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Introduction

1. Introduction

- 1.1 These guidance notes contain advice on best practice for the operation, accounting and audit requirements for school fund and other unofficial funds. They have been prepared to help schools organise and manage their funds in an appropriate way.
- 1.2 It is strongly recommended that the Governing Bodies of all maintained schools should formally adopt these guidelines so that staff handling these types of funds understand their responsibilities in operating them, and do so to the highest standards of financial integrity and public accountability. Any subsequent breach of these guidelines, may, in itself, warrant disciplinary action.

2. Definitions

- 2.1 Official funds are defined as any funds provided by the Local Authority, or other body, to meet the Local Authority's legal requirements to provide education. Examples of funds include:
 - School Budget Share
 - Devolved Capital
 - Pupil Premium
 - Sports Premium
 - SENAR funding
- 2.2 Official funds may also include other monies, received by schools, for specific projects, which are required, as conditions of those funds, to be dealt with through the school's official financial management accounting system (e.g. FMS/CMIS).
- 2.3 Petty cash is an 'official fund' and guidance and regulations for the management of petty cash accounts can be found in the Policy chapter
- 2.4 Unofficial funds, for schools' purposes, are defined as funds, operated wholly, or in part, by any employee of the school, because of his/her employment, for which the Local Authority does not have a statutory requirement to provide the resources for which the fund is being used. Examples of such funds include:

and available for inspection by any member of staff, Governing Body or Internal Audit.

3.3 Internal Audit

3.3.1 The Fair Funding Scheme requires a continuous internal audit of all accounting, financial and other operations within s

✍ **Accounting**

5.1 Clear, comprehensive

school in a voluntary capacity or for providing hospitality, meals etc. for staff or visitors.

- 8.3 Governing Bodies should make sure that all staff at the school are aware of the guidelines so that expenditure incurred is appropriate and reasonable.

Payments and

- 9.1 All payments should be made by cheque wherever possible. Where cash payments are required, they should be dealt with from a small petty cash imprest, maintained for that reason. This imprest should be reimbursed, by cheque, from the fund's main account. Income received **no** be used for making cash payments, because experience has shown that no adequate audit trail is ever maintained. Ideally, if a small cash float is maintained, the person operating the float should not be involved in the collection or receipting of income, (see Section 11). Staff **n** borrow cash from the float, for their own personal use, or cash personal cheques through any unofficial fund.

- 9.2 All expenditure must be supported by properly certified receipts or invoices, which must be retained on file for audit purposes. Official school orders **no** be used for goods/services, which are to be paid for from unofficial funds, except where the Local Authority's VAT recovery scheme is being used (see Section 10 below). The receipts and invoices should be cross-referenced to the cashbook. Staff must not, under any circumstances, use the school fund for purchasing personal items, even if the fund is subsequently refunded.

- 9.3 There should be at least three cheque signatories on the bank mandate, whenever an account is opened. Cheques and stubs must be completed in full, which at least two signatories should check and agree, before signing. Two signatories must be required for each cheque issued. Cheque stubs must be completed in full.

Blank cheques should not be kept in any cash book.

- 9.4 The cheque book should be kept in a safe place at all times. Governing Bodies and Head Teachers are reminded that the Local Authority's insurance does not cover them for the loss of the cheque book, should it be stolen or otherwise mislaid.

- 9.5 Cancelled cheques must be retained for audit purposes. Completed cheque books should be retained for audit purposes, and for a period of six years after the audit is completed.

- 10.6 If Head Teachers are in any doubt about whether a proposed purchase can be made via the Scheme, they should contact the Finance Team, Internal Audit or Schools Financial Services for advice

Bank Reconciliation

- 11.1 All bank accounts must be reconciled with the cash books on a monthly basis. A written record of the reconciliation must be kept for audit purposes. Wherever possible the reconciliation should be undertaken by someone who is not involved in writing up the cash book. If this is not practical, then the Head Teacher or another member of the senior management team should review the reconciliation. The reconciliation should be signed to indicate that

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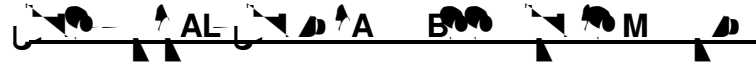
by the Local Authority. However, it should be borne in mind that, interest earned on cash deposits and profits, generated by the activities of unofficial funds are, in principle, subject to tax.

- 14.2 The Governing Body or Head Teacher should contact the Finance Team if they have any doubts concerning the possible liability of any of their funds to income tax.
- 14.3 The Finance Team should also be contacted for advice, if Governing Bodies or Head Teachers receive an assessment from HMRC for tax payable on any of their unofficial funds.

financial management system, in accordance with the guidance notes for school trips. Cash received for these trips is 'official' money and **no** banked into any of the school's unofficial funds.

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- 19.1 The operation of unofficial funds has proven to be an area susceptible to fraud. Birmingham Audit has therefore produced a self-evaluation questionnaire, for schools to use, to review the operation of their unofficial funds. This is intended to help schools to identify the risks of managing these accounts and produce an action plan for any areas where controls can be strengthened.
- 19.2 The questionnaire is included at **A. n** There is no need to return it to Birmingham Audit. However, it is recommended that Governing Bodies and Head Teachers ensure that the questionnaire is completed and action taken as necessary. The questionnaire may be referred to during Birmingham Audit's routine school visits.



FOLIO 1

DATE:	DETAILS	CASH/ CHQ	BANKED	TOTAL REC'D	GENERAL DONATION	SCHOOL PHOTO- GRAPHS	NSPCC	TUCK	PTA	SWEAT SHIRTS	OTHER
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EXAMPLE OF A RECEIPTS AND PAYMENTS ACCOUNT

A	LL MA		AYM
A	LL MA	Y A	MA XX

	INCOME £	PAYMENTS £
BALANCES BROUGHT FORWARD		
CASH	21.34	
BANK	235.32	
	256.66	
SALES OF SWEETS	135.93	
SALES OF CRISPS	269.23	
SALES OF BISCUITS	87.93	
SALES OF DRINKS	382.19	
PURCHASES OF SWEETS		110.25
PURCHASES OF CRISPS		200.00
PURCHASES OF BISCUITS		61.22
PURCHASES OF DRINKS		225.67
BALANCES CARRIED FORWARD:		
CASH		6.51
BANK		528.29
	£1131.94	

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SALE OF CRISPS	475.42
SALE OF SWEETS	235.78
SALE OF BISCUITS	702.72

As of 31st March 2017

ALL MAN A BALANCE

	£	£
BROUGHT FORWARD	1344.75	
EXCESS INCOME FOR THE YEAR	436.22	
BALANCE CARRIED FORWARD		<u>1780.97</u>

SFPM: School Fund & Other Unofficial Funds

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3.1 Are authorised cheque signatories clearly identified?	A	Y

3.1 Are authorised cheque signatories clearly identified?

3.2 Are procedures in place to ensure cheques are not

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