

Section 11: Voluntary funds

11. Why is this area important

Voluntary funds (or “Unofficial Funds” as they are generally termed) often provide schools with a substantial additional source of income. Although such funds are not public money, the standards of the guardianship of these funds needs to be as rigorous as those for the administration of the school’s delegated budget. Parents and other benefactors are entitled to the same standards of stewardship for such funds. An accountant who is completely independent of the school must certify voluntary fund accounts.

This section applies to voluntary funds, which belong to the school. Funds held by other organisations, such as PTA’s, have similar standards of stewardship, but the management aspects relate to the PTA and not the governing body or LA.

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11.1. Separate accountability

Separate accountability

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

- In order to preserve the integrity of the funds, schools must keep unofficial funds and official funds records separate, and various computer packages are available, although manual records are acceptable.
- Unofficial funds are not public funds, but parents, students and supporters of such funds are entitled to expect that they will be managed and controlled as if they were public funds.
- An unofficial fund is defined as any fund established to support school activities but generated by funds, which are independent of schools' official resources.

Registration with the charity commission

The governing body should ensure that relevant voluntary funds are registered with the Charity Commission.

11.2. Legal position

- Any institution or fund, which has exclusively charitable purposes and meets the minimum requirements for registration (basically, where income from all sources amounts to more than £5,000 per annum), must be registered as a charity.
- The issue arises as to whether all schools' unofficial funds should be so registered. The Charity Commission has indicated that, when looking at school funds, it has to consider carefully whether the fund in question is governed by a charitable trust for the advancement of education or is merely designated for educational purposes. The latter will not be an exclusively charitable purpose because the designation is revocable. The distinction is a fine one.
- There has not been a definitive statement to the effect that all school funds are charitable. Each case needs to be considered on its own merits. In practice it is suggested that if a school is interested in registering its fund as a charity it should contact the Charity Commission on 0845 3000 218 or visit

<http://www.charitycommission.gov.uk/publications/cc21.aspx> and the local tax office.

11.3. Implications of charity status

- There are both advantages and responsibilities attached to becoming a registered charitable trust. Similarly the requirement for proper accounting processes already exists in the Council's financial regulations. Schools will therefore need to consider very carefully their own circumstances and decide whether or not they wish to pursue charitable status or indeed whether their fund may be such as would be legally required to be registered.
- The benefits of registering as a charitable trust are:
 - i. Tax relief may be claimed on interest paid on balances.
 - ii. VAT paid on purchases may be reclaimed.
 - iii. Donations may be made by deed of covenant upon which tax relief may be claimed.
 - iv. Non-domestic rate relief may be claimed.
- Proper books of accounts must be maintained and financial records kept for a minimum of seven years.
- Accounts must be submitted to the Charity Commissioners either annually or as requested, depending upon the precise nature of the fund. For detailed guidance on Charitable trust status and the advantages and disadvantages that they can afford, please visit the Charity Commission's website as above.

11.4. Roles of a charitable trust

Appointment of a treasurer

The governing body should ensure that relevant voluntary funds are registered with the Charity Commission.

Appointment of an accountant

The governing body should appoint an accountant who is independent of the school. The accountant should not be a member of the governing body.

- The governing body must be made fully aware of all voluntary funds and must nominate a responsible officer to administer each fund.
- Any account with a gross income in excess of £5000 should be compiled by a CCAB qualified accountant (CIMA, ACCA, CIPFA or AAT).
- Unofficial funds are the responsibility of the governing body. The Financial Statements, comprising a simple income and expenditure account, a balance sheet and a certificate, must be presented to a meeting of the full governing body annually. Interim financial statements for the funds should be presented regularly to the governing body or its finance sub-committee during the year.

Standards of financial accounting

The head teacher should ensure that the same standards of financial accounting, which apply to income and expenditure for the school's delegated budget, are applied to the voluntary funds.

- The governing body must ensure that essential controls such as:
 - i. Separation of duties maintaining proper documentation and accounting records (e.g. a cashbook).
 - ii. Performing regular bank reconciliations (which are independently checked).
 - iii. Payment authorisation procedures.
 - iv. Income receipting procedures.

Treatment of income

The head teacher should ensure that the same standards of financial accounting, which apply to income and expenditure for the school's delegated budget, are applied to the voluntary funds.

Accounts

The head teacher should present the Financial Statements, the certificate and a written report on the accounts to the governing body as soon as possible after the end of the accounting year.

- The accounts must be compiled annually. The accountant must be asked to complete a certificate. A suggested wording might be "I have checked the records and supporting documents related to theschool Unofficial Fund for the year ended and verified that they form an accurate record of the transactions which have occurred and the balances which are held".

- A copy of the Financial Statements of the unofficial fund must be kept for Internal Audit purposes.

Two cheque signatories

The head teacher should ensure that every cheque drawn against a voluntary fund bank account is signed by two signatories authorised by the governing body.

- All cheques must be signed by two signatories. When a signatory receives a cheque to be signed it must already contain the payee and amount, and must be accompanied by the supporting invoice or documentation.
- To avoid problems in contacting signatories, it is advisable to have more than two signatories to the bank account. However, the number must be restricted (perhaps to the head teacher, deputy head and a senior member of staff), and any signatory must be in a suitably senior position in the school. The governing body must formally approve the financial authorisation limits of the members of staff responsible for administering the unofficial funds.

Income banked monthly

Any voluntary fund income should be paid into the relevant bank account at least once a month and in accordance with Insurance requirements.

Issue of receipts

Receipts should always be issued for any donations or income entering voluntary funds.

Regular reconciliations

The head teacher should ensure that regular reconciliations between the accounting records and bank statements are undertaken and independently reviewed.

- Should any member of the school's staff suspect that there is any irregularity by any person in the operation of the fund they must immediately report it to the head teacher, or, exceptionally, direct to the Internal Audit Section. The head teacher must, when informed of a

suspected irregularity, report it to the Internal Audit Section immediately. Evidence of reconciliation and review should be retained.

Insurance cover

The governing body should ensure that voluntary funds are covered by insurance, including fidelity guarantee insurance.

- Schools must ensure that they have adequate insurance to cover all risks associated with the operation of the unofficial fund. LBE provides cover to include losses from unofficial school funds, subject to policy conditions. The policy had been extended to governors. It is, however, for the governing body to satisfy themselves that any other risks are covered. ([Refer to section 12 Insurance](#)).

11.5. Use of funds

- Schools should ensure that funds are used appropriately, in an open and transparent way, and for the benefit of pupils, in accordance with what the funds were raised for e.g. the betterment of pupil attainment and achievement. Contributions to staff Christmas meals/trips out etc. are not an appropriate use of funds.