



FINANCIAL GUIDANCE NOTES FOR PARENT COUNCILS

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1. INTRODUCTION

These guidance notes are intended to assist Parent Councils in maintaining financial records in line with good practice. If a Parent Council requires further guidance regarding the content of this document, or advice on any other finance or governance issues, the Internal Audit Section can be contacted by e-mail at internal.audit@highland.gov.uk

The contact for any Parent Council queries with the Council's Care and Learning Service is the Service Information and Support team at clinfoandsupport@highland.gov.uk

2. BANK ACCOUNT

Parent Councils will need to set up a bank account. The bank account should require any cheque payments to be signed by two designated signatories. It is good practice to have three designated signatories, so that payments can still be made on occasions where one signatory is unavailable. The designated signatories should be office bearers (e.g. Chair, Treasurer etc). Parent Councils should ensure that the signatories are not related to each other.

The use of online banking is permitted to enable appropriate transactions to be processed. The parent council is responsible for establishing a robust process for authorisation to ensure all payments made have relevant supporting documentation and are signed off by the authorised signatories. It would also be in order to document the parent council's agreement in terms of permitted access to the online bank account and it is recommended that access is restricted, for example 2 members of the parent council plus the Treasurer.

3. RECORDING FINANCIAL TRANSACTIONS

A record should be maintained of all transactions through the Parent Council's bank account. The record should include a description of the transaction, the date, amount and the current balance of the account. Where applicable, it is good practice to include the cheque or pay-in reference associated with the transaction. For Parent Councils with charitable status it may be beneficial to record whether the transaction relates to restricted or unrestricted funds.

The record should be kept up to date and regularly reconciled against bank statements to ensure that all transactions have been correctly recorded. It is important that if responsibility for maintaining the financial records is transferred to another person (e.g. if there is a change of Treasurer), that up to date records are passed to the new person as soon as possible. The records should also be signed off by both the outgoing and incoming Treasurer as evidence that the financial position at the time of the handover has been agreed by both.

The record of transactions should be made available for examination at Parent Council meetings, which will ensure that there is transparency surrounding Parent Council finances.

4. INCOME TRANSACTIONS AND FUNDRAISING

Where possible, a receipt should be issued for all income received. Income from fund raising events must be counted by two people immediately following the event. The income voucher/receipt should then be signed by the people who counted it and sealed to prevent any further money from being added or removed.

Income should be banked as soon as possible, and should be held securely until it is banked.

Following fund raising events, a record should be produced detailing the income generated and any associated costs to be deducted to establish the amount raised. This is particularly important if the funds have been raised for a specific purpose. The amount raised should be confirmed at the next Parent Council meeting.

5. EXPENDITURE TRANSACTIONS

All payments made by the Parent Council must be supported by a receipt or invoice that clearly details what the payment was for. The cheque number should be recorded on the supporting documentation so that it can be easily established which payment the documentation refers to.

The records supporting any cheque payments should be presented to both cheque signatories prior to them signing the cheque. This will enable them to examine the expenditure and to satisfy themselves as to the validity of the payment. If there are any anomalies, the cheque should not be signed until these are resolved.

Ideally, all payments should be made directly from the Parent Council to the relevant supplier. However, in some instances payment may have to be made by an individual who is then reimbursed by the Parent Council. Where this happens, the Parent Council should receive a request for payment from the individual, and a photocopy of the invoice or receipt received by the individual when they made the purchase.

Under no circumstances should cheques be pre-signed by any of the designated signatories for the bank account.

6. GRANT FUNDING

Grant funding received by the Parent Council should be used in line with any conditions associated with the funding. If the Parent Council is unclear if funding can be used for a particular purpose, clarification should be sought from the funder before any funds are committed. Failure to use funds in line with grant conditions could result in the funder asking for funds to be repaid.

7. CHARITABLE STATUS

Where Parent Councils have registered as a charity with the Office of the Scottish Charity Regulator (OSCR), they must comply with OSCR's requirements regarding annual reporting. There have been changes to OSCR's guidance regarding charities submitting receipt and payment accounts, which come into effect in financial years starting on or after 01/04/11. As a result of these changes, any charity whose constitution requires the accounts to be audited must subject the accounts to an audit by a registered auditor. As such, it may be appropriate for the Parent Council to consider amending the wording of their constitution from "audited" to "independently examined". OSCR accept that Independent examination of Receipt and Payment accounts is appropriate for smaller charities. The independent examination must be carried out by someone independent of the management and administration of the charity and whom the trustees believe has the required skills and experience to carry out a competent examination of the accounts.

8. YEAR-END ACCOUNTS

All Parent Councils should complete year-end accounts summarising their activities for the year. The accounts should be audited or independently examined in line with the requirements of the Parent Council's constitution and OSCR guidance if appropriate, and should be presented at the next Parent Council meeting.