



Voluntary School Funds

Guidance for Schools and School Governors: How to administer, manage and provide governance over voluntary school funds

Useful
Information

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What is a Voluntary School Fund?

What is the definition of a voluntary school fund?

A voluntary school fund is defined as

“Any fund (other than those of the Council) which exists for the benefit of the children of the school and is established under the authority of the Governors of the School. This includes monies collected from students or pupils for activities arranged by the school”. Such funds are also sometimes referred to as private or unofficial school funds. PTA or ‘Friends of’ Funds, which should be administered independently of the school, are not classed as unofficial funds for the purposes of these guidelines.

Why do we need a voluntary school fund?

Many schools choose to raise funds using a wide range of activities such as school trips, fund raising events, tuck shops and sale of school uniforms. The objective of these funds is to support the school's broader activities. Voluntary school funds provide additional materials and opportunities to enhance children’s learning experiences over and above those provided by the school’s delegated budget. The school's governing body has ultimate responsibility for these funds, as it also has for any trading organisations controlled by the school, but it is generally school staff who have responsibility for the day to day operation of such funds and they should report regularly to the Governing Body. Although such funds are not classed as ‘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.

What the fund can be used for?

Examples of what the fund can be used for include:

- Prizes and gifts for pupils, e.g. team points;
- Additional classroom materials and equipment;
- Subsidising school educational visits and extra-curricular activities which cannot be completely financed from the delegated budget;
- Charity collections;
- One of gifts for voluntary helpers not exceeding an amount approved by the Governing Body;

What I must not use the fund for?

Examples of what the fund must not be used for include:

- Flowers and gifts for teachers and other members of staff, e.g. leaving gifts;
- Refreshments for meetings of teachers or governors;
- Payments relating to independent playgroups, breakfast clubs etc. (these should have their own bank accounts);
- Payments to the Information Commissioner's Office;
- Courses and training expenses for teachers and staff.

Roles and Responsibilities

What are the head teacher's responsibilities?

- Developing the school's constitution for its voluntary school fund, which sets out how its fund should be administered in line with these guidelines
- Management responsibility for the proper administration of the voluntary school fund and accounts.
- Raising awareness of these guidelines and making sure that they are complied with.
- Notifying the Council when a new voluntary school fund is set up. This should be done via Education Support
- Ensuring that there is a segregation of duties and internal checks within the administration of the fund's accounts so that one person does not carry out all tasks without overview and supervision.
- Ensuring that regular and robust bank reconciliations are carried out between the accounting records and bank statements during the year and independently checked.
- Reporting on the status of the fund's accounts to the school's governing body during the year at intervals specified in the voluntary school fund constitution
- Ensuring that the fund's accounts are audited by the fund's appointed auditor as soon as possible following the financial year end.
- Signing the voluntary school fund certificate at year-end, certifying it as an accurate record of the accounts.
- Ensuring that the fund's end-of-year accounts and certificate are presented to the governing body in sufficient time for a copy of the certificate to be sent to Education Support by 31 October each year.
- Ensuring that the fund's end-of-year certificate is sent to Education Support by 31 October each year once approved by the Governing Body.
- Ensuring that all staff are aware of the Council's corporate anti-fraud and corruption and whistle blowing policies.
- Promptly reporting any suspected irregularity or mismanagement relating to the fund to the Council's Internal Audit service.

What are the school governing body's responsibilities?

- Approval of the school's constitution for its voluntary school fund, which sets out how its fund should be administered in line with these guidelines
- Regular oversight of the management of the fund's accounts at intervals specified in the voluntary school fund constitution to ensure that funds are used appropriately, in an open and transparent way, and for the benefit of pupils.
- Annual appointment of the fund's treasurer to administer the fund on a day to day basis (usually the School Secretary) and independent auditor, ensuring that they are competent and suitably qualified.
- Scrutiny and approval of the final accounts and voluntary school fund certificate before 31 October each year. Governors should satisfy themselves that the accounts fully reflect the level of fund-raising activity that they expect. An audit or independent examination does not guarantee that all transactions are accounted for; therefore Governor scrutiny is equally valuable
- If the governing body delegates responsibility for its oversight of the voluntary school fund, e.g. to a finance committee, this must be reflected in that committee's terms of reference.
- Promptly reporting any suspected irregularity to Internal Audit Services

What are the school fund treasurer's responsibilities?

- Safe custody of voluntary school fund money.
- Keeping proper accounting records in line with this guidance and reporting requirements set out in the voluntary school fund constitution.
- Day to day operation of the fund, including receipt and banking of monies, and payments in respect of legitimate expenditure.
- Preparation of monthly bank reconciliations and accounts for the head teacher to monitor the fund.
- Preparation of the fund's annual accounts and end-of-year certificate promptly to allow for the accounts to be audited in sufficient time for the certificate to be presented to the Governing Body before 31 October each year.
- Promptly reporting any suspected irregularity or financial difficulty relating to the fund to the head teacher and/or Internal Audit Services.

What are the **school fund auditor's** responsibilities?

- Carrying out the annual audit of the voluntary school fund accounts in line with these guidelines and signing the voluntary school fund certificate as evidence.
- Returning the completed audit certificate to the school in a reasonable timeframe.
- Promptly reporting any suspected irregularity or mismanagement relating to the fund to the head teacher and the Council's Internal Audit service.

What are **Education Support's** responsibilities?

- Maintaining a record of all voluntary school fund accounts held by schools, in coordination with the cluster Business and Finance Managers.
- Receiving and logging all voluntary school fund certificates received and following up any missing certificates after 31 October each year.
- Where schools do not provide an audit certificate following a warning appoint internal audit to audit the fund, for which the school will be charged a fee
- Promptly reporting any suspected irregularity or mismanagement relating to the fund to the Council's Internal Audit service

What are the **Internal Audit's** responsibilities?

- Review the operation of voluntary school funds in a sample of schools as part of its risk-based audit work and reporting to the Education service on the outcome
- If requested by the Education service, carry out an audit of a school's voluntary school fund account for which it will charge the school a fee.
- If requested by the Education service, carry out an investigation into suspected irregularities in a school's voluntary school fund account for which it will charge either Education or the school a fee.

What are the **Council's** responsibilities?

- Protecting the interests of the beneficiaries of voluntary school funds (the pupils) and safeguarding the position of those running it.
- Ensuring that it knows about all voluntary school funds, proper records are maintained, and annual audits are carried out and presented to the school's governing body
- Providing advice on the administration of voluntary school funds as required.
- As voluntary school funds are used for public funds and, in most cases, administered by an employee of the Council, the Council retains the rights to inspect the records and accounts at any time

For advice on the general management of voluntary school funds, please contact:

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Geraldine Sanders	Auditor	tel. 01824 708082	geraldine.sanders@denbighshire.gov.uk
Samantha Davies	Auditor	tel. 01824 708086	samantha.davies@denbighshire.gov.uk
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Charity Status

- As far as we have been able to establish, it is not a legal requirement for schools to set up their voluntary school fund as a charity.
- There are some benefits that can be gained from becoming a charity, but there are also added restrictions and legal requirements to adhere to.
- To have charitable status, a voluntary school fund must have published aims, which demonstrate a 'public benefit', in this case for the benefit of pupils.
- These aims should be included in a formal constitution document which provides specific guidance on the school's operation of its voluntary school fund.
- More information can be found on the Charity Commission website:
<https://www.gov.uk/government/organisations/charity-commission>

Voluntary School Fund Constitution

- It is not a legal requirement for a school to have a formal constitution document for its voluntary school fund, unless it has been set up as charity. However, it is good practice as this will strengthen governance arrangements and provide greater transparency.
- The head teacher should be responsible for developing and day to day monitoring of compliance with the constitution,
- The governing body should be responsible for approving the constitution and overall responsibility for ensuring that it is complied with.

What should be included in the constitution?

As a minimum, the constitution should include:

- the aims of the voluntary school fund,
- what it should and should not be used for,
- expenditure approval limits,
- audit arrangements, and
- responsibilities of the treasurer, head teacher and governing body.

An example is included in this guide that can be used and/or adapted. See link for [Template Constitution](#).

Dealing with VAT

Why does the Council's VAT status not apply to voluntary school funds?

Under most circumstances, the voluntary school fund activities are deemed by HM Revenues & Customs as not forming part of the Council's activities; however, it is unlikely that your school will need to register for VAT in its own right, unless it makes taxable supplies that exceed the registration threshold (currently £85,000) in a rolling 12 month period. If your fund does need to register for VAT, please refer to the contacts list provided in this guidance for further advice.

Turnover includes all sources of taxable income, such as tuck shop sales, proceeds of concerts, fund-raising activities, sponsorships etc. It does not include genuine donations or income from school trips, unless the latter makes a profit, in which case the profit counts as turnover.

Can the voluntary school fund recover VAT on its purchases?

As your voluntary school fund is unlikely to be registered for VAT, it cannot recover VAT on purchases. However, if the fund donates the net value of a purchase to the Council, the latter can, by ordering and paying for the goods, recover VAT on certain items. However, this will mean that the goods purchased are owned by the Council, not the voluntary school fund and the Council cannot donate the goods back to the voluntary school fund as this would breach HM Revenues & Customs regulations. Please refer to the contacts list provided in this guidance for further advice on this area.

Insurance Arrangements

Are voluntary school funds insured?

The Council has insurance that covers loss of cash etc. held on its premises, including in schools. This must be held in safes and/or locked receptacles so as not to invalidate the cover. Income is also insured when in transit, e.g. on the way to the bank. Limits of cover vary and there is a policy excess. The Council's insurer also expects schools to have robust procedures in place to minimise the risk and extent of losses. If you need further information on insurance cover, please use the contacts list provided in this guidance.

Is the voluntary school fund insured against fraud?

The Council is insured against the risk of fraud and dishonesty by Council employees which is extended to voluntary school funds.

For further advice, please contact:

Rhys Ifor Jones Technical Accountant (VAT) Tel. 01824 706165

email rhys.i.jones@denbighshire.gov.uk

Chris Jones Insurance & Risk Manager Tel. 01824 706143

email chris.jones@denbighshire.gov.uk

Operating the Fund

General Accounting Arrangements

- Voluntary school funds should run from 1 April to 31 March in line with the financial year.
- The head teacher should decide who is authorised to incur and approve expenditure from the voluntary school fund, setting specific limits for each person/body. For example, the head teacher may decide that he/she must authorise any expenditure above a certain value. The governing body should formally authorise cheque signatories and minute this.
- Unless you use a specific software package, we advise that you use a spreadsheet to maintain the accounts. This guide includes an [Excel template](#) that you can use or adapt. This includes a bank reconciliation, automatically calculates sub-totals and totals as you enter data and also automatically updates the audit certificate.
- There should be a clear distinction between the voluntary school fund accounts and those of other fund raising groups, such as parent/teacher associations.
- Expenditure and income transactions should always be recorded as the gross figure, i.e. they should be shown separately as income and expenditure and not be netted off against each other.
- When the fund's treasurer receives a bank statement, they should check it to the fund's accounting records as soon as possible to identify and deal with any discrepancies. This check will identify any irregular entries on the bank statements and highlight any omissions and/or errors in the accounts at an early stage.
- Voluntary school funds are often managed by one person: who deals with payments, income, banking and reconciling to bank statements. So, it is good practice for the head teacher to sample check the school fund account on a regular basis and ensure that the bank statements are reconciled correctly.
- Any person organising trips and handling parent/pupil cash should keep a detailed record of expenditure and income. This is for accounting purposes but also for the person's own protection. Any transfer of income from one person to another should be signed for as evidence.
- Some schools use Parent Pay to administer their voluntary school fund accounts (you should have a separate user guide on how to use Parent Pay). The fund treasurer should run Parent Pay reports to evidence that all school fund monies received by the school and manually input onto Parent Pay have been banked in full.
- The treasurer should also run Parent Pay collection service statements to establish the breakdown of payments received for school fund income and update their school fund records accordingly.
- Items sold in schools to raise money for the voluntary school fund, e.g. school uniforms, should be held securely. Stock records should be maintained and stock checks carried out to prevent and detect loss.
- Any schools holding large balances in their voluntary school fund account should advise the governing body what these funds are to be used for. A balance is deemed to be large if it is over £10,000.

What accounting arrangements must be in place without fail?

- The governing body must appoint a voluntary school fund treasurer and an auditor annually and record this in its meeting minutes.
- Voluntary school funds must have their own accounting records and bank accounts to keep them separate from the school's delegated budget.
- Voluntary school funds must be in the name of the school and not individuals.
- Voluntary school fund bank statements must be addressed to the school and not individuals.
- Voluntary school fund monies must always be kept separate from funds belonging to the delegated budget and personal monies of employees.
- The voluntary school fund's treasurer must keep the fund's accounting records up to date to ensure that details of all receipts and payments are recorded promptly.
- When a voluntary school fund treasurer leaves their role, they must make sure that the accounting records are up to date and arrange for them to be audited to that date.
- Account signatories should be kept up to date and bank mandates updated promptly.
- The school must keep all voluntary school fund receipts, invoices, cheque stubs, bank statements and accounting records for six financial years plus the current year. Records older than this should be disposed of promptly and securely to free up valuable storage space.
- Payments to the voluntary school fund auditor must be made from the voluntary school fund account fund and not the school's delegated budget.
- If anyone finds or suspects irregularities in the management of a voluntary school fund, they must report it to the Council's Internal Audit service immediately.
- Personal cheques must never be cashed from voluntary school fund income for any person.
- Voluntary banks accounts must not be allowed to become overdrawn and under no circumstances should overdraft facilities be arranged.

Making Payments

What is the general advice on making payments?

- Where possible, all payments should be made by cheque.
- Always complete cheque stubs with the payment date, payee name and amount of the cheque.
- Always obtain an invoice or receipt when making payments. If this is not possible, record the payment details on a payment voucher and get it signed by the person who requested the payment to be made. This guide includes a [template](#) that you can use or adapt.
- The school must retain the original invoices, receipts, payment voucher. These should be annotated with the relevant cheque number and filed in cheque number order
- Any spoilt or cancelled cheques should be clearly marked as 'CANCELLED' and stapled it to the relevant cheque stub.
- Staff should not use personal store loyalty card when purchasing items for the school as HMRC may deem this as a benefit in kind.

What is compulsory when making payments?

- There should be three designated signatories on the voluntary school fund account and all cheques should be signed by at least two of the three signatories who must see all supporting documentation
- Cheque books must be held securely at all times.
- In no circumstances should cheques be pre-signed.
- Returned cheques should be recorded in the accounts and a repayment obtained, including any charged incurred.
- Ideally, schools should not make purchases relating to their delegated budget using their voluntary school fund account. Any such purchases should be reimbursed in full so that funds are properly accounted for and the school's budget is accurately portrayed. Using the school fund for delegated budget expenditure can also have VAT implications that could result in added costs to the delegated budget.

Online Banking

Online banking can offer greater convenience and speed; however, it also has its own risks. These controls will vary based on the size of the school, the resources available, and the working practices of the online banking provider. Ideally these should include:

- **Access security** - Schools need to work with their on-line banking provider to establish robust security authentication procedures and each individual with access to the online banking account should have their own unique ID and password.
- **Threshold limits** – where possible, limiting the number of transactions per day and having a threshold limit in place for each individual transaction can protect against potential loss if unauthorised activity occurs.
- **Separation of duties** – Ideally, the online banking system should provide separation of duties within the process e.g. setting up new payees, authorising payments, etc. Where this is not possible, alternative controls should be put in place to ensure that all transactions are authorised by two account signatories, the payment details are input correctly, particularly the bank details, and someone other than the person processing the payment is checking the online banking system on a regular and timely manner to identify any unauthorised or fraudulent transactions.

Debit Cards

- The use of debit cards should be restricted to key members of staff, and each given their own unique card to be held securely at all times.
- The cards should not allow for cash withdrawals and threshold limits should be set to minimise risks.
- All transactions should be authorised by two account signatories and bank statements (preferably online) checked on a regular and timely manner by someone other than the card holder.

Before setting up online banking / debits cards, schools must provide Internal Audit with written procedures on how the account will be operated. Once approved by Internal Audit, these should then be presented to the full Governing Body for their approval and implementation.

Managing Petty Cash

- Voluntary School fund Petty cash should be topped up by drawing a cheque from the school fund made payable to "cash" and payments should be kept to a minimum.
- As with any voluntary school fund monies, you should not mix petty cash funds with delegated school monies.
- All petty cash transactions should be recorded in a cash book, preferably using the spreadsheet provided in this guidance.
- The amount of cash held should be reconciled regularly by someone independent of the school fund treasurer.
- All petty cash transactions should be supported by invoices, receipts or payment vouchers.

Paying for services from voluntary school funds

- Before paying for services from the voluntary school fund account, e.g. audit fees, the school must carry out an IR35 assessment using HMRC's online employment status checking tool. (<http://www.hmrc.gov.uk/calcs/esi.htm>).
- If you require any assistance in using this tool, please contact Michael White on 01824 712612.
- This will establish whether the worker should be classed as employed or self-employed for tax purposes
- Payments to self-employed workers can be made on receipt of an invoice, which should then be held on file, along with a completed copy of the IR35 assessment.
- Payments to anyone not classed as self-employed must have Tax and National Insurance deducted. Please contact Denbighshire Payroll on 01824 706033 for further guidance, where applicable.

Dealing with Income

What is the general advice on dealing with income?

- It is advisable that income is signed for when transferred between two people to protect both parties.
- When collecting money from pupils it should be given to you in an envelope with their name, payment reason, and amount written on it.
- Income collected for trips should be fully recorded to maintain a record of who has paid. The treasurer should keep these and pass to the auditor when the accounts are audited at year-end.
- Ideally, two or more people should be present when income collected from fund raising events is counted.

Banking Arrangements

What is the general advice on banking arrangements?

- Depending on the balance held in the bank account, you should consider opening a deposit account to earn higher interest on larger balances. Interest should be paid gross i.e. Without tax deductions
- The Financial Services Compensation Scheme provides compensation up to a specific value (currently £85k). If your fund's balance is higher than the level of compensation payable under the Scheme, and the financial institution you've got your school fund account with fails, you risk losing any funds above this amount.
- Individuals running school trips or specific fund raising events should not maintain separate bank accounts from the voluntary school fund.
- Paying-in stubs should show a brief analysis of the income being paid in.

What is **compulsory** when dealing with income?

- Income belonging to the main school budget should not be paid into the voluntary school fund, such as lettings and specific grants (where the expenditure comes out of the main school budget) and reimbursements for main school budget expenses, e.g. supply costs and peripatetic music
- Where this is unavoidable, it must be transferred to the school budget as soon as possible after it is received and a clear audit trail maintained in the accounts.
- Voluntary School fund money must be kept separate from the general school income, e.g. dinner money.
- Income should be banked promptly and in full, i.e. expenditure must not be paid out from income collected.
- All income must be kept securely locked away, preferably in a safe with a limited number of key holders. Failure to do so may invalidate insurance cover.

What banking arrangements **must** be in place without fail?

- Voluntary school funds bank accounts must be in the name of the school and not individuals.
- The head teacher must keep a record of all bank accounts held showing the bank and branch, the account number and the account signatories.
- All income should be banked promptly and in full. We advise banking at least once a week. Failure to do so may invalidate insurance cover.
- All reasonable steps should be taken to ensure the safety of the person doing the banking.

Auditing the Voluntary School Fund Accounts

Who can audit the voluntary school fund?

- Voluntary school funds must be audited annually and this should take place in sufficient time to allow for the audited accounts to be presented to the governing body before 31 October.
- Voluntary school fund should be audited by someone independent of the school and suitably qualified. Clearly there are advantages to appointing someone with previous experience of accounting and/or auditing accounts.
- The auditor must not be the voluntary school fund treasurer or the school's head teacher. It should preferably not be a governor or a relative of any of these.
- If the auditor is a school governor, they must declare this at the meeting when the accounts are presented to the governing body. They should not be present when this item is discussed at the meeting and their withdrawal should be recorded in the minutes.
- The auditor should be provided with a copy of this guidance so that they fully understand how the voluntary school fund should be administered and how they should carry out their role.

What are the auditor's duties?

- Ensure that the opening and closing bank figures agree with bank statements and the reconciliations are accurate, i.e. they balance, taking account of any un-presented cheques and income received that has not yet appeared on the bank statement
- Ensure that the brought forward figures, agree with the carried forward figures on the previous year's audit certificate.
- Check that the treasurer has kept accurate accounting records, all income and expenditure is properly accounted for and any income belonging to the school's delegated budget has been transferred across in full.
- Confirm that all transactions in the accounts, both expenditure and income, agree to the bank statements for the year (including petty cash transactions) and are supported by invoices, receipts etc. Query any transactions with the treasurer that they are not happy with.
- Ensure that income received has been banked promptly.
- Ensure that any payments to individuals have been treated correctly in terms of tax and National Insurance.
- Once the audit is complete, sign and date the audit declaration on the school fund certificate and return it with the accounting records to the treasurer as soon as possible.
- It would also be useful if the auditor provided the treasurer with a list of the un-presented cheques to hold on file for the following year, unless information is already known. E.g. if the school is using the spreadsheet provided with these guidelines.

What should happen if a school closes or amalgamates with another school?

School Closures

- If your school is closing, the treasurer must complete the accounts up to the closing date as if they were completing the year-end process, ensuring all income has been banked and liabilities have been paid.
- This includes completing the accounting records, reconciling the accounts, and completing the school fund certificate. This should be carried out as soon as possible after the school closing date.
- The school fund certificate should be signed by the treasurer and head teacher but need not be signed by the chair of governors.
- The voluntary school fund should then be audited in accordance with this guidance as soon as possible, to confirm that the end of period certificate shows an accurate record of the fund.
- The treasurer must send the completed and signed school fund certificate to Education Support as soon as it has been audited, together with a copy of the opening and closing bank statements for the relevant period.
- The fund's bank account should be closed and the balance transferred to wherever it has been agreed it will go, which is normally another school(s) that the closing school's pupils are transferring to. The treasurer should inform Education Support of what is happening to the fund's balance, i.e. which school(s) the funds are being transferred to.
- A school receiving transferred voluntary school fund monies from a closing school should record this transfer as income in their accounts for the relevant financial year and show the amount received separately on the school fund certificate at the end of that year.

School Amalgamations

- If your school amalgamates with another school, the treasurer must complete the accounts up to the merging date as if they were completing the year-end process ensuring all liabilities have been paid
- This includes completing the accounting records, reconciling the accounts, and completing the school fund certificate. This should be carried out as soon as possible after the school merging date.
- The school fund certificate should be signed by the treasurer and head teacher but need not be signed by the chair of governors.
- The voluntary school fund should then be audited in accordance with this guidance as soon as possible, to confirm that the end of period certificate shows an accurate record of the fund.
- The treasurer must send the completed and signed school fund certificate to Education Support as soon as it has been audited, together with a copy of the opening and closing bank statements for the relevant period.
- If a new voluntary school fund bank account is being set up for the new school, the merging schools' voluntary school fund bank accounts should be closed and the funds transferred to the new school's bank account.
- If it has been agreed that the voluntary school funds of the merging schools are to be transferred to the bank account of one of the merging schools, the bank account name may need to be changed as it must be in the name of the new school.
- In either of the above two cases, the treasurer of a merging school should inform Education Support of what is happening to the fund's balance, i.e. which school(s) the funds are being transferred to.
- The first school fund certificate of the new school must reflect the balances transferred from all of the merging schools.