**Schools’ Accountancy Team**

School Fund Guidance

This document should be used in conjunction with the [Suffolk Scheme for the Financing of Schools](https://suffolklearning.com/wp-content/uploads/2021/07/2015-11-01-Scheme-for-Financing-Schools.docx). ***SECTION 2.8: AUDIT OF VOLUNTARY AND PRIVATE FUNDS***

SCHOOL FUNDS – GUIDANCE

School Fund

What is a school fund?

Voluntary and private (unofficial) funds are defined as any fund (other than the delegated budget) which exists for the purpose of a school and is established under the authority of the governors of a school. This includes monies collected from pupils/students for activities arranged by the school.

Voluntary and private funds must be administered and controlled separately from official monies. Proper accounts must be kept of receipts and payments relating to voluntary and private funds and an annual statement of accounts produced. The procedures for the administration and auditing of the voluntary and private funds are set out in the Finance Regulations.

School Funds History

Suffolk Schools have maintained a School Fund Account separate from the delegate Budget. It has become increasingly difficult for some schools to retain an honorary auditor for the accounts and therefore in recent years, as schools joined the Schools Delegated Budget Banking Scheme, Many Governing Bodies took the decision to amalgamate the Fund within the delegate Budget. Governing Bodies are free to make this decision at any stage in the future (and the decision may also be revoked at a subsequent meeting of Governors). Guidance of the procedures to be followed when transferring the fund can be found below and on [Suffolk Learning](https://suffolklearning.com/finance/schools-accountancy/banking/school-fund/).

Requirements of a School Fund

Schools maintaining a separate School Fund account are required to follow the School Fund Regulations which can be found on the Suffolk Learning Website.

Each Fund is under the control of the Schools Governing Body, Sound financial Records must be maintained and all bank accounts known to Governors. The Fund Treasurer (often the School Bursar or Secretary) will maintain the accounts on a daily basis.

It is essential that the Fund and the Delegated Budget monies are kept and accounted for separately, for example:

* Separate receipt books must be purchased and used exclusively for the fund
* Purchases ordered on an official delegated budget order form must not be paid for with a school fund cheque
* The income for activities paid from the Delegate Budget would not normally be received in the school Fund (although certain circumstances this is an option as the income will be transferred to the budget – See VAT below)
* Staff official reimbursements must not be paid by School Fund cheque

Bank Accounts

All bank accounts held by the school (other than the Delegated Budget Bank Account) under the control of the Governors are classified as School Fund. These accounts should be regularly reconciled, the cheque books etc. must be held as secure stationery by the administrative staff and the signatories to the accounts approved by the Governing Body. Individual members of staff must not maintain separate bank or building society accounts on behalf of the school.

School Fund Audit

On an annual basis the Governors are required to appoint an Auditor for the forthcoming School Fund year, this auditor should be known to the Headteacher and they must be independent i.e. conform to Pecuniary Interest requirements. Governors should be satisfied that the appointment is appropriate before granting approval. It may not be possible to appoint an Honorary Auditor and many Funds now employ professionals to undertake the audit as a result.

The Auditor will undertake a full audit of the accounts at the close of the School Fund Financial Year (most commonly September). Each set of accounts should be signed by the Headteacher, Treasurer, and by the Auditor following completion of the work. The Auditor should raise any discrepancies in the accounts with the school and may need to make a note to the accounts as a result of the discussions, the Schools Accountancy Team should be informed of any significant irregularities immediately. As part of the documentation for the audit the Headteacher completes a certificate confirming the name and address of the Auditor. The Auditor signs a declaration certificate at the completion of the audit to confirm the work undertaken.

The audited accounts must be presented to governors at their next full meeting (usually the Autumn Term) along with the completed Headteacher and Auditor certificates. Copies of these documents should then be forwarded to the Schools Accountancy Team for their records. As prime records, the original documentation, receipts, cheque stubs etc must be retained by the school for 6 years plus the current year. These certificates may be downloaded from [Suffolk Learning](https://suffolklearning.com/finance/schools-accountancy/banking/school-fund/).

School Fund and VAT

Governors should be aware of current VAT registration thresholds; the school must take appropriate action to remain lawful where separate School Funds are expected to exceed the limits. [Guidance on VAT can be found on Suffolk learning website](https://suffolklearning.com/finance/schools-accountancy/financial-management/vat/).

Separate School Funds frequently wish to contribute to the resources of the school. Where Funds are not VAT registered they cannot reclaim the VAT element on any purchases made. However, where the purchase is for the school (but is to be paid from School Fund) then the purchase may be made through the Delegated Budget, the School Fund will subsequently transfer the net amount (less any VAT charged) to the Budget. This procedure cannot be used as a method of avoiding paying VAT for non-school purchases.

Charity Commission

Schools maintaining a separate School Fund may be required to register with the Charity Commission; further advice can be obtained from the Charity Commission’s website:

www.charity-commission.gov.uk

School Fund in the Budget

Administrative procedures will normally be simplified for schools maintaining School Fund within the Budget. CFR requirements are such that the majority of income and expenditure which would have passed through a separate fund can be directly classified to the appropriate headings.

There are likely, however, to be certain transactions which cannot rightly be classified as school purchases/incomes (for example: money collected in order to purchase a leaving gift for a member of staff). Particular attention must be paid to the VAT element of these types of transactions (in the above example if the gift purchase included VAT then the income banked must also have VAT accounted for in order that the school did not ‘profit’ as a result), further guidance on this issue can be found in the [VAT guidance on the Suffolk Learning Website](https://suffolklearning.com/finance/schools-accountancy/financial-management/vat/).

There are two unique Ledger Codes (85803: income, 38894: expenditure) to be used for these types of transactions, they are not currently included within CFR reports. Appropriate Cost Centres will be maintained by the school for the ‘non-budget’ School Fund type transaction occurring through the Delegated Budget, Governor FMS6 UDR termly reports include summaries of total expenditure and total income on these unique Ledger Codes.

Transferring School Fund into the Budget

Governors and schools considering transferring the School Fund into the Delegated Budget should consider the following:

Advantages:

· No requirement for annual audit

· Reduces administration time and requirement for training new staff

· No requirement to register with the Charity Commission

Disadvantages:

· VAT implications for ‘profit’ on disco tickets, upper/high school uniform sales, other ‘trading’ activities etc.

· Unable to benefit from covenants and gift aid

· Care must be taken when accounting for leaving gift collections etc.

Schools wishing to transfer the School Fund into the Delegated Budget must adhere to the following procedures *(*[*There is also a ‘step by step’ guide on Suffolk Learning*](https://suffolklearning.com/finance/schools-accountancy/banking/school-fund/)*):*

· Whole Governing Body decision to close separate fund & transfer to Delegated Budget – minute decision, agree & record commencement date

· Cease use of School Fund cheque book; allow time for clearing of cheques etc through bank

· Obtain closure/transfer value from bank

· Close bank account and arrange transfer of full balance into the Delegated Budget

· Obtain closure bank statement showing zero balance

· Minute transfer balance and date of transfer at the next Whole Governing Body meeting

· Finalise the School Fund accounts and submit for independent audit

· Present the audited accounts to the Whole Governing Body – minute

· Send a copy of the final audited accounts to the Schools Accountancy Team

The Headteacher will be expected to sign a declaration to confirm the authorisation for closure and transfer of monies, this declaration can be found on the [Suffolk Learning Website](https://suffolklearning.com/finance/schools-accountancy/banking/school-fund/).