



LCC Schools Finance Handbook

Section J:

Non Public Funds
(Voluntary / School Funds)

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SECTION J1: Non-Public Funds (Voluntary / School Funds)

J1.1 General

It is important that the same high standards of financial control are applied to voluntary funds as are required over the public funds provided through the County Council. This guidance has been prepared to assist management in ensuring as far as possible that voluntary funds are established and operated in accordance with all relevant statutory requirements and the County Council's Financial Regulations and associated guidance.

In determining accounting and audit requirements regarding funds it is essential to understand the definitions used, the legal status and whether registration as a charity is required. These issues are covered in J1.2 and J1.3.

J1.2 Definitions and Status of Funds

A voluntary fund may best be described as “any fund, which although not officially owned or financed by the County Council, is controlled or administered solely or in part, by an employee by reason of their employment by the Council or a School Governing Body”.

Private funds operate as separate entities from the school and are under the control of a third party, other than the headteacher, school staff or governing body, for the benefit of the school. There may be school staff involvement, but in this capacity they are accountable as individuals to the third party rather than as employees. A Parent Teachers Association (PTA) is a good example of this type of fund.

When dealing with a voluntary fund, parents or other individuals and organisations are unlikely to draw a distinction between a voluntary fund and the official County Council account. Money is often collected by staff and correspondence may bear the establishment and the Council logo.

The County Council has always recognised its interest in these funds and requires that:

- a) all unofficial funds are to be declared and audited annually in a manner acceptable to the Executive Director of Resources.
- b) a copy of the audited accounts must be presented to the management body and to the Executive Director of Resources.

[In practice these are only requested in exceptional circumstances. Audit certificates are generally requested and accepted in lieu of accounts.]

- c) provision must be made relating to the appointment of auditors, administration and financial management of such funds.

In all cases there is a clear obligation upon Governing Bodies to satisfy themselves that such funds are being operated in a correct manner.

The County Council has a duty to provide information and advice to protect the interests of its staff. It also has a clear interest in avoiding any disruption to service delivery which may occur if difficulties arise through maladministration of funds. It also may be legally liable to meet financial losses arising from the negligence or criminal acts of its employees and therefore has a very substantial and proper interest in ensuring funds are satisfactorily maintained and audited.

It is important to keep voluntary and private funds separate from public money (e.g. budget share, government grants etc.). Payments due from official money should be made from this source in the first instance. Refunds or transfers from public to voluntary or private funds should not take place. Income generated which is attributable to costs incurred through budget share should be paid in as official (public fund) money, for example lettings.

The principles within this memorandum are commended for application to any private funds in which an employee of the Authority may have an interest.

Voluntary and private funds must not be used to support the financial position of any public money (e.g. budget share, government grants). Voluntary and private funds must not be transferred into budget share to support the financial position of the school.

J1.3 Registration under the Charities Act 2022

The position for registration under the Charities Act is that:

- a) Where the headteacher or staff members collect or hold funds for the general purpose of advancing education in the school or some more specific purpose within that general purpose (for example music at the school) and decide how those funds be spent on this purpose, a charity is created and the headteacher or staff members (or Governing Body) become trustees, irrespective of whether a written constitution exists.
- b) Where the charity's annual income from all sources (excluding restricted or earmarked funds, such as trip payments held on behalf of pupils) exceeds £5,000, the charity must be registered with the Charity Commission for England and Wales. Registered charities are required to submit an annual return to the Charity Commission. The annual return must be submitted within 10 months of the end of the charity's financial year.

The Charity Commission's website is below:

The National Association of Headteachers (NAHT) and the Association of Schools & College Leaders (ASCL) have both agreed that it is desirable to adopt a written constitution and have agreed model constitutions (Declarations of Trust) with the Charity Commission and HM Revenue and Customs. Schools are advised to contact the appropriate association.

The consequence of registration is that those people identified in the governing document as being responsible for general management and control (generally the Governing Body and headteacher) are deemed to be Trustees of the charity.

Until this is clarified, funds which have not been registered should adhere to the Charity Commissioners accounting and audit requirements as best practice. These are reflected in the remainder of this note.

J1.4 Basic Principles of Administration

The basic principles to be applied to ensure that voluntary funds are administered and audited in a proper manner and that both funds and those maintaining them are protected are:

- a) an annual declaration by headteachers of the existence of the fund to the Schools Finance Team (LCC) and the governors. (A copy of the form is attached at Appendix A).
- b) specification of advice on the maintenance of records, general administration and format/production of accounts.
- c) the requirement of the Governing Body/Trustees to appoint an independent auditor (the term auditor is used generically - in some cases this will be an examination of records rather than a full audit). Independence precludes members of school staff or the Governing Body or spouses/partners acting as auditors.
- d) formal (minuted) submission and receipt of audited accounts, promptly after the year end to the Governing Body.
- e) formal advice from the headteacher to the Schools Finance Team (LCC) that item d) has been complied with, supplying details specified (see Appendix B).
- f) immediate notification to Corporate Audit & Risk Management of any suspected misuse of funds.

J1.5 Accounting Records and Form of Accounts

All funds must keep records of all fund transactions to show what money was received or spent, and what it was received for or spent on, and to give a record of the fund's assets and liabilities. These records must be preserved for at least six years after the end of the financial year. The type and format of accounts as required under the Charities Acts is detailed on the following website:

[Charity reporting and accounting: the essentials November 2016 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/charity-reporting-and-accounting-the-essentials-november-2016)

It is important to note that although the Charity Commission do not require funds below a certain value to be externally scrutinised, there is a minimum requirement of the County Council that an independent examination is performed, regardless of value. This is the minimum requirement but schools should check the above link to see if the accounts are of a value that require further scrutiny. An independent examiner is a person who has ability and experience in accountancy matters and is independent of the Trustees.

In preparing the accounts, there is generally no prescribed format for the annual statement, however, the following points should be noted:

- a) income and expenditure (or receipts and payments) should be analysed under meaningful headings, avoiding use of categories such as sundries or miscellaneous wherever possible. If a balance under such a heading becomes significant (larger than or comparable to other figures in the accounts) further analysis should be considered.
- b) income and expenditure should be shown opposite each other where possible for comparison, amounts should not be netted off.
- c) dissimilar types of income/expenditure should not be grouped together.
- d) previous year figures should be included for comparative purposes.
- e) any exceptional items should be explained in notes to the accounts.
- f) the annual statement should be signed by the auditor and the person responsible for the account.

In addition to the accounts, registered charities are required to produce an annual report to Trustees. The minimum information required is the fund name, Charity registration number, principal address, a brief description of the Trust and its objectives, the name and position of all Trustees and the main activities and achievements during the year. The report must be dated and signed by one or more of the fund's trustees who are authorised to do so.

J1.6 Use of School Funds

The School Fund is used to account for voluntary contributions, donations, fundraising income and other monies held for the benefit of pupils. All expenditure should align with the objectives of the fund. It may be used to finance or subsidise activities, resources and initiatives that support pupils and the wider school community.

School funds may be used for:

- Educational visits and trips, including financial support for disadvantaged pupils.
- Extra-curricular activities, clubs, performances and school events.
- Classroom resources, equipment and learning materials that enhance pupils' education.
- Playground equipment, games, toys and pupil welfare initiatives.
- Refreshments and activities for pupils during school events and celebrations.
- Items, projects or activities that enhance pupils' educational experience beyond normal provision.

School funds must not be used for:

- Personal benefit of staff, governors or other individuals.
- Bonuses, cash gifts or payments to employees that should be processed through payroll arrangements.
- Expenditure that falls outside the agreed objectives of the fund.
- Personal or private expenses of any individual.
- Any activity that does not provide a demonstrable benefit to pupils or the school.

In all cases, expenditure must be reasonable, properly authorised, supported by appropriate documentation, and represent value for money.

J1.7 Guidance to Auditors

An annual audit should be undertaken by someone appointed by the Governing Body/Trustees. This should be completed within 6 months of the accounting year end date. The auditor should be provided with a copy of this guidance.

Where there is no legal requirement setting the minimum level of audit then the requirements of this document should be viewed as the minimum required by the County Council. The auditor seeks to provide comfort to all those who have an interest in the fund. This is demonstrated through the opinion statement or certificate. It is generally not the case that the auditor is in a position to give a “true and fair view” because of the nature and operation of the fund, the level of cash collected through fundraising activities etc. and therefore the wording of the certificate after an audit or independent examination is likely to be as follows, or similar:

I certify the above Statement of Account to be correct in accordance with the books of account and records produced and with the information and explanations received. I have not carried out an audit of the accounts”.

The auditor’s attention is drawn to the contents of Appendix C.

J1.8 Routine Maintenance and Control Arrangements

The Headteacher (with Governors) is normally responsible for the control of voluntary funds at a school. This can be discharged directly or through delegation. The day to day administration should be done in such a way as to provide a degree of internal control. The mechanisms to be employed include the following which are viewed as good practice and expected as minimum standards:

- a) separation of duties, no one person should have complete responsibility for making payments from the account, collecting and banking income, maintaining the cash book and carrying out the bank reconciliation.
- b) All accounts should have three authorised signatories with the stipulation that any two from three may sign. The Headteacher will be one of those signatories.
- c) signatories should only sign cheques after inspecting the invoice or receiving evidence to support the payment. Under no circumstances should blank cheques be pre-signed for any purpose.
- d) cash handling, receipting and banking should reflect the practices set out in the cash and bank sections of the handbook.
- e) adequate records should be maintained for educational visits (trips). These must include:
 - visit records (correspondence and invoices)
 - basis of costing/charging
 - register of participants showing income collected (including dates and amounts)
 - receipts (collection card or fund receipt)
 - refunds
 - pocket money records
- f) a trading account should be drawn up after the trip.
- g) tuckshops and other trading activities should maintain adequate stock records, and costings should demonstrate that the return on purchases is appropriate (break-even or surplus depending upon activity and policy). The main records may either be held on a computerised or a paper based system. Transactions should be analysed for the different types of activity within the fund and each month the bank statement should be received and the cash book reconciled to

this and any cash in hand. The balance and activity of the fund should be reported each term to the Governing Body.

- h) when cash is handed between people (one person collects, another prepares for banking), this handover should be formally acknowledged (by counting and signing for the cash).

J1.9 VAT and Taxation

For VAT purposes unofficial funds are not part of the County Council. Purchases cannot be made via budget share or government grants in order to avoid VAT on their behalf. There is only one exception and the following five rules must be satisfied:

- a) the County Council makes the purchase (places the order, receives the supply, receives a tax invoice addressed to it and makes payment).
- b) the County Council retains ownership of the purchase and uses it.
- c) sufficient records are maintained to enable such purchases and the purposes for which they are made to be identified (a note on the inventory will suffice).
- d) the purchases must be for the local authority's own activities.
- e) there must be no benefit to the donor or a third party.

In such cases transfer of funds from the voluntary fund to budget share must be made prior to payment from budget share of the VAT invoice.

Issues of VAT registration and also of Corporation Tax are outside the scope of this document. Advice should be sought from either Section E of this Handbook, the fund officer or the County Council VAT officer.

J1.10 Changes of Staff

Where a staff member ceases to have responsibility for an unofficial fund (through leaving or changes of duty) there is no requirement for an interim audit to take place. However, it is considered beneficial for all parties to arrange such a check. As a minimum the account should be fully written up, balanced and reconciled at the point of handover. This should be agreed between the person ceasing to have responsibility and their successor or another cheque signatory.

J1.11 Winding up a Fund

Occasionally the situation may arise that an unofficial fund may require winding up, for example on closure of an establishment.

In such cases the headteacher must arrange for the school fund to be audited and the appropriate certificate sent to the Schools Finance Team. This certificate must include a statement as to how any balance indicated on the accounts, and any assets owned by the fund, are to be disposed of. If the school is closing, monies may be passed onto the school receiving the children.

If the fund is registered with the Charity Commission then the school will legally need to close the school fund through the Charity Commission.

Where a charity ceases to exist then there is an obligation to preserve the records of the previous six years. No records should be destroyed.

J1.12 Advice on Procedures

Where additional advice is required this should be sought in the first instance from Schools Finance Team or the Corporate Audit and Risk Management Section.

APPENDIX A – Annual Declaration of School Funds

LINCOLNSHIRE COUNTY COUNCIL – CHILDREN’S SERVICES

ANNUAL DECLARATION OF SCHOOL FUNDS

COST CODE: _____ SCHOOL NAME: _____

This side of the form must be completed by every school whether a school fund exists or not.

DECLARATION BY THE HEADTEACHER

1. I confirm that I have/have not* got a school fund. (If you have a school fund please complete section 2).

2. I confirm that it is a single comprehensive school fund. The title of the bank account is:

The TYPE is: CALENDAR/FINANCIAL/ACADEMIC*

It is for the YEAR: _____

I have received and will adhere to the notes of guidance on the administration and audit of school funds issued by the Director of Children’s Services (section K of the Finance Handbook).

SIGNED: _____ DATE: _____

DECLARATION BY THE CHAIR OF GOVERNORS

I have noted the information above. I will ensure that the Governing Body appoints a suitable auditor and I have noted that (s)he should receive your notes of guidance for school fund auditors.

SIGNED: _____ DATE: _____

* Delete as appropriate

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APPENDIX B – Notification of Audited Accounts of the School Fund

NOTIFICATION OF AUDITED ACCOUNTS OF THE SCHOOL FUND

COST CODE: _____ SCHOOL NAME: _____

TYPE: CALENDAR/FINANCIAL/ACADEMIC*

YEAR: _____

DECLARATION BY THE HEADTEACHER

I certify that the school fund has been maintained in accordance with the advice/instructions given by the Director of Children's Services.

A copy of the audited statement of the fund has been passed to the Chair of the Governors.

A copy will/will not* be displayed on the school notice board.

The following information is a correct summary of the transactions during the accounting period:

Balance brought forward as at _____ (date) _____

Add Receipts during the accounting period _____

Less Payments during the accounting period _____

Balance carried forward as at _____ (date)

SIGNED _____ DATE: _____

DECLARATION BY THE SCHOOL FUND AUDITOR

I certify that the statement of account for the school fund for the period ending _____ has been audited by me in accordance with the advice given by the Executive Director of Children's Services and that the information shown above is correct.

SIGNED: _____ DATE: _____

PROFESSION: _____

DECLARATION BY THE CHAIRMAN OF GOVERNORS

I certify that the statement of account referred to above, with the certificate of the school fund auditor attached to it, has been received by the School Governors at their meeting held on _____ (date).

SIGNED: _____ DATE: _____

When completed please return to schools_finance@lincolnshire.gov.uk

* Delete as appropriate

APPENDIX C – Notes for Auditors

Basic Audit Requirements

Although the following notes are primarily intended to assist persons inexperienced in audit procedures, all auditors should note the procedure to be followed if they feel unable to sign off the accounts as correct (see Annual Statement of Accounts (c) below).

Pre-audit Arrangements

Prior to commencing the audit, auditors should carefully read the Guidance Notes in order to familiarise themselves with the fundamental principles of accountability and control to be observed.

The auditor should ensure that all records required to carry out the audit are made available, for example cash book, cheque counterfoils, payments vouchers, receipts, paying-in books, bank statements, any subsidiary records and the audited annual statement of account for the previous year.

Income

The auditor should:

- a) verify that the opening balances of cash in hand and at the bank agree with the previous year's closing balances.
- b) check copy receipts/other income collection records to the cash book.
- c) verify via paying-in slips and bank statements that all income recorded in the cash book has been banked.
- d) as far as possible verify that all sources of income have been included in the accounts. Compare income levels with previous year and examine payments side of the account to identify potential sources of income and the expected levels of income.

Expenditure

The auditor should verify that all expenditure is appropriate to the purpose of the fund and is supported by a detailed original voucher completed in respect of the fund. Photocopies of vouchers should not be relied upon.

If proper vouchers are not produced to support cheque payments, the paid cheques should be obtained from the bank to verify the payees (a charge is likely to be made for this service). Cheque counterfoils should not be accepted as proof of payment to the payee specified in the cash book.

Normally only minor items should be paid in cash and should be supported by receipted vouchers.

Transfers

Checks should be applied to ensure that any transfer of fund balances is in accordance with the school's approved policy.

Subsidiary Records

Checks should be applied to verify that any subsidiary records kept of school trips, tuckshop transactions etc agree with the related cash book entries.

Arithmetical Accuracy of Records

The arithmetical accuracy of the cash book, subsidiary records and annual statement of account should be verified.

Reconciliation of the Cash Book

It is necessary to verify that the closing bank balances are correct and properly reconciled to the cash book.

A signed statement should be obtained from the fund treasurer certifying the balances of cash, stamps and any stocks held at the close of the accounting period. When the audit takes place shortly after the accounting year end (the accounts should in any event be audited within six months of the accounting year end) it is preferable to verify the year end balances by cashing up and physical verification of stocks during the audit and reconciling balances to transactions made since the year end.

Annual Statement of Account

Where the auditor is satisfied that the accounts are correct he/she should complete a report at the foot of the annual statement of account (see Guidance Notes).

A management letter should be submitted to the Governing Body together with a statement of account and the auditor's report. The management letter should comment on whether or not proper accounting records have been kept throughout the relevant financial period/year and whether or not the systems of internal control were sufficiently robust. Any material errors should also be commented on. Any reported weaknesses should be accompanied by recommendations for corrective action.

If for any material reason the auditor, after discussion with the fund treasurer/headteacher, remains dissatisfied as to the correctness of the accounts then the matter should be included in the management letter.

Finally the notification of Annual Audit (Appendix B) should be signed off.

Glossary of terms used in the Guidance Notes

Annual Report	A narrative report required by the Charity Commission.
Annual Return	A return required by the Charity Commission.
Audit	An examination of the annual statement of account of an organisation by an independent qualified auditor, leading to the production of an auditor's report on the statement of account and to the issue of a management letter. In this document the term is used in a generic sense to include an independent examination (see below).
Auditor's Report	A signed statement that reflects the level of assurance that the auditor is prepared to give in relation to the statement of accounts. Where a full audit has been carried out and the auditor is satisfied with the accuracy of all material issues affecting the accuracy of the accounts, the report will reflect that the accounts represent a 'true and fair view'. Where only a receipts and payments account has been prepared and a lesser audit has been completed the certification will indicate this.
Balance Sheet	A financial statement of the liabilities and assets of the organisation as at the date of the end of the accounting period, usually one year. Registered charities preparing accounts on a receipts and payments basis may prepare a statement of assets and liabilities rather than a balance sheet. Otherwise a balance sheet must be prepared, so that the fund balance and, where applicable, any liabilities and assets of the fund can be readily ascertained by the reader. The balance sheet should include: • the opening accumulated fund balance • the surplus or deficit for the year (from the income and expenditure or receipts and payments account) • debtors and creditors (not in a receipts and payments account) • balances held (cash, bank etc.) • stock (where applicable).
Income and Expenditure Acct	A statement showing an analysis of the total amounts due and payable under each heading in respect of the

year or period of account (a statement prepared on the accruals basis). The accounts are prepared on the basis of what is due to be paid and received in the accounting period. For payments this is best illustrated by considering electricity bills, of which there are normally four in each year. If only three bills have been received and paid by the end of the accounting year, in a receipts and payments account the total value of the three payments actually made would be shown in the accounts. An income and expenditure account would, however, reflect the payments due in the year, the unpaid bill being included as a creditor in the balance sheet at the actual or estimated value. Similarly for income, any income outstanding at the year end should be included in the balance sheet as a debtor.

Independent Examination	An examination by an independent person, with relevant ability and experience, of the annual statement of account.
Internal Controls	The individual components of an internal control system.
Internal Control System	The whole system of controls established by management in order to carry on the business of an organisation in an orderly and efficient manner, safeguard assets and secure as far as possible the completeness and accuracy of records.
Management Letter	A letter accompanying the certified statement of account and which sets out the auditor's comments on whether or not the systems of internal control are sufficiently robust and any material errors or other matters of concern arising from the audit.
Private Fund	A fund controlled by an entity distinct from the Authority, its employees, the school Governing Body and school staff.
Receipts and Payments Account	A statement showing an analysis of the total amounts received and paid under each heading during the year or period of account. This will include only income received and payments made in the accounting period. No account is taken of payments due to be made in the accounting period, but which remain unpaid as at the date of the balance sheet. Similarly outstanding income is not included in the accounts.

Separation of duties	Part of the internal control system. A means of control over a financial process (for example purchasing) by ensuring that no individual has complete responsibility for and control over that process.
Statement of Account	The accounts of an organisation comprising the receipts and payments or income and expenditure account and balance sheet.
Voluntary Fund	Any fund controlled or administered solely, or in part, by an employee by reason of his or her employment by the Authority or by a school Governing Body.