

MONTPELIER PRIMARY SCHOOL

VOLUNTARY UNOFFICIAL FUNDS POLICY

INTRODUCTION

Definition

Voluntary Unofficial Funds are described as any funds (other than those of the Council) controlled wholly or in part by an employee by reason of his / her employment either by the Council or by Governors of a school. They include monies collected from students or pupils for activities arranged by the school.

The Schools Finance Policy details:

“The objectives of the school fund / private fund are to enable the School to function financially with funds not normally allocated by the LA. This includes income received from a variety of proper sources and payments made for the purchase of educational goods, for pupil welfare and the provision of services outside the scope of the delegated budget share.”

The Audit Commission's “Keeping your Balance” Document states that:

“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 receive the same standards of stewardship for the funds to which they have contributed.”

“The Headteacher should ensure that voluntary funds are accounted for separately from the school's delegated budget and are held in a separate bank account.” “Any income which properly relates to the school's delegated budget should not be credited to a voluntary fund.”

Employees controlling, wholly or in part, any voluntary unofficial fund (as defined above) must:

- (a) ensure that a suitably experienced person (not necessarily professionally qualified) audit the fund in accordance with procedures recommended by the Director of Corporate Support;
- (b) Arrange for audited statements of accounts to be submitted to and received by the appropriate management body at least annually. Such statements must include a signed certificate in a form prescribed by the Director of Corporate

Governing Bodies must ensure that they: -

- (a) are aware of all voluntary funds and approve in writing their purpose;
- (b) maintain a record of the funds held;
- (c) appoint the auditor and re-appoint the auditor annually;
- (d) ensure that they annually receive and consider audited annual accounts and the auditor's report thereon.

Listed Voluntary Unofficial Funds include: -

- Educational Visits
- Field Courses
- Educational Holidays
- Book Shops
- Clothing Sales
- Photographs of Pupils

Sponsored Events
Clubs Theatre
Donations Charities

Duties and Responsibilities of Governing Bodies.

1. General oversight of Voluntary Fund arrangements.
2. Introduce a policy which ensures that the purpose for which the fund is set up is clearly defined, agreed and minuted.
3. To ensure that they are made fully aware of all unofficial funds and that the Headteacher / Principal 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.
4. To ensure that the fund is administered in accordance with the objectives and policies of the fund and within the guidelines issued by the Authority.
5. Responsible for the appointment / re-appointment of suitable auditors.
6. The appointee need not be professionally qualified but should be entirely independent from any involvement with the administration of the fund or in any way related or responsible to the operatives.
7. To ensure that audited annual statements of the fund account are received within three months of the end of the fund's financial year.
8. To receive explanations as they see fit on the administration and conduct of the fund.
9. To receive a reconciliation of the fund to cash and bank balances at least termly.
10. To be consulted on major purchases over an agreed limit (as per finance policy).
11. To ensure compliance with the Charity Act 2006.

Duties and Responsibilities of Principals and Headteachers.

1. Responsible for the organisation and control of all unofficial funds with the School.
2. May delegate the operation of the Fund(s) and record keeping but must:
 - (i) ensure that all members of staff involved are fully aware of procedures;
 - (ii) carry out periodic checks such as confirmation of monthly reconciliation to ensure accounts are satisfactorily operated;
 - (iii) maintain a register of all unofficial funds showing changes as and when they occur;
 - (iv) recommend to Governors suitably qualified persons to act as auditors.
3. Ensure that all records are retained in accordance with the recommendations of the Director of Corporate Support.
4. Provide such explanations as may be required by the fund auditors

Duties and Responsibilities of Teaching Staff.

1. Teaching staff involved in specific activities such as trips, shops and sponsored events should keep suitably subsidiary records in accordance with the guidelines shown in the appendices.
2. All income collected must be regularly handed to the fund administrator for banking.
3. 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. In exceptional circumstances small amounts of cash may be used to purchase minor items instead of a cheque. In both instances expenditure must be supported by an invoice or till receipt.
4. All records must be returned to the fund administrator when complete for audit purposes.

ADMINISTRATION OF THE FUND

Banking Arrangements

1. All bank accounts should be in the name of the College or School and not include the names of any individuals.

2. 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.
3. Bank signing authorities (mandates) should detail that cheque withdrawals require two signatures. To avoid problems due to sickness or absence for any other reason it is recommended that at least three persons are authorised to sign on the account.
4. Cheque signatories should be of suitable seniority. This should be approved and minuted by the Governors annually.
5. Blank cheques should never be pre-signed.
6. Cash and cheques should be banked regularly and whenever sums exceed £500.
7. 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;
 - (iii) cash must never be left on an unattended desk or in an unlocked drawer;
 - (iv) income should be segregated from official funds and held in a lockable cash box, preferably in a safe, prior to banking.
8. Personal cheques may not be cashed through Voluntary Unofficial Funds neither should Voluntary Fund transactions be operated through personal bank accounts.
9. Loans must not be made from Unofficial Funds unless authorised in writing by the Chair of Governors.

Accounting Records

1. Daily Cash Book - A cash analysis book should be used which shows full details of all receipts. An analysis should be performed at the time of entry with headings corresponding to those headings which will appear on the annual statement to Governors.
If the annual statement takes the form of a Receipts and Payments Account then only cash received or payments made during the year will be recorded using the cash book totals to complete the statement (see appendices III and IV in Section 5: Useful Documents).
If it is decided to present an Income and Expenditure Account together with a Balance Sheet, then provision must be made for any accruals that arise at the year end, i.e.: - payments due but not made to creditors and amounts due but not yet received from debtors.
2. The comprehensive Receipt & Expenditure records are kept, produced and analysed by using the 'Microsoft Money' programme. It is this documentation that is presented to Head Teacher and Governors on a monthly basis and prepared yearly to audit standard.
3. Petty Cash – the fund does not operate any Petty Cash facility.
5. *Annual statement:* The annual statement which is to include all accounts should be audited prior to presentation to Governors. It is a courtesy to ensure that each Governor receives a copy with the Governors' meeting agenda prior to adoption. A suitable auditor's certificate should be attached to the statement.
6. The precise format of the annual statement is a matter that is best determined locally with the fund auditor. However, the following general notes should be considered:-
 - i. receipts and payments should always be analysed under meaningful headings, with minimal use made of "miscellaneous or sundries".
 - ii. dissimilar types of receipts and payments should never be contained under one heading, e.g.: - "books and outings".
 - iii. whenever possible, expenditure should be shown opposite the equivalent income collected.
 - iv. figures for the previous year should be shown on the statement for purposes of comparison.
 - v. exceptional items or peculiarities in the accounts should be accompanied by explanatory notes.
 - vi. the annual statement is normally signed by the Headteacher / Principal

and the fund auditor.

1. A receipt signed by the person responsible for the day to day management of the fund should be issued for all income. It is recommended that unofficial receipts obtainable from the Director of Corporate Support be used. These forms are sequentially numbered and are controlled stationery. Monies received from pupils via class teachers or teaching assistants are receipted in a 'Class Money Collection' book. Individual initiatives i.e. Residential Holidays are receipted to individual parents / carers / pupils on payment cards.
2. For fund raising events such as fetes, jumble sales etc, where it is not practical to issue receipts, a statement of income should be obtained, signed by two of the organisers. A single receipt should then be issued to the organisers for the total amount collected.
3. Transfers of cash between members of staff should be accompanied by the issue of a receipt or signature on a collection record / class collection sheet.
4. Never amend a receipt. If a mistake is made cancel the receipt, issue a duplicate and retain the spoiled copy and copy record with cross-reference to the new one.
5. Entries in the cash book must be adequately described.
6. All income should be banked at least weekly, and more frequently if in excess of £500.
7. Income should be banked intact and should not be used to cash personal cheques or to make purchases.
8. All cash and cheques should be handed to the fund manager when practical each day.
9. All income received, whether cash or cheque, should be entered in the bank column on the income side of the cashbook.
10. Where cheques are paid to the bank, list them separately on both the counterfoil and bank pay in slip.

Expenditure

1. All payments must be entered in the cash book showing full details and analysed in the appropriate column.
2. Invoices or till receipts must be obtained for all payments and these should be filed in date / entry order pending audit. It is suggested that these are sequentially numbered and filed in lever arch files with the lowest number at the back. Many till receipts do not contain sufficient details. In those cases obtain a full receipt from the supplier.
3. A policy statement, approved by the Governors should be held by the fund administrator showing who may incur expenditure and the approved limits delegated. A copy of the bank signing authority should be retained with the records.
4. Expenditure above the agreed levels must be authorised by the Headteacher / Principal.
5. Governors should be consulted on major purchases in excess of the limits stated in the School's finance policy.
6. When payment is made to the supplier, invoices should not be returned to the supplier with the cheque.
7. When payment is made in cash endeavour to obtain a signature on the voucher. This will avoid possible dispute at some time in the future.
8. Vouchers should show full details of the goods purchased or services provided and when paid by cheque, the cheque number should be noted on the voucher.
9. Cash and cheque payment transactions should be recorded in separate columns on the expenditure side of the cash book.
10. Whenever possible make payment by cheque. This will reduce the level of cash handling.

Trips and Visits

1. Where amounts are collected by instalments it is recommended that a collection system is introduced (see appendices VII and VIII in Section 5: Useful Documents). With this system a receipt is not necessary, provided that the collector maintains a record of each deposit.
2. A Class Collection List is an excellent method of recording deposits. Not only does it reduce the number of receipts required but also serve as a record of all collections made for a particular activity. It is recommended where possible that the pupil initials the entry against their name. This will serve to

reduce dispute. A pupil receipt is not necessary with this method of collection unless demanded. A receipt should be given to the collector when the form is complete. Completed forms should be retained by the fund administrator.

3. Personal bank accounts must never be used to collect income received in respect of any Voluntary Unofficial Fund, neither should an account be opened for any activity unless through the administrator, after first obtaining management approval.

4. A separate analysis column should be used for educational visits and preferably for each trip. A subsidiary record can be maintained allowing individual trips to be costed. Cash collected should be banked intact and expenses paid by cheque. All invoices should be retained by the fund administrator.

5. Staff should not retain cash to meet expenditure but should obtain a cash advance from the fund administrator. A temporary receipt is required. Staff should account for expenditure by the production of expenditure dockets and where there is a cash balance this should be returned to the fund administrator. At this point details should be entered into the cash book.

6. Any balance in hand for a particular trip should be suitably allocated, in line with the objectives of the fund. There is an implied requirement that trips should be costed accurately. Large sums should be returned to parents. A disclaimer for small sums can be obtained in writing from the parents at the time the trip is organised and can be set aside for a future visit. Balances should not be used to purchase equipment, without Governor approval in writing.

7. After an activity has taken place, a statement of the actual cost should be prepared by the project organiser, and retained with the finance records (see appendix IX in Section 5: Useful Documents).

Trading Activities

Sales Income

i. a record similar to that indicated in appendix VII in Section 5: Useful Documents should be kept for daily receipts. The collector(s) should complete and sign the record to verify the accuracy of the entries made at the end of the session.

ii. where pupils are involved in these collections, it is important that the record is countersigned by the member of staff responsible for the activity.

iii. collections should be handed to the fund administrator daily.

iv. any operating float required should be obtained from the main fund.

Expenditure

i. invoices should be certified as correct with regard to delivery, prices, etc, by the member of staff responsible. They should be passed to the fund administrator for payment.

ii. purchases should not be made from cash collections but through the main fund.

iii. the responsible member of staff should keep a simple record of those items passed for payment.

Trading Statements

i. it is recommended that each term a trading statement is prepared, but in any case a trading statement should be prepared at least annually (see appendix X in Section 5: Useful Documents).

ii. the information for the return is obtained from the invoices paid and records of income. A stock take at cost price will provide the additional information. The completed return must be kept with the main office records and produced for audit. This procedure will confirm the profitability of the activity and allay suspicion of loss or misappropriation.

Reconciliation of Cash Books

1. At least once every month the balance as shown on the fund bank statement should be agreed with the balance in the main cash book. Entries required for items debited or credited direct to the bank should be made at that time. The completed reconciliation should be verified by the Headteacher / Principal and retained with the records (see appendices XI and XII in Section 5: Useful Documents).

2. All bank statements, chequebook stubs, paying in books counterfoils should be retained for audit purposes.

3. When there is a change of Headteacher / Principal or Fund Administrator, the cash books should be ruled off and reconciled to bank and cash in hand. The cash book requires signing by the outgoing

officer and the account entrusted to a responsible person pending appointment of a successor. A signature of acceptance should always be made after checking.

4. If a member of staff involved in fund activities leaves, it is the Headteacher / Principal's responsibility to ensure that, prior to the leaving date, all cash, stock and records are accounted for.

Retention of Records

1. Guidelines for the retention of financial records are shown within the School's Retention of Records Schedule. The statute of limitations (Limitation Act) enables legal action to commence up to six years after the debt is created.

Government agencies such as H.M. Revenue and Customs can demand that documentary evidence is available. Adequate filing systems are therefore required.

2. It is recommended that lever arch files be introduced for invoices, class lists and any other records with the latest item filed at the top. This useful method ensures that records are in the same order as the cashbook. Folio numbers should agree with the reference number in the cashbook and invoices should be stamped paid with the cheque number noted.

AUDIT ARRANGEMENTS

Appointment of Auditors

1. It is the responsibility of the Headteacher / Principal to recommend to the Governors suitably qualified persons to act as Fund Auditors. Appointments should be noted in the Governors' minutes.

2. The Fund should be audited by someone completely independent of the School or College, who is not related to or responsible in any way to the controlling officer(s). The auditor need not be professionally qualified but should have appropriate business or financial experience. Qualification guidelines for the appointment of auditors is recommended as follows:

Annual Fund Income Qualification guide

£25,000 + Qualified Accountant

£5000 - £24,999 Individual of appropriate professional status. i.e. Senior Bank Official

up to £5,000 Person familiar with accounts

(A copy of the following notes should be supplied to the auditors).

Auditors' Duties

1. To independently confirm that all income has been accounted for, that all expenditure has been appropriately made, that the balances in hand reconcile with the books of account for the period being examined, and that all the assets of the fund (cash and equipment) can be identified.

2. To supply further explanations or to give assistance should problems occur in connection with funds that have been certified as correct. In extreme cases this could involve police enquiries. It is strongly recommended that notes are made and retained for reference, ideally for a period of six years. Notes should detail the records checked, persons interviewed, major questions raised and responses.

3. To ascertain the stated purpose of the fund and to confirm that all transactions are related to the Fund's objectives (Objectives should be noted in Governors' Finance Policy).

4. The auditor should obtain the accounts and audit report for the previous year, not only to examine any comments made but also to check if the Governors' minutes called for particular action in relation to those accounts.

5. A bank, building society, or post office account should be in operation except for short term accounts of a few weeks. The transactions in the cashbook should be compared to bank statements and opening and closing balances agreed. Independent confirmation should be obtained from the bank or building society of balances in hand.

6. Receipts and invoices should be checked in the cash book to confirm that:-

i. invoice total (less discount) agrees with cash book entry

ii. description of invoiced goods agrees with the cash book analysis.

iii. there is no undue delay in payment of invoices.

- iv. all invoices are addressed to the fund (or make reference).
Invoices addressed to individuals will require appraisal to confirm that personal transactions are not being paid from School / College funds.
 - v. unsupported "brought forward" or "account rendered" items have not been paid without additional evidence.
 - vi. all items of attractive equipment have been listed in the official inventory and that periodic checks have been carried out to confirm that the equipment is still in the possession of the School / College.
7. All income, particularly cash, warrants special care and the following malpractices should not be permitted since they can lead to loss or misappropriation:-
- i. personal cheque encashment from cash receipts.
 - ii. delays in banking or withholding cash from fund administrator for lengthy periods. (Using funds as a temporary loan).
 - iii. using recently acquired cheques to substitute for and cover up previous loans. (By doing this consistently a deficiency can be concealed over a lengthy period).
 - iv. not accounting for all cash actually received. This can sometimes be discovered by an examination of records, perhaps a reference to a transaction in a letter, a hotel bill for a visit may indicate how many fees should have been received etc.
 - v. receipts not being issued for income or duplicate books in existence. Carbon copies not retained. Class lists showing inconsistent dates. Jumble sales, door fees etc not confirmed by two persons.
8. All receipt books require examination. If City Council unofficial receipt books are used, the auditor can obtain a list from the Director of Corporate Support of all sequential numbers issued to the School / College. This should agree with any list maintained by the fund administrator. to summarise:
- i. locate and account for all receipt books (new, in use and completed).
 - ii. ensure that all cancelled receipts are retained (all copies).
 - iii. trace each receipt to cashbook.
9. Evidence of all deposits must be seen. (Bank statements, pass books, shares etc).
10. Cashbooks and accounts must record all bank accounts and investments of the fund.
11. Ideally funds will be supported by one of the following:-
- i. Receipts and Payments Account. This account summarises but does not itemise the cashbook entries, beginning with opening cash and bank balances and concluding with the closing cash and bank balances (in practice these figures are often shown at the bottom of the statement on both sides). Details of large commitments or fund assets should be noted and placed with the account. (see appendix IV in Section 5: Useful Documents).
 - ii. Income and Expenditure Account. This is a revenue account which takes note of debtors, creditors and provisions for amounts to be assessed and which shows a surplus / deficit for the year. A Balance Sheet which comprises a summary of ledger accounts including liabilities (creditors) and assets (debtors, cash balances) with the accumulated balance of the fund. (see appendix V in Section 5: Useful Documents).
12. When the audit is complete the cash book, bank statements and pass books 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 certificate similar to one of the following:-
- a. Auditor's Certificate
- I have audited the above / attached * financial statements in accordance with the approved auditing standards and as noted in the Plymouth City Council guidance manual. In my opinion from a

comprehensive / sample * check of the books and papers presented, the receipts and payments statement and the balance sheet reflects a true and fair view of the fund accounts in accordance with those books and comply with the fund objectives.

b. Qualified Certificate

I have audited the financial statements in accordance with the recommendations outlined in the Plymouth City Council guidance manual, subject to the following paragraph.

The fund derives much of its income from voluntary donations and fund raising activities which cannot be fully controlled until entered in the accounting records. They are therefore not capable of independent audit. In my opinion from a comprehensive / sample * check the accounts reflect a true and fair view of the financial position of the fund and comply with the fund objectives.

In addition 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 an irregularity be suspected the Director of Corporate Support should be notified.

VALUE ADDED TAX

Liability for VAT

1. Any fund with a taxable turnover which exceeds that 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.

It will be for the management of each establishment to determine whether or not the fund will need registration or whether its taxable turnover exceeds the limit and whether to approach H.M. Revenue and Customs. To determine the figure for registration, it is necessary to aggregate all funds.

If at any time there are reasonable grounds for assessing that the value of taxable supplies made within the next 30 days will exceed the limit it will be necessary to register. H.M Revenue and Customs must be notified on form VAT 1 within 30 days after the date for which grounds for registration first existed. This date on which grounds first existed is given as the date of registration on form VAT 1.

* Taxable Turnover 2009/10 £68,000.

2. Taxable supplies include zero rated and standard rated supplies (see VAT manual). The total value of these supplies is the taxable turnover.

3. Details of what constitutes a taxable supply can be obtained from the VAT manual and the Accountant (Technical) VAT Section in the Civic Centre (telephone 304423).

Criteria for VAT Recovery

1. H.M. Revenue and Customs have approved certain conditions whereby it is possible to recover VAT on certain purchases made from School / College funds.

2. The expenditure must be on goods or services which the LA would normally provide if sufficient funds were available.

3. The goods must become the property of Plymouth City Council. Any other criteria will nullify recovery of VAT. Thus if the School / College 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.

4. The goods or services must be obtained using an official Plymouth City Council order.

5. A tax invoice in the proper form (see VAT manual), addressed to Plymouth City Council must be obtained.

6. The invoice must be paid by Plymouth City Council. It is not possible to attempt recovery of the VAT if a third party has already paid the invoice.

7. Deviation from the above conditions may be interpreted as tax evasion.

8. In addition the Authority imposes two further conditions:-

i. Donations of any items of equipment will not bind the City Council to guarantee maintain, repair or replace those items.

ii. To be eligible for inclusion in this scheme expenditure must exceed £20 (gross).

Procedure for ordering goods.

1. In order to recover VAT on Voluntary Unofficial Fund purchases the following procedures must be strictly adhered to:-
 - i. An official Plymouth City Council order must be raised through SIMS or manually.
 - ii. The order must be in excess of £20 and should be endorsed PTA / School / College Fund purchase together with a covering note confirming that the goods will be donated to the Authority.
 - iii. A proper tax invoice must be addressed to the School / College or the Authority and never to a private individual.
 - iv. Invoices must be certified, coded against the budget share and submitted for payment in the normal manner.
 - v. All goods purchased must be entered to an official inventory, if appropriate.
 - vi. A cheque drawn on the PTA / Unofficial Fund should be credited to the appropriate income code to offset the net purchase price.
2. The VAT manual contains more detailed notes on the requirements of the scheme to which reference should be made. In the event of further query, additional guidance may be obtained directly from the Accountant (Technical) VAT Section in the Civic Centre (telephone 304432).

Educational Visits

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

Parents 2 Teachers / School Money Collection:

The school now operates an online money collection facility through Parents 2 Teachers and NO cash is accepted into the school for the Voluntary School Fund.

Payments made, money collected is reconciled on a weekly basis and is balanced to a Statement from the bank on a monthly basis.

All other terms and conditions of this policy where applicable remain the same.