**Auditing Voluntary and Private Funds**

The most common type of private account held by a maintained school is a ‘school fund’.

The Scheme for Financing Schools (the Scheme) requires that a Governing Board submits annually to the Local Authority audit certificates in respect of all voluntary and private fund bank accounts it holds and of all accounts of any trading organisation that is controlled by the school. The Governing Board must also submit the externally audited accounts of any companies established by the school.

This requirement applies to all maintained schools, including community, trust, voluntary aided, voluntary controlled and foundation schools.

Failure to submit the required information incurs 10 penalty points on the LTFM Scorecard, with 5 points being removed on subsequent receipt. However, more importantly, failure to satisfactorily audit private and voluntary accounts on an annual basis means that the school is not compliant with the requirements of the Scheme for Financing Schools.

**Submission to the Local Authority**

As part of the annual year end closedown process, within the March Bank Reconciliation return, the Authority requires schools to provide some summary information on their companies and private and voluntary accounts. This information enables the Authority to identify separately the accounts held by each school. The information provided within the March Bank Reconciliation return however, does not constitute the submission of an audit certificate and does not replace the requirement for an audit certificate, or a copy of audited accounts, to be annually submitted.

The vast majority of maintained schools operate some form of additional private or voluntary bank account, even if this is just a school fund account.

The Authority expects, by the end of December annually, that accounts will have been audited up to either the end of the previous financial year or the end of the previous academic year. The Authority expects that schools will submit a copy of the audited accounts **or** an audit certificate, as soon as these are available but by the end of December at the latest.

Submissions should be made by email to School Funding Team

schoolfundingteam@bradford.gov.uk.

In submitting the certificate to the Authority, the school is required to confirm the date the Audit Certificate was approved by the school’s Governing Board. A statement on this in the email in which the information is submitted, is sufficient.

**What is an Audit Certificate?**

An Audit Certificate is a statement, which is signed by an Auditor, that provides basic information and assurances.

The Certificate **must** include as a minimum:

* The opening balance (the opening balance must match the previous year’s closing balance as recorded on the previous year’s audit certificate. Both the opening and closing balances must include any Petty Cash that is held as part of the fund).
* Total in-year income.
* Total in-year expenditure.
* The closing balance (including any Petty Cash held as part of the fund).
* Details of the bank account (s) used by the fund. Some schools provide a bank statement in support of their submission, but this is not a requirement.
* The name and status of the auditor clearly stated, confirming that the Auditor is independent. This must be stated in addition to the Auditor’s signature (as it is not possible simply from the signature to confirm who the Auditor is and that they are independent).
* The Auditor’s signature.
* The date of the audit.

The Guide to Financial Procedures provides guidance to Auditors on some basic checks recommended to ensure they are able to satisfy themselves that the accounts are a true reflection of the transactions of the fund (Appendix A to Section 4.2.3.) However, it is not necessary to submit all the working documents of the audit checks to the Local Authority.

Audit Certificates vary, but normally say something like:

* In my opinion the *(name of fund)* Account shows a true and fair record of ….. School’s income and expenditure.
* I certify that I have audited the *(name of fund)* Account for the year ending ….. and the records have been found to be correct.

**Do Governors need to see the Audit Certificate?**

Yes, copies of the audited annual accounts must be submitted to, and be approved by, the Governing Board.

In submitting the certificate to the Authority, the school is required to confirm the date the Audit Certificate was approved by the school’s Governing Board. A statement on this in the email in which the information is submitted, is sufficient.

**Do Auditors have to be external to the school?**

Schools with companies, and that are in control of other external voluntary fund accounts and trading organisations, must ensure that they comply with the specific requirements for the external audit of accounts and with any other requirements for audit that may be a condition of the fund.

More generally, regarding private funds such as school fund accounts, Internal Audit guidance states that the Auditor should be an **independent and appropriately qualified person.** This person does not have to be from an external body and does not have to be a qualified accountant. This person could be, for example, a maths teacher within the school, provided that they have no connection with the operation of the fund and that they also have a clear understanding of the principles of income and expenditure through their qualifications. Some schools operate reciprocal arrangements between finance staff in other maintained schools in their locality.

It is not appropriate however, for a School Governor to audit these accounts.

**What are the VAT implications?**

The Local Authority cannot recover VAT on purchases by a Private or Voluntary Fund. Therefore the school cannot make purchases on behalf of a School Fund and reclaim VAT.

If the Fund makes a donation to the school’s revenue budget, provided the purchase relates to the education curriculum, the school can then make a purchase and reclaim VAT. However, whatever is purchased must be ordered by the school, invoiced to the school, paid for by the school and the school must retain ownership.

If you have any queries on this guidance, please contact the School Funding Team.