



Unofficial Fund Procedures

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Unofficial Funds

1. Background

- 1.1 This document has been prepared to provide practical advice on the sound management and administration of unofficial funds. Unofficial funds are those monies which do not belong to the County Council but which employees are accountable for or have involvement with in the course of their work. All County Council employees involved in the management or administration of any unofficial fund are expected to follow these guidelines. This guidance applies to those unofficial funds with an annual turnover¹ of more than £1,000 or a year-end balance of more than £250. The guidance also applies to all permanent sports or social clubs situated on County Council property. One-off charity collections, tea, lottery and similar funds are excluded.
- 1.2 Although unofficial funds do not 'belong' to the County Council, it nevertheless has a moral and professional responsibility to safeguard them. This document sets out best practice and minimum requirements that must be met by employees of the County Council involved in the management or administration of all unofficial funds. However, it cannot cover every possible situation. **In cases of doubt, staff involved should seek advice from their department's financial services manager.**

2. Summary of General Requirements

The general requirements that must be met in the management and administration of unofficial funds are:

- An appropriate financial and managerial framework should be established. The requirements depend on the size and nature of the Fund. Guidance is provided in Section 3 of this document.
- Unofficial fund bank² accounts must be clearly titled as to their purpose, but must not contain reference to WCC or an individual.
- A minimum of two people must sign cheques.
- Cheques must never be pre-signed.
- Bank accounts must be reconciled frequently (e.g. monthly) to the cashbook. Unofficial funds must never be allowed to go overdrawn.
- All income must be receipted and banked promptly and in total.
- Appropriate and accurate financial records must be maintained to account for all transactions. These transactions should be recorded electronically, or in a cashbook.

¹ 'Turnover' for this purpose is defined as either the total expenditure or the total income whichever is the larger.

² 'Bank' for the purposes of this document refers to bank/building society/post office accounts etc.

- All cash should be counted and reconciled in the presence of two people.
- Receipts/invoices must be retained in support of all payments. There is a requirement to keep the complete accounting records for six years plus the current year.
- Unofficial money must be kept completely separate from official WCC monies.
- A formal set of accounts must be produced for large funds and Clubs/Associations. These must be audited independently.

Each of these requirements is discussed in more detail in this document.

3. Financial and Managerial Framework

- 3.1 Financial control extends well beyond just the routine systems for collection of income, payment of invoices etc. Consideration must be given to the control framework within which transactions take place. The following sections outline the expected controls.

3.2 Types of Funds

- 3.2.1 Unofficial funds can fall into different categories:-

- **Clubs/Associations** are those funds, irrespective of annual income or expenditure, that are based on collecting money on a regular basis by way of subscriptions or membership fees.
- **Small funds** are those having an annual income or expenditure of not more than £10,000 or a year-end balance of no more than £2,000.
- **Large Funds** are those with an annual income or expenditure of £10,000 or more or a year-end balance of more than £2,000.

Where there is no income or expenditure for a number of years, but the balance remains over £2,000, an annual audit is recommended.

- 3.2.2 Different requirements apply to each of these types of funds. The following table presents the requirements of each type of fund:

Requirement	Clubs/Associations	Small Funds	Large Funds
Management Committee/Panel	✓	✓	✓
Fund Secretary	✓		✓
Fund Treasurer	✓	✓	✓
AGM	✓		
Audited Accounts	✓	✓	✓
Constitution	✓		✓

✓ represents an essential requirement

3.3 Management Committee

A formal Management Committee should be established for clubs/associations and for large funds. This Committee should:-

- agree the annual budget for the fund;
- monitor income & expenditure against the budget at least on a quarterly basis;
- establish authorisation procedures and limits and authorise major expenditure in principle before it takes place; and
- approve the audited year-end accounts annually.

The Management Committee must exercise overall management of the funds but take no part in day to day financial transactions.

For small funds there is still a requirement to have a management committee but it can be smaller and less formal. This small group of people, which might be referred to as a Panel, will act as decision makers in respect of the fund. They will be responsible for deciding how the fund can be used and will authorise major expenditure in principle before it takes place. They will canvas the opinion of the beneficiaries and/or donors where they feel it necessary before making decisions.

When arranging the duties of staff in relation to the activities of the fund, the Management Committee must ensure that no one is able to carry out all aspects of a transaction alone. Duties should be separated to ensure that the responsibilities of one person are automatically checked by another. This is known as an internal check. A person should not be placed in a position where it would be easy to misuse the funds or be accused of misuse of the funds.

3.4 Fund Secretary

The Fund Secretary should be appointed by the Management Committee and must be responsible for arranging and minuting the Management Committee meetings and the Annual General Meeting (AGM), if applicable.

3.5 Fund Treasurer

The Treasurer must be responsible for managing the fund's finances, including banking facilities and security of cash, and for producing a year-end statement of accounts. The Fund Treasurer is accountable to the Management Committee and must provide feedback to the Management Committee on the fund's financial activities.

The Fund Treasurer will also be responsible for ensuring there is an appropriate 'management trail'. This means that each transaction in a financial process should be documented in some way to show the various stages of the accounting process, e.g. there should be copy receipts for income collected, a receipt at each point that income changes hands, an entry should be made in the cashbook and the bank paying-in-book should show clearly when this income was banked.

3.6 Annual General Meeting

An Annual General Meeting (AGM) should be held at which the Management Committee reports on the fund's activities during the previous financial year. The Fund Secretary should arrange and minute this meeting. Any member of the club/association is eligible to attend and vote on matters shown in the agenda, which should include the audited accounts of the club/association.

3.7 Audited Accounts

For Clubs/Associations and Large funds, these take the form of Income and Expenditure Accounts and Balance Sheet. The accounts should be prepared by the Fund Treasurer and audited by an independent person (i.e. a person who has no direct financial interest in the fund) who is professionally qualified³ to do this work. A copy should be presented to the Management Committee and, in the case of clubs/associations, the AGM.

For small funds, these take the form of an Income and Expenditure account prepared by the Fund Treasurer, which should be endorsed by the Management Panel.

3.8 Financial Services Manager

Departmental Financial Services Managers are not allowed to be the treasurer, secretary or a signatory of any unofficial fund.

3.9 Constitution

Clubs/associations and large funds should have a formal constitution, which explains the governance arrangements for the Fund. This constitution should clearly outline:

- the objective/purpose of the Fund;
- the management framework;

³ i.e. the auditor should ideally hold a recognised Consultative Committee of Accounting Body (CCAB) qualification, or at a minimum, be a registered member of the Association of Accounting Technicians (AAT)

- the Management Committee members and the role they will take on the Committee;
- the duties of the Fund Treasurer;
- the frequency of the Management Committee meetings; and
- voting arrangements for clubs/associations.

4. Financial Administration

4.1 Bank Accounts

- 4.1.1 Unofficial fund bank accounts should be clearly titled as to their purpose and should incorporate the name of the fund, but not that of the County Council. The title should never include the name of an individual.
- 4.1.2 There should be at least two signatories to the accounts, i.e. each cheque should be signed by two people. However it is preferable for there to be a minimum of three signatories with any two to sign. Cheques should never be pre-signed by signatories.
- 4.1.3 Bank accounts should be reconciled frequently, preferably monthly, with the cashbook, and queries should be followed up immediately (see Bank Reconciliations).
- 4.1.4 Deposit accounts and investment accounts, e.g. with Building Societies, relating to the fund should be subject to the same controls as current accounts (or their equivalent).

4.2 Income

4.2.1 Receipts

All income should be receipted. Receipts can take many forms, the most usual being:

- receipts generated by a computerised accounting package;
- duplicate receipt book; and
- entries and signatures on payment cards held by payer (a duplicate record being maintained by the person collecting the money).

Receipts serve two main purposes. Firstly, they provide the payer with evidence that they have paid over money. Everyone who parts with money is entitled to a receipt from the recipient. Second, they are a means of recording the amounts of income received (and appropriate dates of the transactions) to assist in accounting and banking.

4.2.2 Counting Cash

Where cash needs to be counted and reconciled, wherever possible, two people should be present who both should agree the amount and sign a record.

4.2.3 Banking Arrangements

Income should be recorded in the ledger and banked promptly. All cash and cheques should be listed on both copies of the paying-in slip. For each cheque, the amount and the name of the payee must also be recorded.

4.2.4 Handover Procedures

If money is passed from one person to another it should be signed for in a 'cashbook'.

4.2.5 Income Generated By Sales

Income generated via sales, donations, fund raising etc, should be recorded in a ledger. The ledger should detail:

- date;
- amount collected;
- the signature of the person collecting the money; and
- type/description.

4.2.6 Stock Control

In those cases where stock is maintained, e.g. a sports club selling sweatshirts, a stock take should be done at the year-end, ideally by a person independent of the operation of the shop. The stock should be valued and this figure should be included in the year-end accounts. In addition, a check should be made as to the level of profit/loss from this activity. This figure should also be recorded in the year-end accounts.

4.2.7 Income From Events

Ideally where events such as fetes or functions have an admission charge, pre-numbered tickets or programmes should be issued. A record of the number of tickets sold and the cash received should be kept which should be checked and signed by two people. The income should be compared to the tickets sold and the unsold tickets should be kept securely.

4.2.8 Personal/WCC Money

Personal money should be kept entirely separate from unofficial fund money. Under no circumstances should personal cheques be cashed via the fund. WCC money should also be kept entirely separate from unofficial fund money.

4.2.9 Donations

Donations should be clearly identified in the ledger with a description of what the money can be spent on. This money should only be spent as intended by the donor and the expenditure should also be clearly identifiable in the ledger.

4.3 Expenditure

- 4.3.1 Wherever possible payments should be made by cheque.
- 4.3.2 Where payments have to be made by cash, draw cash from the bank for this purpose and keep full details, including receipts (vouchers), which account for the money spent.
- 4.3.3 Where cash is issued, it must be signed for by the person receiving it and the reason should be recorded. Appropriate authorisation must be obtained before a payment is made.
- 4.3.4 Vouchers (receipts or invoices) must be obtained and retained in support of all payments. Do not make payments on statements or copy invoices unless you are sure the payment has not been previously made.
- 4.3.5 Full details of payments must be made available to the cheque signatory when they are requested to sign cheques.

5. Accounting Records

5.1 Cashbook Maintenance

- 5.1.1 Appropriate financial records must be maintained to account for all transactions. This includes money paid into the bank. The date of every transaction should be clearly recorded.
- 5.1.2 The cashbook should highlight all the income and expenditure analysed over appropriate categories. This facilitates the production of year-end accounts and preparation of statements on net costs of individual events/trips/sales etc. For an example of the layout of a typical cashbook see Appendix A. A simple spreadsheet can be used for this purpose, or alternatively manual records can be maintained. If a computer based system is used, appropriate back-up arrangements and password controls should be established.
- 5.1.3 All cashbook entries must be supported by documentary evidence, e.g. statements of income collected, paid invoices. These vouchers should be numbered and cross-referenced in the cashbook.
- 5.1.4 The cashbook should be updated at least weekly or, if there are very few transactions, following every transaction.

5.2 Bank Reconciliations

- 5.2.1 The bank statement should be reconciled to the transactions in the cashbook on a regular basis, preferably monthly. This involves matching all the individual items of income and expenditure to the items on the bank statement and agreeing back to the balance held at the bank at a specific date. An example can be seen at Appendix B.

- 5.2.2 If a cheque is not presented within six months it becomes out of date and should be cancelled with the amount being deducted from the expenditure side of the cashbook.
- 5.2.3 Care should be taken to ensure that excessive balances are not built up on current accounts. Transfers should be made into deposit accounts, or higher interest accounts in order to receive a better rate of interest. Regular reviews of current accounts should be undertaken to ensure that balances are not excessively built up. Ideally, this should be done quarterly, but as a minimum annually.
- 5.2.4 Unofficial funds must never be allowed to become overdrawn.

5.3 Final Accounts and Auditing Arrangements

This section only applies to those funds where more specific guidance has not previously been provided, e.g. for school funds, the Warwickshire County Council Scheme for financing of Schools, which is based on Section 48 of the Schools Standards and Framework Act (1998) will apply. The Scheme requires schools to provide the County Council with audit certificates in respect of voluntary and private funds held by the school or trading organisations controlled by the school. The purpose of this provision is to allow the County Council to satisfy itself that public funds are not being misused.

- 5.3.1 At the year-end the accounts/statement of income and expenditure should be formally approved. There are different requirements for the different types of funds:-
- Small Funds should have an Income and Expenditure account prepared by the Fund Treasurer, which should be reported to and approved by the Management Panel.
 - Large Funds and Clubs/Associations should have a formal set of accounts produced. These take the form of Income and Expenditure Accounts and Balance Sheet (see Appendix C). These funds should be audited by an independent person (i.e. a person who has no direct financial interest in the fund) who is professionally qualified⁴ to do this work. Once audited, they should then be presented to the Management Committee for approval and should be made available for any interested party to examine.
- 5.3.2 Accounts must be prepared and audited within 3 months of the year end. Once audited, a formal AGM should be held at which the Treasurer should present the audited accounts.
- 5.3.3 The Audit process is much more than checking that the cashbook adds up and the accounts are in balance. The auditor is responsible for providing

⁴ i.e. the auditor should ideally hold a recognised Consultative Committee of Accounting Body (CCAB) qualification, or at a minimum, be a registered member of the Association of Accounting technicians (AAT)

assurance that the financial systems are sound and that the transactions are reasonable/consistent with the purpose of the fund.

- 5.3.4 WCC Internal Audit is responsible for carrying out investigations into suspected fraud and irregularities. This includes investigations into unofficial funds managed or administered by WCC staff. Any suspected irregularity must therefore be reported to the Audit Services Manager. WCC Internal Audit are not responsible for producing or auditing year end accounts for these funds.

6. Supporting Documentation and Retention of Records

- 6.1 Under current legislation all organisations are required to keep complete accounting records for six years plus the current year. All accounting records should be kept in a safe place e.g. a locked filing cabinet/cupboard.

7. Taxation

7.1 Income Tax and National Insurance

- 7.1.1 Funds should avoid employing staff. Where a Fund employs its own staff it must comply with Inland Revenue rules and in particular ensure that tax and National Insurance are deducted from payments. Employees of unofficial funds must not be paid through the County Council's payroll.
- 7.1.2 Funds sometimes engage consultants under a 'contract for services'⁵. In this case a supplier's invoice must be submitted for the work done. Prior to a payment being made to an individual, you must ensure that they provide you with a declaration that they are responsible for their own tax and National Insurance. If this declaration is not sought a fine can be imposed by the Inland Revenue for not deducting the appropriate tax and National Insurance. WCC are not liable for any such fines imposed.

7.2 VAT Registration

- 7.2.1 Unofficial funds are not part of the County Council for VAT accounting purposes. They escape involvement in VAT provided they remain small enough. If their taxable turnover is expected to exceed the current VAT threshold (£60,000 for the year April 2005 to March 2006, this limit is reviewed annually) they have to register for VAT. If you feel there may be any chance that you need to register for VAT purposes, please seek advice from:

HM Revenue and Customs
Tel: 0845 039 0129
www.hmrc.gov.uk

⁵ Further information on the distinction between employees and independent contractors can be obtained from your department's Financial Services Manager or from WCC's Contract Standing Orders

8. Charitable Status

- 8.1 There are advantages and disadvantages in being a registered charity. Additional administration will be necessary, and there are specific audit requirements. There may however be tax benefits.
- 8.2 Further information is available direct from:

The Charity Commission
Tel: 0870 333 0123
www.charity-commission.gov.uk

9. Insurance

- 9.1 WCC have no liability for any loss of money from any cause from unofficial funds, even if its staff are involved in managing them. Fund treasurers should ensure that separate and appropriate insurance arrangements are made for unofficial funds.

Example cashbook layout.

Cashbook

INCOME TRANSACTIONS								
Date	Description	Rect. No.	Petty Cash	Equipt.	Materials	Trip	Misc	Total Income
01/01/04	Bal b/fwd		56.00					1206.05
06/01/04	Xmas Fair	15		300.00			200.00	1706.05
08/01/04	Donation from FB	16				232.00		1938.05

EXPENDITURE TRANSACTIONS

Date	Description	V. No	Cheque No	Equipt.	Materials	Trip	Misc	Total Exp
03/01/04	Deposit - Blackpool Hotel	5	³¹⁶			1500.00		1500.00
05/01/04	Sainsbury's - ingredients	6	³¹⁷		22.50			1522.50
09/01/04	Xmas Fair Prizes	7	³¹⁸				167.03	1689.53

V No. = Voucher number.

Example Bank Reconciliation

	£	£
Balance at bank 31/03/04, statement no.385		2,560.47
Add receipts banked but not yet shown on the statement:		
29/03/04	157.00	
30/03/04	<u>770.50</u>	<u>927.50</u>
		3487.97
Less unpresented cheques:		
cheque No.		
500267	23.60	
500279	154.00	
500283	17.46	
500284	<u>227.44</u>	<u>(422.50)</u>
Total		<u>*3065.47</u>
Cashbook Balance		<u>*3065.47</u>

*NB * This is the total balance recorded on the income side of the cashbook, including any positive (and deducting any negative) carry forward, less the total recorded on the expenditure side of the cashbook. Any differences between these two figures must be investigated immediately.*

Example Format of Unofficial Fund Accounts

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31/3/03			
INCOME		£	£
Sponsor Day		1,000	
Miscellaneous		500	
Outings and Visits			
	Trip 1	2,000	
	Trip 2	8,000	
Donations		100	
Interest on Investment Funds		50	
Sundry Income		1,000	
			12,650
EXPENDITURE			
Materials		500	
Outings and Visits			
	Trip 1	2,000	
	Trip 2	8,000	
Books, Stationary and Equipment		1,000	
Ingredients		200	
Miscellaneous		550	
Donations		20	
TOTAL EXPENDITURE			12,270
SURPLUS OF INCOME OVER EXPENDITURE or EXCESS OF EXPENDITURE OVER INCOME			<u>380</u>

BALANCE SHEET AS AT 31/3/03				
		2001/2002		2002/2003
		£	£	£
Balance as at(the start of the financial/academic year)		2,500		2,000
Add (or)	Surplus of Income over Expenditure			
Subtract	Excess of Expenditure over Income	(500)		380
			<u>2,000</u>	<u>2,380</u>
Represented by :-				
Bank Account		1,000		1,000
Building Society Account		1,000		1,380
			<u>2,000</u>	<u>2,380</u>

AUDITORS CERTIFICATION	
I have examined the Income and Expenditure Account and Balance Sheet for the..... Fund for the period from to They are in accordance with the books and vouchers submitted and the explanations given to me. In my view, the above accounts give a true and fair view of the Fund's affairs.	
Signed
Name
Date