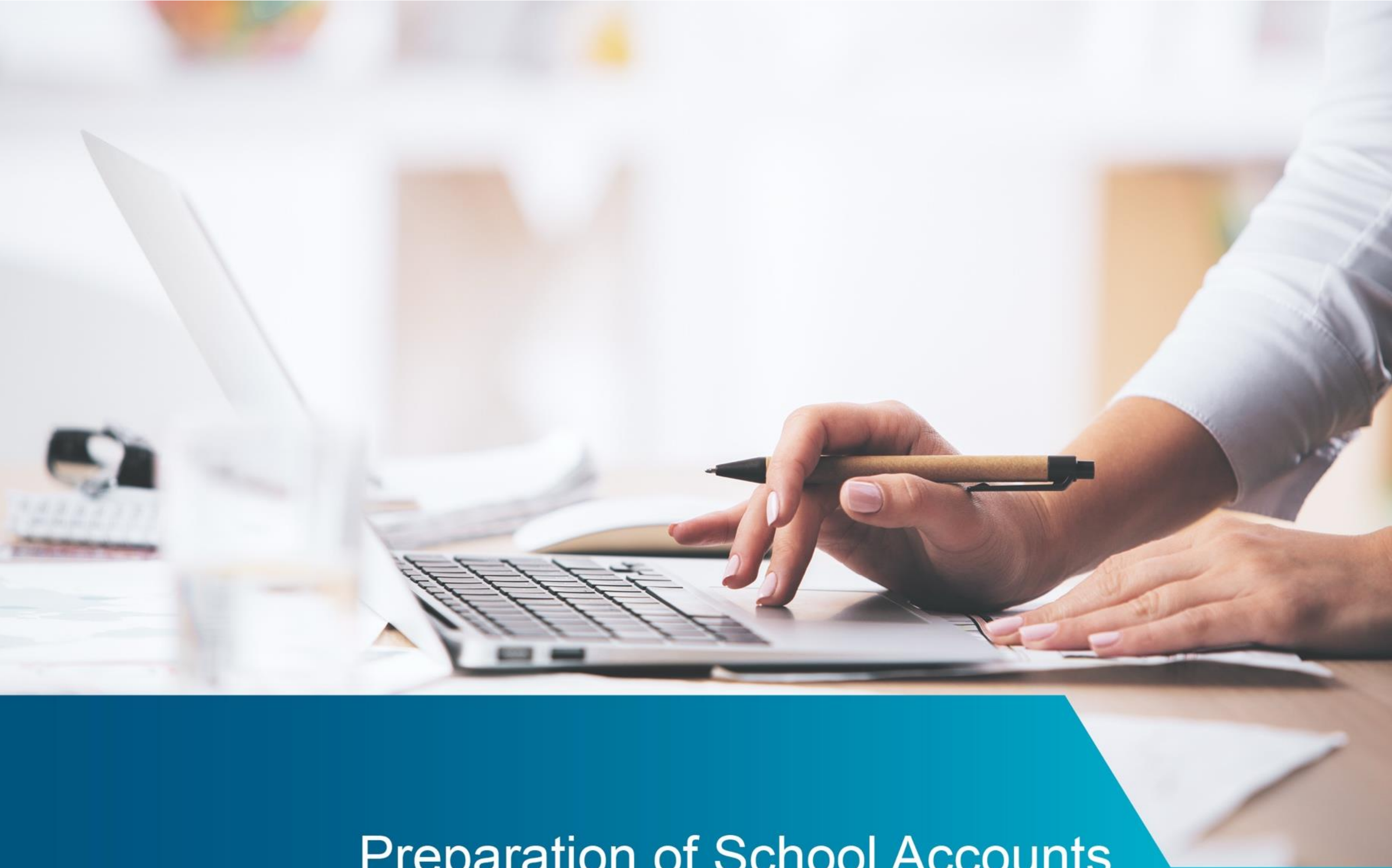

Preparation of School Accounts

A Guide for School Accountants/Auditors

FSSU
Financial Support Services Unit

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, 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 (this being the treasurer in primary schools). 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 of June each year. To minimise the number of changes the board may have to make to the annual return, we would appreciate if the data submitted to the online portal is checked for accuracy before the submission is processed. The FSSU recommends that responsibility for completing this compliance process should remain with the school. It is recommended that the board should appoint a member of the school staff or of the board of management to act as the authorised filer.

- **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 on the online portal 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 created a detailed recommended Accounts Format.

Accounting treatments to assist you with the preparation of school accounts and particularly in areas that are unique to schools can be found on our website.

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 and 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 Accounts Portal User Manual.

In order to complete the submission process, the accountant/auditor must hold a current Practicing 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 28th February.

- **Board of Management Authorisation Letter**

In order for the external accountant to submit data on the online portal, the board of management will complete a board of management authorisation letter. This letter can be downloaded from our website and will provide the accountant/auditor with the mandatory data 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:

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

Once the school board of management is satisfied that the annual accounts are an accurate reflection of the school's financial situation, the accounts should be ratified at a board of management meeting, and signed either physically or electronically as follows: Primary schools*:* by the chairperson and the treasurer of the board. Post-primary schools*:* by the chairperson and another board member. Please note in Comprehensive schools and Voluntary Secondary schools, the Principal is not a member of the board of management. Where a manager is in place instead of a board of management at the time of approval, the manager will approve and sign the annual accounts. The second signatory should be a nominee of the patron. A copy of the accounts 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, school administration charges 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. Revenue Enhanced Reporting Requirements (ERR)

The Finance Act 2022 introduced Section 897C which requires employers to report details of certain expenses and benefits made to employees and board of management members. Reporting the details of these expenses and benefits commenced on 1 January 2024. Boards of management as employers must report the details of these expenses and benefits paid to employees both on their payroll and those employees paid directly by the Department of Education.

8. MyFutureFund Auto-Enrolment

Boards of management, as employers, must comply with all obligations under the Auto-Enrolment Act 2024. Boards should register with the MyFutureFund portal even if employees do not currently meet eligibility criteria. Teachers/SNAs/Secretaries may be auto-enrolled on the school payroll, even where they are paying into a pension through the Department payroll and codes have been added to the chart of accounts to account for the employer contribution.

9. 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 Climate Action 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 and refer to recommended accounting treatments on our website.

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. All bank accounts opened in the name of the school should be controlled and monitored by the board of management.

e) Cash Control: Where substantial amounts of cash are processed through the school office, the school's cash control procedures should be reviewed and tested as part of the annual audit, where applicable. Schools are advised to use an electronic cash collection system to collect school generated income.

f) Documentation: A comprehensive filing system for retention of documentation relating to 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 day to day finances. To achieve this, schools are required to record all income and expenditure separately so that boards are aware of the total income received by the school and how it is spent. It is important that income and expenditure relating to school tours for example are not "netted off" and are recorded in the school accounts 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: A school board of management, in its capacity as a body established by statute and funded wholly or mainly from funds provided by the Oireachtas, is designated as a "principal contractor". Therefore, the board of management is responsible for complying with RCT requirements when making payments on relevant contracts i.e. construction or repairs on buildings and grounds. They are also required to complete VAT returns regularly, ensuring the VAT on any invoices for construction or repairs on buildings and grounds has been correctly disclosed.

   We would ask you to please advise the board of management of this requirement if they are not in 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) Year-end Adjustments: Schools are required to present accurate management accounts to the board at each board meeting. To support this, journals should be provided to account for any year-end adjustments made in the school's annual accounts. This will ensure that the closing balances in the financial statements agree with those recorded in the school's accounting system. This should be completed once the financial statements have been 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.

m) COVID Grants: where COVID related grants remain unspent on the Balance Sheet, the board should be advised that these unspent amounts should be returned to the Department of Education. The exception to this is the COVID Minor Works Grant.

10. 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.
Click here to download the chart of accounts.

10.1 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 11.4 on Ringfenced grants.

- [Primary School Grants]
- [Voluntary Secondary Schools Grants]
- [Community & Comprehensive Grants]

Please note where a school secretary has moved to the Department's payroll under the terms of circular 0036/2022, the Ancillary Grants (Ancillary, secretaries and SSSF grants) are reduced by the cost of wages that the school is no longer incurring.

- 3295-3299 Other State Income: Income received from other state bodies (Example: School Meals Grants received from the DSP, 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. Fees charged by fee charging schools are included in this category.

- 3600-3899 Other Income

  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.

10.2 Code 4000-8999 Expenditure

- 4000-4299 Education – Salaries: All salaries (including PAYE PRSI USC and Auto-enrolment) 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.

11. Balance Sheet

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

11.1 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
- Climate Action Summer Works Scheme – 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

See accounting treatment for Capital Building Grants for Building Project here.

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. See accounting treatment for Removal of Land and Buildings from the Balance Sheet of the Board here.

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.

11.2 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.

11.3 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 as follows:

- Community and Comprehensive schools: to the 'Principal' at the school address;
- Primary schools: to the 'board of management' at the school address; &
- Voluntary Secondary schools: 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

11.3.1 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.

11.4 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 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.

- 2160-2187 Ringfenced Grants/Income Unspent: The portion of unspent ringfenced grant/income 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 (2160-2187) in the chart of accounts.

The following grants are examples of ringfenced grants:

- Free Schoolbook 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
- Science Implementation Grant
- Mobile Phone Solutions Grant Unspent

11.5 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.

11.6 Code 2700-2710 Capital & Reserves Retained Profit

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

11.7 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.

Please note: Any unspent Capital Grant / Income balances should be recorded under 2173 Other Capital Ringfenced Grants / Income Unspent.

12. 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:

12.1 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, 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 Free Schoolbook Scheme 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.

12.2 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.

12.3 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 and if applicable Auto-Enrolment.
- 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.

12.4 Accounting for Utilities for Shared Campuses

Where schools on a shared campus share a utility connection, one school may be invoiced by the supplier and the cost apportioned between the schools using agreed criteria. Reimbursements should be recorded against the relevant expense category, such as heating, light and power or water, by both the paying and receiving schools. Any amounts due at year-end should be accrued in the accounts of each school, as appropriate.

12.5 Water Rate Liabilities

Water rate liabilities should be reviewed at year-end and any material amount outstanding at 31 August should be accrued or included as a creditor, where it relates to the period under review. Where the liability is disputed or uncertain, the accountant should consider the appropriate accounting treatment, whether the amount should be recognised as a liability or disclosed as a contingent liability, and whether the matter should be referred to in the management letter.

12.6 '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
4201	Other Employer Pension 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.

13. Accounting Treatments

A standardised format for the preparation of annual accounts has been approved by the Department of Education. Accounting treatments to assist you with the preparation of school accounts and particularly in areas that are unique to schools can be found on our website. Click here for accounting treatments.

14. Sample Accounting Policies

Sample accounting policies for the preparation of school accounts are available. These policies are based on guidance provided by the Financial Support Services Unit (FSSU) and should be adapted by each board of management to reflect the specific circumstances of the school. The policies may need to be customised to ensure consistency with the board's existing policies and procedures, and likewise, other policies and procedures may need to be updated to align with these accounting policies. Click here for sample accounting policies.

15. Provision of other services

For non-audit clients where an external accountant is providing services other than preparation of year end accounts, such as book-keeping, it is important that the following controls are in place:

- The board of management remains responsible for the accounting records and annual financial statements.
- The board of management approves all material accounting decisions.
- The accountant clearly documents their role and scope of services.
- The accountant applies professional scepticism when preparing year-end adjustments.
- Appropriate engagement letters are in place for the services provided.

For audit clients, where the auditor or audit firm also provides bookkeeping services, the auditor must ensure that appropriate safeguards are in place to protect audit independence and avoid a self-review threat.

16. Management letter

After the preparation of the accounts, the accountant should prepare a management letter for the board of management highlighting any issues identified and suggesting areas where internal controls can be improved.

17. Deficit

If the Income and Expenditure Account shows a deficit for the current year, or if the Balance Sheet reflects a net current liability position, this must be communicated to the board in writing through the management letter. The board is then required to inform their patrons or trustees of the deficit.

18. Year End Adjustments

Please provide the school's accounts secretary/bursar/treasurer with a list of year-end adjustments. It is important that these adjustments are given to the school as soon as possible to allow for those schools using accounts software packages to post the adjustments and roll forward the year end. In some cases, the school's accounts secretary/bursar/treasurer may require your assistance with posting these adjustments.