangements

- a. All bank accounts should be in the name of the School and not include the names of any individuals.
- b. The number and types of accounts to be operated will depend upon the volume and diversity of transactions but due consideration should be given to current account balances to ensure that funds which are surplus to immediate requirements are lodged in a deposit account or with a building society.
- c. Bank mandates should list three approved signatories and detail that two signatures are required to authorize banking transactions.
- d. Blank cheques should never be pre-signed.
- e. Cash and cheques should be banked regularly and whenever sums exceed the limit approved within the Financial Regulations and Procedures.
- f. Security of cash / cheques prior to banking:-
 - i. cash / cheques should be deposited intact by the day of banking with the fund administrator;
 - ii. collections should be verified and receipted by the fund administrator and kept separate from official funds;
 - iii. cash must never be left unattended or in an unlocked receptacle;
- g. Personal cheques may not be cashed through Voluntary Unofficial Funds neither should Voluntary Fund transactions be operated through personal bank accounts. Loans must not be made from Unofficial Funds.

2.2 Income

- a. A receipt signed by the person responsible for the day to day management of the fund should be issued for income received.
- b. For fund raising events such as fetes, jumble sales etc., where it is not practical to issue receipts, a statement of income should be created for presentation to the Governing Body.
- c. All income should be banked promptly and intact.
- d. On no account must grants from other bodies (eg European Union, Central Government, etc) be paid into private funds. All such funds must be paid into the official, public account of the school.

2.3 Expenditure

- a. Invoices or till receipts must be obtained and retained to support all expenditure.
- b. Signed vouchers should be completed and retained to show full details of goods/ services purchased and when paid by cheque, the cheque number should be noted on the voucher.
- c. All expenditure should be recorded promptly.

3. AUDIT ARRANGEMENTS

3.1 Appointment of Auditors

- a. It is the responsibility of the Head Teacher to recommend to the Governors suitably qualified persons to act as Fund Auditors. Appointments should be noted in the Governors' minutes.
- b. The Fund should be audited by someone completely independent of the School, who is not related to or responsible in any way to the controlling officer(s). The auditor need not be a registered auditor or professionally qualified but should have appropriate business or financial experience suggested. Qualification guidelines for the appointment of auditors is recommended as follows:

<u>Annual Fund Income</u>	<u>Qualification guide</u>
£25,000 +	Qualified Auditor or Accountant
£5000 - £24,999	Individual of appropriate professional status i.e. Senior Bank Official
up to £5,000	Person familiar with financial accounts and the requisite ability and practical experience to carry out a competent examination.

3.2 Auditors' Duties

- a. To independently confirm that all income has been accounted for, that all expenditure has been appropriately made, that the balances in hand reconcile for the period being examined, and that all the assets of the fund (cash and equipment) can be identified.
- b. To supply further explanations or to give assistance should problems occur in connection with funds that have been certified as correct. **(See Voluntary Fund Account Suggested Test Programme page 7)**
- c. When the audit is complete the records should be marked to show when the audit was completed. The final accounts should include comments or qualifications as required and be followed by a signed and dated certificate similar to one of the following:-

- i. Example of Auditor's Certificate

“I have audited the above / attached financial statements in accordance with approved auditing standards and the requirements noted in the Derbyshire County Council Scheme for Financing Schools. In my opinion from a comprehensive / sample check of the records and documentation presented and explanations received, the receipts and payments statement and the balance sheet present a true and fair view of the fund’s accounts and comply with the fund’s objectives.”

Where the Auditor cannot provide an unqualified certificate the reasons for any limitations must be reported and their effect on the Auditor’s opinion.

- d. A short written report should be presented to the Governors outlining all the areas audited and detailing any points to be considered in depth. Adverse audit comment should be reported separately to the Governors but should any theft fraud, misuse of money or other irregularity be suspected the Council’s Assistant Director of Finance (Audit) should be notified immediately.

4. VALUE ADDED TAX

4.1 Liability for VAT

- a. Any fund with a taxable turnover which exceeds the figure reported in the budget approved by government must register individually for VAT with H.M. Revenue and Customs. Failure to do so will result in surcharges being made. <https://www.gov.uk/search?q=taxable+turnover>
- b. Details of what constitutes a taxable supply can be obtained from the VAT manual and the Derbyshire County Council VAT Officer (Ext 38085).

4.2 Criteria for VAT Recovery

- a. The goods must become the property of Derbyshire County Council. Any other criteria will nullify recovery of VAT. Thus if the School wish to retain control or if the goods are purchased for resale or distribution to pupils, staff, parents or any other body, the scheme will not apply.
- b. The invoice must be paid by Derbyshire County Council. It is not possible to attempt recovery of the VAT if a third party has already paid the invoice.
- c. Deviation from the above conditions may be interpreted as tax evasion.
- d. In addition the Authority imposes two further conditions:-
 - i. Donations of any items of equipment will not bind the County Council to guarantee maintain, repair or replace those items.
 - ii. To be eligible for inclusion in this scheme expenditure must exceed £20 (gross).

4.3 Procedure for ordering goods.

In order to recover VAT on Voluntary Unofficial Fund purchases the following procedures must be strictly adhered to:-

- i. All monies used to make the purchase are paid into the Schools delegated budget **before** the invoice is passed for payment to ensure

that the transaction has originated from the main delegated budget and all monies have been received prior to payment being made.

- ii. The items being purchased must be of a nature that would be procured by a school and the School must make the purchase via the delegated budget and SAP.
- iii. The School receives a valid VAT invoice addressed to the School, makes the payment and then takes ownership of the item(s) for educational/social use.
- iv. Goods purchased must be entered on the official School Inventory as appropriate.
- v. All records and account information relating to the transaction should be maintained within the School to support the payment and sources of income.

4.4 Educational Visits

The recovery of VAT on school visits has been excluded from these notes. Reference should always be made to the VAT Section.

Voluntary Fund Account Suggested Test Programme

DfE No	
---------------	--

Completed by		Date	
Reviewed by		Date	

	Question	Response
1	<p>How many private accounts does the school have?</p> <p>Are the accounts in the name of the School?</p>	
2	<p>What format is used for recording transactions:</p> <ul style="list-style-type: none"> ● manual ● computerised ledger <p>Who has access to these recording systems?</p>	
3	<p>Who is responsible for:</p> <ul style="list-style-type: none"> ● recording transactions ● preparing income for banking ● banking ● recording transactions in the ledger ● bank reconciliations ● preparing cheques ● signing cheques? 	
4	<p>What supports the transactions? e.g.</p> <ul style="list-style-type: none"> ● Vouchers ● Receipts ● Invoices 	
5	<p>If one person completes all or most transactions is there any evidence of some form of internal check, e.g.</p> <ul style="list-style-type: none"> ● countersigning bank reconciliations, ● checking of income records before banking, etc.? 	

Voluntary Fund Account Suggested Test Programme

Question		Response
6	How often are bank reconciliations undertaken?	
7	How often is the fund account reported to the Governing Body? NB. This must be at least annually.	
8	If the school sells uniform, or other stock items, are there: <ul style="list-style-type: none"> • issues records held • regular stock checks undertaken • comparisons made between the stock issued and the income banked/generated • trading accounts produced and certified independently? 	
9	Who is responsible for: <ul style="list-style-type: none"> • issuing stock? • undertaking stock checks? 	
10	If this is the same person, is there any independent review?	
11	Where is the stock record maintained? <ul style="list-style-type: none"> • Is this electronic? • Who has access to the stock record? 	

DfE No.	
---------	--

Completed by		Date	
Reviewed by		Date	

Test		Conclusion
1	<p>Review the ledger, (and/or other documentation), and ensure that:</p> <ul style="list-style-type: none"> the balance brought forward from the previous year has been split between the various headings unpresented or bounced cheques have been correctly treated transactions are completed in ink correcting fluid has not been used there is evidence of regular bank reconciliations bank reconciliations are signed by: <ul style="list-style-type: none"> the person performing them an independent reviewer, (e.g. the Headteacher). 	
2	<p>Check or reconstruct the last bank reconciliation to ensure that:</p> <ul style="list-style-type: none"> it is correct that there are no old outstanding cheques or unpresented income items that either need review or writing back into the accounts. 	
3	<p>Identify the income generated against each of the headings in the ledger, particularly where the VAT threshold limit* is exceeded, and ensure that taxable sales are within this limit.</p> <p>*Reference document: https://www.gov.uk/search?q=taxable+turnover</p>	
4	<p>Check a sample of income records and ensure that it is possible to determine:</p> <ul style="list-style-type: none"> the source of income the date of receipt the recipient 	

DfE No.	
----------------	--

Completed by		Date	
Reviewed by		Date	

Test		Conclusion
	<ul style="list-style-type: none"> • banking reference • confirmation of banking. 	
5	<p>Check a sample of expenditure items for appropriateness and completeness of information.</p> <ul style="list-style-type: none"> • vouchers (authorised) • receipts • invoices <p>Compare to previous year to establish variances</p>	
6	<p>The summary income and expenditure sheet details balances and has been completed.</p> <p>The Audit Statement has been completed as to be the "true and fair view" of the account and its supporting paperwork.</p>	

