

GUIDANCE FOR THE OPERATION OF SCHOOL VOLUNTARY FUNDS

INTRODUCTION

This guidance has been devised to help schools and governing bodies understand the complex area of Voluntary or Unofficial Funds. The intention is to make schools and governors aware of the general principles under which they should operate. It is not exhaustive guidance and there will always be issues that arise which are not specifically mentioned here.

The guidance is based on legislation as at December 2009. As legislative changes are made we will update this guidance.

Many schools choose to operate an unofficial fund covering a wide range of activities such as school trips, fund raising events, tuck shops and sale of school uniform. The objectives of these funds are supportive of the broader activities of the schools.

The management of these funds are governed by charities legislation and they fall under one of the 13 definitions of a charity in that they are for '**the advancement of education**'.

School funds are either Excepted or Exempt charitable funds.¹ The funds are controlled by the Governing Body, which is responsible for policy. However, the Local Authority acts as the regulator because under the 2006 Charities Act. "**The principal regulator will be an existing body that currently supervises the charity for other functions but will take on additional responsibility for monitoring charity law compliance.**"²

In order to preserve the integrity of the funds, schools must keep voluntary (unofficial) funds and Local Management of Schools (LMS) official funds separate. Separate records will be required for the voluntary (unofficial) funds. Various computer packages are available to assist, although manual records are acceptable

NON-SCHOOL FUNDS

Where funds are administered by volunteers or staff solely paid from non-public funds such as PTA or 'Friends' of the school, the arrangement will fall outside the Councils jurisdiction and its insurance arrangements. In these circumstances Governors are advised to consider how they may safeguard the schools interests.

¹ A summary of the situation can be found in section H1 of the Charities Commission booklet Charities Act 2006 – What trustees need to know.

http://charitycommission.custhelp.com/cgi-bin/charitycommission.cfg/php/enduser/std_adp.php?p_faqid=371

² As above section H1

CHARITABLE STATUS – Registration with the Charities Commission

Schools should consider whether unofficial School Funds should be registered with the Charity Commission. The annual income level above which registration with the Charity Commission is mandatory has recently been revised in the Charities Act 2006 and currently stands at £100,000.

The £100,000 limit relates exclusively to charitable income. Broadly, charitable income is that which is donated to the school or raised by it for the provision of 'special benefits' i.e. those things that will benefit all pupils as a whole or a group of pupils.

Monies paid by parents / guardians for the specific purpose of their child, such as attendance at an event or going on a school trip are not classed as charitable income. Most schools will however, hold the two types of money in the same fund.

Schools will need to review, and keep under review, whether charitable income in the fund is above £100,000. If eligible income exceeds the threshold, schools are required to register with the [Charity Commission](#)

Schools with income below £100,000 are **exempt from registration. They are not exempt from the general principles governing charitable funds.**

HILLINGDON'S GUIDANCE

As the body responsible for regulation Hillingdon has provided this guidance to ensure that school funds are administered with the probity expected of public funds. A summary of the roles and responsibilities of the school community is in Annex A.

Guidance on Accounting for income

- The standards for receipting income should be that same as those for the delegated schools' budget.
- All income must be accounted for and receipts provided for all gifts and donations.

Guidance on Accounting for Expenditure

- The standard of accounting for expenditure should be the same as those for the delegated schools' budget.
- All expenditure must fulfil the charitable purposes criteria i.e. it should be for the advancement of education.
- The beneficiaries should be the children/students of the school.
- Staff expenditure must not be met from the funds.
- Loans should not be made from the funds.
- Funds should not be used as holding accounts for non-education related purposes, e.g. staff social funds, gifts and hospitality.

Guidance on the General Operation of the Fund

Appendix A provides a model guidance document that Governing bodies can adapt to their particular circumstances.

Guidance on Allowable Expenditure

Appendix B provides a list of frequently asked questions to help governors and staff understand the allowable and non-allowable expenditure.

Guidance for Lay Auditors of Funds

This is available on the HGfL website and is also in Appendix C to this document.

INSURANCE ARRANGEMENTS

School Governors need to be aware that the terms of the Councils fidelity Guarantee Insurance require proper financial systems to be in place. The Council has put in place such systems for its own business and where unofficial funds are maintained in the name of the school and in accordance with the recommendations of the Director of Finance insurance cover will be effective. It follows that Unofficial funds must be treated to the same high standard as official funds; **recommended minimum standards** have therefore been specified for these activities.

Duties and Responsibilities of the Governing Body

- General oversight of Voluntary Fund arrangements.
- Introduce a policy which ensures that the purpose for which the fund is set up is clearly defined, agreed and minuted.
- To ensure that they are made fully aware of ALL unofficial funds and that the Headteacher notifies any proposed major changes in fund arrangements, e.g.
 - introduction of new funds;
 - changes to Bank accounts including opening any new account, closure transfer and disposal of balances from existing accounts, signing authorities;
 - major fund raising projects;
 - variation from fund objectives for any reason whatsoever.
- To ensure that the fund is administered in accordance with the purpose and objectives of the fund.
- To be responsible for the appointment/re-appointment of suitable auditors..
- To ensure that the audited annual statements in an appropriate form for each fund are received within three months of the end of the fund's financial year.
- To receive the auditors report on the accounts and take appropriate action thereon.
- To seek such explanations as they see fit on the administration and conduct of the account.
- To be consulted on major purchases over an agreed limit (say £500).
- To receive and consider regular monitoring reports.
- Compliance with the Charities Acts.

Duties and Responsibilities of Headteachers

Headteachers are responsible for the organisation and control of ALL unofficial funds with the establishment but may where appropriate delegate the operation of the Fund(s) and record keeping but must;

- Ensure records are maintained on an ongoing basis;
- Ensure that the relevant financial statements are prepared;
- Ensure that all the members of staff involved are fully aware of and apply correct procedures;
- Carry out periodic checks such as confirmation of the monthly reconciliation to ensure that the accounts are satisfactorily operated;
- Maintain a register of ALL unofficial funds showing changes as and when they occur;
- Ensure that **ALL** records are retained in accordance with the recommendations of the Director of Finance;
- Responsible for the preparation and presentation of regular monitoring reports for the Governing Bodies;
- Ensure an adequate accountancy structure is adopted allowing effective review of activities;
- Provide such explanations as may be required to the fund auditors;

Duties and Responsibilities of Fund Administrators

- To operate the Voluntary Fund to the standard expected when accounting for public money.
- Maintain appropriate accounting records (whether manual or computerised).
- Monitor advice from Hillingdon Council and implement any necessary changes or refer to Governing Body.
- Retain the necessary accounting records.
- Ensure that moneys received are promptly banked intact.
- Provide such explanations as may be required to the fund auditors.

Frequently Asked Questions

Q: A member of staff is leaving and the school wishes to buy them a present can this be paid for from the voluntary fund?

A: No. This type of expenditure does not fulfil the criteria of the charities aims of advancing education.

Q: The school wishes to buy a bunch of flowers for a member of staff who has suffered bereavement or is in hospital can this be paid for from the voluntary fund?

A: No. Staff should not be beneficiaries of the fund and this type of expenditure does not fulfil the criteria of the charities aims of advancing education.

Q: The school wishes to buy a token gift as a thank you to a parent who came in to give an informative talk to the pupils?

A: Yes this allowable as long as the talk can be seen as a benefit to the children.

Q: A volunteer comes in to deliver training to the staff on a subject which will be used to educate the children latter. Can we buy a gift from the private fund?

A: Yes as long as the talk can be justified as being of educational benefit to the children in the future.

Q: The staff are arranging a fund to collect for their Christmas meal, leaving presents etc. Only income collected from the staff will be used to fund the meal/presents. Can this be paid into the fund and paid out later?

A: No. The Governors must ensure there is integrity in the accounting for these funds. This fund should not be used as a holding account but only genuine collection of funds for the benefits of the pupils.

Model School - Voluntary Fund Policy

Rationale

The objective of the voluntary fund is to enable ----- School to control funds not allocated by the LA.

1. Purposes

1.1 To safeguard the donations made by parents, friends and voluntary bodies to the School

2.1 To ensure that when funds are provided they are used to the benefit of the pupils of -----School

2. General Policy

2.1 The Governing Body to approve the operation of the Fund, which will be administered in accordance with the recommendations in the Guidelines for Voluntary Funds issued by the LA.

2.2 The Head teacher to ensure that voluntary funds are accounted for separately from the school's delegated budget and are held in a separate bank account.

2.3 The Governing Body is to ensure that the fund is registered with the Charities Commission if required. (The annual income level above which registration is mandatory was revised in the Charities Act 2006 and currently stands at £100,000.)

2.4 The Governing Body to nominate a responsible officer to administer each fund

2.5 Any surplus funds to be invested for maximum benefit to the school, but allowing for access to funds when required.

2.6 The Governing Body to satisfy themselves that the fund is adequately insured to cover all risks associated with the operation of the unofficial fund. (Fidelity Guarantee)

2.7 The accounts are to be maintained within the constraints of the Guidance for Voluntary Funds issued by the LA.

2.8 The Fund's Auditors/examiners will be appointed annually by the Governing Body and it will be their responsibility to conduct the annual audit. The timescale for the preparation and delivery of the audited report to the Governing Body will be within three months of the Fund year end. The auditor/examiner should not be a member of the governing body.

2.9 No staff wages or salaries, expenses, honoraria or loans are to be met from the School's Voluntary Funds

3. Conclusions

The use of these funds is to benefit the entire student body. Contributions are raised through donations to the school and other fund raising activities and thus the benefit derived from this money must reach as many students as possible.

Guidelines for lay auditors of School Private Funds

Who can audit?

Unless you have a fund which is registered by the Charities Commission you do not need a qualified auditor or accountant.

A lay person can audit your accounts but Internal Audit's recommendation is that if you use lay auditors then two should be involved in the audit.

The person(s) who audit should not be involved in the management of the school. This means that governors should not audit private funds.

What is the nature of the audit?

This type of audit is usually described as an examination of books, and vouchers which support them to allow the auditor to satisfy themselves that the accounts have been correctly prepared and show a true and fair view of the financial affairs.

What is the scope of the audit?

The scope of the audit is really the decision you make about how much checking you will need to do. You do not always need to check every entry in the books.

Things you should consider when choosing transactions are: -

1. How material is it? I.e. how expensive or important is the item.
2. What is the volume of transactions? (If it's a small number then you are more likely to examine them all than if it's a large number.)
3. What are the rules or guidelines for spending money from this account? (The Governing Body or Head teacher should have a copy of these. If they don't then you will need to recommend that they devise some.)

There are different ways of deciding on how much checking you should do. For example you could check all the transactions for two or three months; you could chose every 5th transaction, you can chose all transactions over a certain amount plus some smaller ones. What is important is that you are happy that you have covered enough transactions of a reasonable spread and in enough detail to satisfy yourself that you have enough of a feel for the accuracy of the accounts.

What sort of things are you looking for when you look at the evidence for payment?

- Is it the sort of thing you would have expected the money to be used for?
- Does it breach any guidance which might exist for how the money should be spent?

- Does the expenditure relate to the year you are auditing?
- Has it been authorised in line with any guidelines your fund has?
- Does it add up, e.g. is it accompanied by receipts which add up to the total transaction?

How should you show that a transaction has been audited?

It's a good idea to tick things that you have examined in the books. Auditors traditionally use a green pen for this but it should be a colour not already used in the books.

You might need to use different kinds of ticks if you have checked the same item to two different documents. For example if you want to show that you have checked the transaction then tick it. But if you are checking the same entry to a bank statement you will need a different kind of tick. You can experiment with different symbols e.g. / or \ or Φ .

Don't be afraid to write on the bottom of a bank statement that Φ (or any symbol you've used) means you've checked this entry to the cashbook. Auditors are expected to leave evidence that they have been there!

How do I know where to start?

Attached to this document you will find a suggested audit programme. It covers the sort of audit you would be expected to do. This is the basic sort of things you will need to look at. You may want to look at other things too, depending on how large the fund is or if anyone has raised any concerns or issues about the fund.

Notes to the Audit Programme

a) Scope

Indicate, as appropriate, the extent of your examination of each test, e.g. All, 25% or every fifth item.

b) Initials

Put your initials in the box to show that you carried out the task

c) Remarks

Any remarks you want to make about a test should be entered here.

d) Auditors Report

Sign this to show that you have carried out the audit. You will also need to sign the Financial Statement

If you have any concerns at all about anything in the accounts then seek an explanation from the Head/Governors or Finance Officer as appropriate. If you do not get a satisfactory explanation then seek further advice, either from Internal Audit or Accountancy at London Borough of Hillingdon.

Do not be afraid to ask questions. You should never sign anything you are not happy with.