

Background

Radero were asked to review the school fund to ensure that its administration met all accounting and management requirements. This piece of work had been requested because the school had concerns over the quality and completeness of financial information.

Radero confirmed that the school fund account has had a significant number of transactions and that it appeared to have been used instead of the school's main bank account (leading to potential VAT inefficiency). There also did not appear to be receipts or back-up documentation for all transactions.

Approach

The year end for the school fund account is 31st August whilst the school year end is 31st March. As the focus was on transactions which ought to have gone through the main account, it was decided to look at all transactions within the current school year to date, i.e. 01/04/13 – 16/02/14.

Becky Wollaston, the Business Manager, provided a spreadsheet maintained by her predecessor, which itemised all of the transactions. This formed the starting point of the investigation.

Work Done

The school fund account was reconciled as at 01/04/13.

Document keeping prior to September 2013 was found to be haphazard, however documentation was eventually found for many transactions. This information was filed by Becky in transaction order.

Depending on the nature of the transaction, these were split into items which should have gone through the school fund, e.g. bouquets and cookery club, and items which should have gone through the main account and thus been reflected in the school's financial statements (budget versus actuals), e.g. learning materials and visits.

Documentation for the petty cash cheques was also found, sorted and recorded.

Coding of items to be moved to the main account was corrected to ensure consistency and accuracy.

A journal document was then created to enable the correcting postings to be made by Cheshire East.

Results

Income

Total income coming into the school fund account in the period	£ 38,665.69
Less : Insurance receipts transferred to main account	-10,920.00
Less : Income being transferred to main account (see breakdown below)	-26,599.14
Income remaining in the school fund account	<hr/> 1,146.55

£38,665.69 of income came into the school fund account in the period being examined. £10,920 of this related to an insurance receipt and had already been transferred to the main account. It had been shown as a donation in the school financial statements. This is being corrected by Cheshire East. Of the remaining income, £26,599.14 (as shown below) will now be shown in the school financial statements, leaving £1,146.55 in the school fund.

Transferred Income

	£
Water bottles	40.10
Visits/Events	17,643.79
British Council	4022.33
Teaching Income	525.00
Donation	3274.12
Uniform	1093.80
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	26,599.14

Total Expenditure

	£
Total expenditure from the school fund account in the period	36,408.46
Less : Transfer of Insurance receipts to main account	-10,920.00
Less : Expenditure being transferred to main account (see breakdown below)	-24,038.26
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Expenditure remaining in the school fund account	1,450.20

Included within the transferred expenditure is £6,900.32 for which no receipts could be found.

£4000.00 relates to payments to 2 other schools re the British Council project. It is possible that copy documentation could be requested. However, of greater concern is the lack of receipts and approval for £493.32 of petty cash expenditure. Although petty cash cheques are no longer cashed on this account, this clearly demonstrates that there was a significant lack of control, and potential for abuse.

Additionally, a large payment of £2,793.55 was made re a trip to Poland, £1665.85 of which remains unexplained. This is wholly unsatisfactory, and the new management is taking steps to ensure that a proper audit trail exists for future transactions.

Transferred Expenditure

	£
Petty Cash	650.00
Hospitality – milk etc.	242.40
Telephone	9.15
British Council	4403.95
Learning Materials	245.97
Subscriptions	392.95
Visits/events	16,903.90
DIFID	355.29
Uniform	834.65
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	24,038.26

By using the school fund account instead of the main account, the school missed the opportunity to reclaim VAT on its expenditure.

Re-stated school fund

	£
Opening balance 1.4.13	12,329.13
Re-stated Income	1,146.55
Re-stated Expenditure	-1,450.20
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Re-stated closing balance 16.2.14	12,025.48