



# **Preparation of School Accounts** A Guide for Accountants/Auditors

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## 1. Introduction

The Financial Support Services Unit (FSSU) was established by the Department of Education (DE) in 2005. All boards of management (boards) of Primary Schools, Voluntary Secondary and Community and Comprehensive schools are obliged to prepare a set of annual accounts. Annual accounts must be approved by the Chairperson and another member of the board. Under DE Circulars [0060/2017](#) and [0002/2018](#), it is stated that the annual accounts are to be prepared and submitted in a format outlined by the FSSU. The purpose of this document is to provide guidance to accountants/auditors on the preparation and submission of annual accounts.

## 2. Legislative and Regulatory Framework

The legislative and regulatory framework governing schools in the Primary, Voluntary Secondary and Community and Comprehensive sectors can be summarised as follows:

- The [Education Act 1998](#) This act provides a statutory basis for the education system. It sets out the rights and responsibilities for all involved in education.
- The [Department of Education \(DE\)](#) has the statutory responsibility to implement the Education Act including the funding of recognised schools and accountability for such funding
- The [Financial Support Services Unit \(FSSU\)](#) has issued financial guidelines that are applicable to all areas of the school's operations including activities not funded by the DE.
- The **trustees/patrons** of boards exercise a general supervisory role and are ultimately responsible for the financial well-being of the school. The governing document for each sector provides details of their requirements.
- The [Charities Act 2009](#) applies to all boards as each recognised school is legally classified as a charity. The Charities Act 2009 requires all boards of management to register their school with the Charities Regulator and comply with certain reporting requirements annually. All charitable organisations are obliged to report on their financial activities. To facilitate schools, the FSSU shares the required financial information with the Charities Regulator. This information is pre-populated in the Charities Regulator's annual report form for your school. Schools must review the information to ensure it is correct by the 30th June each year.
- **Revenue Commissioners** requirements for PAYE, VAT and RCT and other relevant taxes. [Board of Management Relevant Contracts Tax/Value Added Tax.](#)
- The **Central Statistics Office** requires all boards to submit financial information. The FSSU submit this information on behalf of boards from the accounts submitted online by the accountant/auditor.

### 3. Format of Annual Accounts

A standardised format for the preparation of annual accounts has been approved by the Department of Education. The annual accounts must be prepared using the [chart of accounts](#) developed by the FSSU. The FSSU will only accept accounts that are prepared using the approved format. The annual accounts should be prepared for the year ending August 31st each year to coincide with the academic year. The FSSU has developed a detailed [sample of school accounts](#).

The board is also required to provide a financial report to parents of pupils in the school. The FSSU has developed a recommended template for the [parent's report](#). Accountants/auditors are requested to prepare the parent's report for the board as part of the year end process.

### 4. Annual Online Submission process

A system of online submission of accounts has been approved by the Department of Education and is in operation in the Community & Comprehensive's, Primary and Voluntary Secondary school sectors.

Accountants/auditors will access a secure online cloud-based system to input the board's trial balance and to upload the PDF copy of the approved accounts. This process will ensure compliance for the board with the Department of Education, the Central Statistics Office and the Charities Regulator. Click here for the [User Manual](#).

In order to complete the submission process, the accountant/auditor must hold a current Practising Certificate, have Professional Indemnity Insurance and be a member of a Prescribed Accountancy Body under the supervision of IAASA.

**The deadline for the submission of the annual accounts is the 28<sup>th</sup> February.**

The board of management's annual accounts will be accompanied by a separate confirmation letter completed by the board. The template for this letter can be found on the FSSU website. This will allow the accountant/auditor to submit data to the online portal which is required by the Charities Regulator and the Central Statistics Office.

- **Suggested Timetable for the timely submission of Annual Accounts**

It is suggested that boards of management and their accountants/auditors comply with the following timescale to ensure the timely submission of annual accounts:

<b>Stages of School Annual Accounts Preparation</b>	<b>Date Deadline</b>
The school supplies all necessary financial information to the Accountant/Auditor for the school year ending on the previous August 31 <sup>st</sup> .	September 30th
The draft annual accounts are returned by the accountant/auditor.	November 30th

Once the school board of management is satisfied that the accounts are an accurate reflection of the school's financial situation, they are formally ratified by the board, signed by the Chairperson and one other board member. A copy should be forwarded to the trustees/patron.	December 31st or earlier as required by the trustee/patron
Accountants/Auditors are required to access a secure online cloud-based system and to input the school trial balance and upload the PDF accounts.	February 28th

The deadlines above should be seen as the latest dates at each stage of the procedure. Some trustees/patrons may require a shorter timescale. In any event, the timescale allows a maximum of six months following the end of the school year to complete the annual accounts for submission to the FSSU.

## 5. Financial Report to Parents

Under section 18 of the Education Act 1998, the board is required to provide a financial report to parents of students in the school. To comply with this requirement, we have provided a recommended template for this report which is available on our website. The parents report should be completed by the accountant/auditors for the board as part of the preparation of the annual accounts

## 6. Charitable Donations

A number of schools are availing of tax relief on Charitable Donations under the Taxes Consolidation Act 1997. It should be noted that income from transition year students, books and other payments which confer benefits on those making the payments should not be included in claims. Schools not in compliance could be subject to significant penalties by Revenue. Where applicable, can you please advise your schools of this when preparing their annual accounts.

## 7. Aspects of School Accounts Requiring Particular Attention

- a) Revenue Grants: The grants from the Department of Education (DE) should be processed through the income and expenditure account only when the conditions relating to the grant have been satisfied. The grants should be accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with.
- b) Capital Grants: These grants can only be used for the specific purpose intended and should be ring-fenced until required. The annual accounts should include a note to the accounts reconciling the opening grant balance carried forward, adding the grants received, deducting the grant money spent and agreeing the closing balance with the money in the bank account. The DE issues terms and conditions with each capital grant (including Summer Works Scheme Grants) which must be satisfied for the school to receive the grant.
- c) Prepayments and Accruals: A schedule of prepayments and accruals should be included in the annual accounts. It has been brought to our attention that in some cases unexpended grants, grants in advance, advance school generated income are not being deferred in the accounts. Please ensure that this is reviewed.

- d) **Bank Accounts:** All school transactions should be processed through the main school current account. Where other school bank accounts exist, they should be reflected in the annual accounts. In particular, bank accounts opened for DSP School Meals programme, social initiative programmes and by the school's parents' association/council must be incorporated into the annual accounts of the board. Schools are advised to keep the number of bank accounts to a minimum. Every single bank account opened in the name of the school should be controlled and monitored by the board of management.
- e) **Cash Control:** Controls and procedures in the school regarding the substantial amounts of cash processed through the school office should be examined and tested as part of the annual audit (if applicable). Schools are advised to collect school generated income using one of the companies providing cashless systems for schools.
- f) **Documentation:** A comprehensive filing system for retention of documentation relating all aspects of school finance should be in place and regularly evaluated.
- g) **"Netting Off" Income and Expenditure:** The school accounting system is designed to assist the board in managing its finances. To achieve this, schools are required to separate specific areas of income and expenditure so that the board is fully aware of the volume of cash handled by the school and how it is expended. It is critical that the various income and expenditure accounts such as Supervision and Substitution and school tours should not be "netted off".
- h) **Payroll:** It is recommended that schools use a computerised payroll package. All payments should be checked to ensure they are fully Revenue compliant.
- i) **RCT/VAT:** Registration and operation of RCT/VAT should be reviewed for Revenue compliance.
- j) **Deficit:** Where the Income and Expenditure Account reports a deficit in the current year this must be communicated to the board and the board must inform their patrons/trustees.
- k) **Opening Balances:** The monthly management accounts presented to the board must be accurate. To enable this, adjustments to the opening balances on the schools accounting system should be given to the school and posted to ensure that the closing balances per the financial statements agree with the schools accounting system. This should be completed once the financial statements are approved.
- l) **Management Letter:** Schools should receive a management letter detailing the weaknesses in their internal control systems and recommendations on ways to improve the systems.

## **8. Detailed Review of the Chart of Accounts**

The annual accounts must be prepared using the chart of accounts developed by the FSSU. The FSSU will only accept accounts that are prepared using the approved format.

The FSSU has organised the general ledger account codes into categories depending on type and this determines which category each account appears in the accounts. Set out below is a description of each category in the chart of accounts.

## 8.1 Code 3000 to 3899 Income

- 3000-3294 Department of Education Income: The main source of school income is grants payable to schools in the Free Education Scheme both on a per capita basis and for specific purposes. Many of the grants received by schools go into the general school fund to pay for school expenditures, as outlined below. However, some grants and income received may only be used for specific purposes. See section 9.4 on Ringfenced grants.
  - [Primary School Grants](#)
  - [Voluntary Secondary Schools Grants](#)
  - [Community & Comprehensive Grants](#)
- 3295-3299 Other State Income: Income received from other state bodies (Example: School Meals Grants received from the DEASP, HSE Funding)
- 3300-3599 School Generated Income This is income generated within the school from various activities or ventures such as locker rental, school administration charges and income from games and books. Fees charged by fee charging schools are included in this category.
- 3600-3899 Other Income
  - 3650 Voluntary Contributions - Contributions received from parents on a voluntary basis not connected to specific school activities.
  - 3851-3853 Restricted and Non restricted Fundraising - Fundraising income must be allocated to restricted or non restricted codes. Annual accounts must adequately identify, distinguish and report upon unrestricted, restricted and designated income to enable adequate reporting of income and reserves.

## 8.2 Code 4000-8999 Expenditure

- 4000-4299 Education – Salaries: All salaries (including PAYE, USC and PRSI) to private, part-time and substitute teachers and payments to teachers and other persons for education related services including bus escorts and state exam salaries
- 4300-4999 Education – Other: Expenditure includes all teaching aids, consumable materials and all expenses related to curriculum and education activities.
- 5000-5999 Repairs, Maintenance and Establishment: Current expenditure related to the upkeep and maintenance of school buildings, grounds, furniture, fittings and equipment, caretaking costs, cleaning, insurance, light, power and heating.
- 6000-6999 Administration: Administrative salaries and services, printing, postage, telephone and stationery.
- 7300-7850 Financial: Bank interest and charges.
- 8000-8999 Depreciation: Depreciation is an accounting method of allocating the cost of a tangible asset over its useful life and is used to account for declines in value over time. This is typically done at the year-end by the accountant/auditor.



## 9. Balance Sheet

The Balance Sheet is categorised into codes using the FSSU Chart of Accounts as follows.

**9.1 Code 1400-1699 Fixed Assets:** Fixed assets are long-term assets that a school has purchased and are used for the benefit of the school. Fixed assets include furniture, fittings, and equipment (FF&E), and ICT equipment and are recorded on the balance sheet.

- 1400-1412 Land and Buildings: Funds received/used regardless of source, for land and buildings are not reflected as fixed assets in the balance sheet of a school as set out in Section 15(3) Education Act – “For the avoidance of doubt, nothing in this Act shall confer or be deemed to confer on the board any right over or interest in the land and buildings of the school for which that board is responsible.” Capital funding can be applied for under the following categories:
  - Major Projects – large scale projects being delivered under the school building programme
  - Emergency Works – urgent works to schools that need resources as a result of an emergency situation or for alterations for inclusion of special needs pupil
  - Summer Works – small-scale building works, improvements to school buildings i.e. windows replacement, roof repairs etc.
  - Remediation Programmes – asbestos remediation programme and the mould management remediation programme

The accounting treatment is as follows:

<b>Accounting treatment for Grants received from the Department for Capital building project ongoing</b>			
		<b>Dr</b>	<b>Cr</b>
Income	Capital Building grant received from DE	1800 Current Account  Current Asset	3900 DE Capital Building Grant Income  Capital & Reserves
Expenditure	Capital Building Expenditure	3940 DE Capital Building Grant spend  Capital & Reserves	1800 Current Bank Account  Current Asset

The year after the capital building project is completed the capital building income recorded in nominal code 3900 and expenditure recorded in code 3940 should be transferred to the land/building fund account nominal code 3995 as follows in the school’s accounts.

<b>Accounting treatment for Grants received from the Department for Capital building project completed in prior year</b>			
		<b>Dr</b>	<b>Cr</b>
Income	Transfer of Income from DE Capital Project Income account to Land/Building Fund account	3900 DE Capital Building Grant Income  Capital & Reserves	3995 Land/Building Fund Account  Capital & Reserves
Expenditure	Transfer of DE Capital Building Grant Expenditure to Land/Building Fund account	3995 Land/Building Fund Account  Capital & Reserves	3940 DE Capital Building Grant Expense  Capital & Reserves

**The Department of Education requests that the amounts included in the Land/Buildings Fund code in the Balance Sheet be reviewed and corrected where applicable.**

### **Removal of Land and Buildings from the Balance Sheet of the board**

Land and buildings of a school are in most cases the property of the trustee/patron.

Boards and trustees/patron are advised to consider whether land and buildings should be accounted for on the boards balance sheet. Where a decision is taken to remove land and buildings from the balance sheet, a Land/Building Fund Account should be created into which the original cost of the land and buildings is transferred together with contributions towards the cost of these land and buildings e.g. State Grants, Fund Raising, Parents' Contributions, Donations, Trustee Contributions etc. This is a change in accounting policy and gives rise to a prior year adjustment.

**Note: In the case of fee charging schools, it is advised to obtain advice from your trustees and auditor before removing land and buildings from the balance sheet. The accounting treatment advised by the boards and trustees' auditor(s) will prevail.**

- 1420-1437 Fixtures, Fittings and Equipment: abbreviated as FF&E refers to movable furniture, fixtures, or other equipment that have no permanent connection to the structure of a building for example desks, chairs, appliances etc.
- 1440-1452: Motor Vehicles: motor vehicle purchased by the school for example a bus.
- 1460-1477: ICT: purchase of ICT equipment for example data storage device, computer, printer, scanner, whiteboards etc. This should include expenditure on ICT incurred from the ICT grant and non-ICT grant funding i.e. general school funds.
- 1480-1492: Other: Included alongside each fixed asset code is a code for accumulated depreciation. The accountant/auditor will perform this exercise at the end of the year.

### **9.2 Code 1700-1799 Current Assets**

- 1700: Sales Ledger Control – monies owed to the school for unpaid invoices issued for services e.g., hall rental
- 1705: Debtors – other monies owed to the school (that are not grants due).
- 1710: Stock – refers to class materials, cleaning materials and other consumable goods held in the school.
- 1720: Prepayments – expenses paid in advance of the next school year
- 1730 Grants Due – this section relates to grants due from State and other bodies for example, monies may be owed at the end of the accounting year from the State Exams Commission for the state exams held in June or retention monies due on capital projects.

### **9.3 Code 1800-1999 Bank Accounts**

The number of school bank accounts must be kept to a minimum. All monies received for the benefit of the school should be lodged in the main school bank account. The maintenance of proper books and records in a standardised format will facilitate the analysis of the sources of income and patterns

of expenditure. This reduces the need for separate bank accounts for the various sources of funding. All school bank accounts should be addressed to the 'Secretary of the board' at the school address.

All school bank accounts are to be included in the annual accounts, including:

- School Current Account
- Deposit Accounts
- Credit Union Accounts
- Credit Card Accounts
- Fundraising Accounts
- Building Project Accounts
- Linked/common Bank Accounts
- Student Council Accounts
- All accounts held by the parents association/council
- Cash Account
- Petty Cash Account

### **9.3.1 Parents Association/Council Bank Accounts**

Where a parents' association/council raises funds in the name of the school, the board must ensure that the association has adequate procedures in place to safeguard these funds.

All funds expended by the parents' association/council for the benefit of the school should be channelled through the school bank account. The funds should first be transferred from the parents' association/council to the school bank account and then paid out by the school.

The parents' association/council must present an income and expenditure report at the end of the year and the bank statements for incorporation into the annual school accounts. The parents' association/council bank accounts with supporting documentation should be provided to the board within a month of year end and passed over to the accountant/auditor.

### **9.4 Code 2000-2599 Current Liabilities**

- 2100 Creditors: Monies owed to suppliers for unpaid invoices at the period end.
- 2105 School Income Received in Advance: Schools may receive income for the following school year in advance for example, transition year charges, school administration charges and book rental income etc. This should be accounted for on the balance sheet so as not to distort the current year's income figures in the income & expenditure report.
- 2150-2152 Grants Received in Advance: Any grants received in the current school year that relates to the following school year and should be accounted for in the relevant codes 2150-2152.
- 2160-2186 Ringfenced Grants Unspent: The portion of unspent ringfenced grant balances must be carried forward to the next accounting year. These are accounted for at the end of the year using the relevant balance sheet code (2160-2186) in the chart of accounts.

The following grants are examples of ringfenced grants:

- Book Grant
- Supervision and Substitution Grant
- ICT Grant
- Minor Works Grant
- HSCL Grant
- Summer Works
- All Capital Grants
- Specialised Equipment Grants
- State Exam income
- Bus Escort Grant
- Schools Meal Grant
- Covid Related Grants
- Non Teacher Pay Grant
- Standardised Testing Grant

### **9.5 Code 2600-2699 Long term liabilities**

- 2600 Long Term Loan: If a board has a long-term loan with a financial institution or patron, it is accounted for in this section.

### **9.6 Code 2700-2710 Capital & Reserves Retained Profit**

- 2700-2710 Capital & Revenue Reserves: Retained surpluses/deficits on income and expenditure accumulated over previous years.

### **9.7 Code 3900- 3999 Capital & Reserves Contribution to Fixed Assets**

- 3900-3999 Contribution to Fixed Assets:  
Land and Buildings – summary of capital income and expenditure for land and buildings.

Other Capital Grants e.g. ICT grant, Furniture and Equipment grants

Building Fund Account – accumulated capital income and expenditure for land and buildings brought forward.

This includes codes for “accumulated amortisation of capital income”. This is an accounting method of reducing that value of a capital grant/contribution received in line with the depreciation charge of the relevant asset. This is typically done at the year-end by the accountant/auditor.

## **10. General Points for review for the preparation of annual accounts**

The chart of accounts serves as the foundation for a school’s financial accounts. It is important that the nominal accounts are reviewed before finalising the schools accounts. Below we have outlined some general points for reviewing the school’s chart of accounts:

### **10.1 Department of Education Grants**

- Review the nominal accounts to ensure the grants received have been categorised under the correct headings.
- Investigate any debit balances.

- Ensure grants received in advance have been accounted for at the year end.  
[Click here for information on grants received in advance.](#)
- Ensure unspent ringfenced grants have been accounted for at the year end.  
[Click here for information on unspent ringfenced grants.](#)
- Account for grants due at the year-end for example the state exam income.
- Check the Department of Education grants included in the nominal accounts to the Department of Education remittance statement.
- Compare the current year grants to the prior year grants and query any inconsistencies for example Book Grant included in prior year but no grant in the current year.
- The majority of grants received from the Department of Education, are paid to the school automatically based on student enrolment. There are a small number of grants that the school needs to apply directly to the Department of Education for reimbursement, based on costs paid out. In particular, the bus escort grant and the state exam grant. It is necessary to confirm that these grants have been applied for and accounted for in the correct accounting period.

## **10.2 Review of School Generated Income Section**

- Review the nominal accounts to ensure the income received has been categorised under the correct headings.
- Investigate any debit balances.
- Ensure school income received in advance have been accounted for at the year end.

## **10.3 Review of Expenses**

- Review the nominal accounts to ensure the expenses recorded have been categorised under the correct headings.
- Investigate any credit balances.
- Ensure a gross wages reconciliation has been prepared and that the full costs are included in the appropriate wages costs codes. For example, the Caretakers Wages Expenses code 5010 should be the gross wages cost including ER PRSI.
- Ensure that the VAT on sub-contractors has been included as part of the cost. For example, payment to the electrician for repairs on the school boiler amounted to €3000 and was posted to code 5310 Repairs to Buildings and Grounds Expenses. The corresponding VAT liability of €405 (€3000 X 13.5%) should also be posted to code 5310.

## **10.4 'Other' Income and Expenses**

These codes should be reviewed and any amounts that can be allocated to a more accurate income or expense category should be reallocated. The amounts in 'Other' income and expenses codes should be minimised.

Income Codes:

3290	Other Non-Capital DE Grant Income
3299	Other State Funding
3550	Reimbursable Income
3570	Other School Generated Income
3850	Other Income

Expense Codes:

4198	Other Educational Salaries Expense
4490	Other Subjects Expense
4910	Other Educational Expense
4914	Other Non-Capital DE Grants Expense
5800	Other Repairs and Maintenance Expense
6900	Other Administration Expenses
7800	Reimbursable Expenses

For example, included in code 4910 other educational expenses was an amount spent on a history trip to the historical site of Clonmacnoise. These expenses should be transferred to code 4710 School Tours Expenses.

## 11. Accounting Treatments

A full list of [accounting treatments](#) can be found on our website.