# P&C Accounting Manual

Version 4.4

**April 2021**

Queensland Government

Contents

# 1. Parents and Citizens' Associations

Under the *Education (General Provisions) Act 2006 (Qld)*, one of the main functions of a Parents and Citizens' (P&C) Association is to give, or assist to give, financial assistance, other resources or services for the benefit of students at the school for which it is formed.

In the performance of its functions, an association must comply with the *Education (General Provisions) Act 2006 (Qld)*, and any written directions the Minister may give the association about —

(a) complying with departmental policies that apply to associations; or

(b) a matter relevant to the performance of its functions.

This manual provides information and support to help state school P&Cs meet their financial responsibilities.

## 1.1 Legislative requirements

There are a number of legislative requirements outlined in both state and federal Acts and Regulations that P&C Associations must comply with, the key ones include:

| Queensland Legislation | Notes |
|---|---|
| *Education (General Provisions) Act 2006* | P&C Associations are formed under Chapter 7 of this Act, which prescribes:<br>Part 1 Formation, objectives etc. of an association<br>• giving, or assisting in the giving of, financial or other resources or services for the benefit of persons who receive educational instruction at the State instructional institution for which it is formed<br>• complying with departmental policies that apply to associations<br>Part 7 Financial provisions<br>• firstly, in paying expenses lawfully incurred by the association<br>• secondly, in achieving the objectives, and performing the functions, of an association<br>• an Association is a statutory body under the Statutory Bodies Financial Arrangements Act 1982<br>Financial year - An association must have a financial year starting on 1 January in a year and ending on 31 December in the year. |
| *Education (General Provisions) Regulation 2017* | Part 6 of this regulation prescribes:<br>Section 38 Adoption of constitution<br>Section 44 Annual general meeting<br>• (1) The annual general meeting of an association for a year must be held within 3 months after the end of the preceding financial year of the association.<br>Section 47 Audit of association's accounts<br>Section 48 Subcommittees<br>• Any funds raised by a subcommittee established by an association are the association's funds and under the association's control.<br>Section 49 Dissolution—Act, s 122 |

| Queensland Legislation | Notes |
|---|---|
| | • On the dissolution of an association formed for a State instructional institution, the following must be dealt with by the supervisor of the institution's principal, as directed by the Minister—<br>(a) any property in the name of the association;<br>(b) any funds of the association, after payment of any expenses lawfully incurred by the association. |
| *Statutory Bodies Financial Arrangements Act 1982* | The P&C Association is a statutory body under this Act and includes the following:<br>• banking powers<br>• borrowing powers<br>• investment powers<br>• financial arrangements<br>Part 2B of the Act sets out the way in which an Association's powers are affected |
| *Statutory Bodies Financial Arrangements Regulation 2019* | Governs the financial arrangements of a P&C Association<br>• Schedule 2 P&C Associations may borrow under part 5 of the Act<br>• Schedule 3 P&C Associations allocated category 1 investment power |
| *Collections Act 1966* | Part 3, section 13A, states the objects of P&C Associations under the *Education (General Provisions) Act 2006* are taken to be sanctioned under this Act and governs such things as record keeping, financial statements and audit. |
| *Collections Regulation 2008* | Governs the following fundraising requirements:<br>• appeals for support<br>• accounting requirements and record keeping<br>• general provisions<br>• charity registration |
| *Charitable and Non-Profit Gaming Act 1999* | P&C Association are deemed to be eligible associations under the Act to conduct certain gaming activities. The act prescribes:<br>• the different categories of gaming<br>• tickets, dealing with prizes and claims for prizes<br>• accounting requirements and record keeping<br>• audit requirements |
| *Charitable and Non-Profit Gaming Regulation 1999* | Outlines the requirements for the gaming activities including<br>• prizes (including prohibited prizes)<br>• refunds<br>• audits |
| *Workers' Compensation and Rehabilitation Act 2003* | Establishes a workers' compensation scheme for Queensland, providing benefits relating to workplace injuries or fatalities, and insurance for employers. |

| Federal Legislation | Notes |
|---|---|
| *A New Tax System (Goods and Services Tax) Act 1999* | Rules for GST, including:<br>• when and how the GST arises, and who is liable to pay it;<br>• when and how input tax credits arise, and who is entitled to them;<br>• how to work out payments and refunds of GST;<br>• when and how the payments and refunds are to be made. |

| Federal Legislation | Notes |
|---|---|
| *Fringe Benefits Tax Assessment Act 1986* | A fringe benefit is a benefit provided in respect of employment. This effectively means a benefit is provided to somebody because they are an employee.<br>A fringe benefit is a 'payment' to an employee, but in a different form to salary or wages. |
| *Taxation Administration Act 1953* | Outlines the tax requirements including the collection, recovery and administration of income tax. |
| *Superannuation Guarantee (Administration) Act 1992* | Super is money you pay for your workers to provide for their retirement. Generally, if you pay an employee $450 or more before tax in a calendar month, you have to pay super on top of their wages. The minimum you must pay is called the super guarantee (SG) |

# 2. Financial controls: Protecting against fraud and errors

P&C Associations must manage the risk of theft, fraud, misappropriation and mismanagement of funds by establishing appropriate financial procedures and controls. Controls may be preventive or detective. Internal controls an Association must undertake include (but are not restricted to):

Training

- Induction and ongoing training for all P&C executive members and their employees to ensure that they are aware of their obligations.
  - Information sharing processes to keep Association members informed of changes to relevant Departmental policies and procedures.

Segregation of Duties

- Segregation of duties to require more than one person to participate in a financial transaction so that no one individual has sole control and/or visibility over the transaction.
  - This can include physical access controls, division of duties and different security access levels.
- System controls to restrict individuals' physical ability to process transactions based on authority levels and to enforce segregation of duties (e.g. financial institution security tokens assigned to two separate authorisers).
- Independent checks, particularly where the availability of segregation of duties is limited due to small member numbers.

Authorisations & Delegations

- Delegations to limit individuals' expenditure authority (e.g. expenditure must be approved by the Association).
  - Processes to ensure high risk activities are properly authorised (e.g. the Principal's written authorisation is required before an Association can enter into a contract or written agreement).

Security

- Physical security of assets, confidential and financial information and important/accountable forms (e.g. petty cash must be kept in a locked box in a secure location).
- Maintenance of records to ensure changes in executive/membership is seamless and new members understand past decisions.

Reconciliations

- Reconciliations to detect irregularities and errors.
  - Oversight and review to identify errors in financial processes (e.g. financial statements are prepared by the Treasurer and reviewed and endorsed by the Committee).
  - Procedures to help regularly review and monitor the Association's performance (e.g. financial records and reports are tabled and reviewed at each meeting).

Reporting

- Process for raising risks and issues that might influence members' ability to act objectively or to act in the best interests of the Association (e.g. unfair recruitment of family members or friends applying for the role of paid tuckshop convenor).

Reporting mechanisms for unethical behaviour (e.g. inappropriate acceptance of gifts or benefits).Audit

- Annual audit of financial statements.
  - Auditors will look for any breakdowns in internal controls. Where an Association has not implemented sound internal controls, the Association is likely to be assessed as unsatisfactory by the auditor.
- Assurance that information about the Association's financial operations is appropriate, reasonable, and consistently prepared (e.g. financial statements and financial reports are reviewed and endorsed by the committee).

Refer to the P&C Compliance Report and P&C Treasurer Key Tasks for financial controls compliance.

## 2.1 Detecting fraud and misappropriation

The following may be indicators of fraud, and must be investigated:

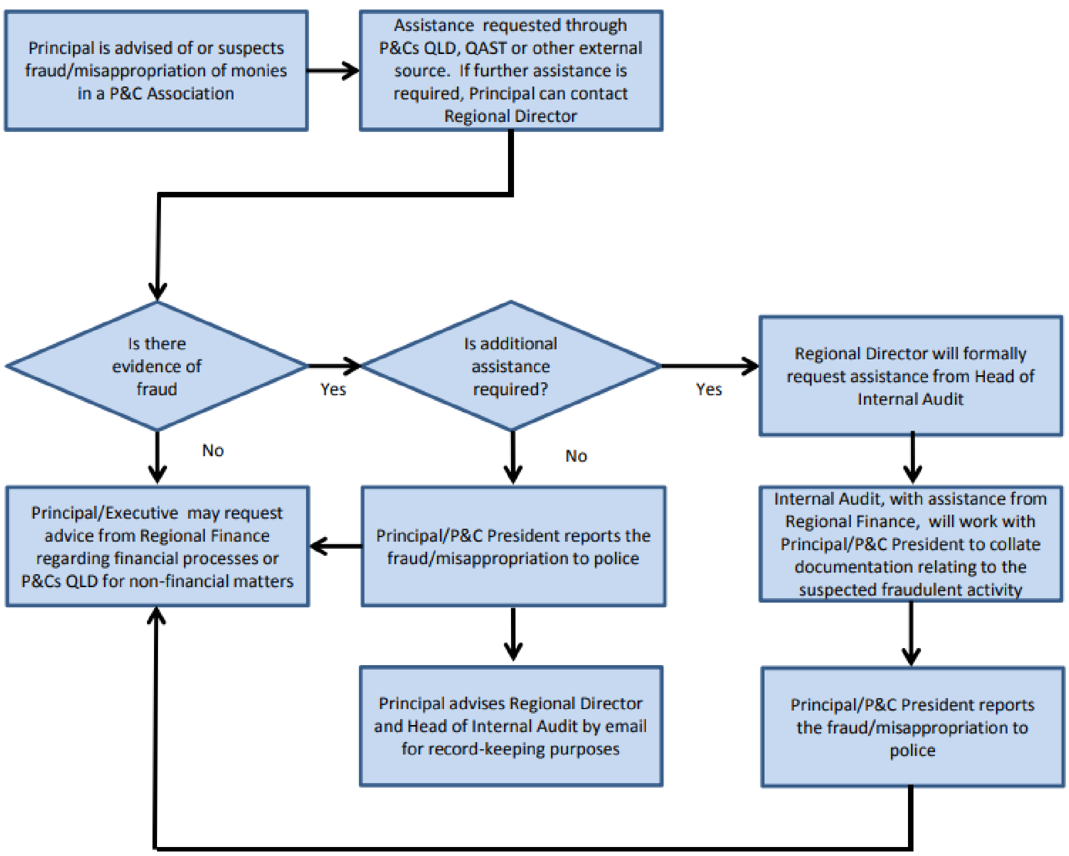
- Financial reports not being consistently presented at Association meetings
- Commercial activities, such as tuckshops, uniform shops or Outside School Hours Care operating at a loss, or decreasing profits
- Late payment of accounts to suppliers
- Money not being banked or delays in banking
- Lack of segregation of duties (i.e. only one signature on cash receipts and bank deposits)
- Forged signatures
- Unauthorised EFT transfers to personal accounts
- Cheque signatory drawing a cheque to him/herself
- False invoices or other financial records, and/or
- Inadequate or infrequent reconciliation of bank accounts.

## 2.2 Reporting suspected fraud or misappropriation

Any member of a P&C Association can and should report suspicions of fraud to the Principal.

1. Principal is advised of, or suspects P&C Association Executive/member of fraud or misappropriation
2. Principal reports (in writing) to their supervisor detailing grounds for suspicion
3. Principal's Supervisor refers matter (in writing) to the Head of Internal Audit (IA)
4. Circumstances and available evidence reviewed by IA
    a. If there is insufficient grounds to proceed, the parties will be advised that no further action will be taken by IA
5. If there is sufficient grounds to proceed, Auditor conducts Targeted Audit Enquiry
6. Internal Audit Targeted Audit Enquiry Report issued
7. Internal Audit will determine whether or not there is sufficient evidence of fraud to refer the matter to the Queensland Police Service.
    a. To be reported to Police, the suspected loss must be able to be quantified and suspect officer(s) identified

PROCESS TO REPORT SUSPECTED FRAUD – P&C ASSOCIATIONS




Auditor may make recommendation to improve internal controls.

P&C members should not investigate suspicions themselves, as doing so could influence an official investigation.

# 3. Establishing a P&C Association – financial arrangements

The Australian Government and ATO provides support for businesses in Australia and Starting a Not for Profit organisation respectively.

With information and checklists published covering many of the issues that you may need to consider when starting out

## 3.1 ABR and ABN

Each Association must have an Australian business number ABN.

The Australian Business Registration (ABR) service combines several business and tax registrations in one place. The site will step through the process of all the required business registrations the Association must complete. https://register.business.gov.au/

An Association may wish to register any of its subcommittees running commercial activities.

On registration of an ABN, the Association business registration information is published at www.abr.business.gov.au and is publicly accessible. The published information includes the registration status of the ABN, Association name, registered business name, GST registration status, and if the Association has any other registration (such as Deductible Gift Recipient registration).

myGovID – the Australian Government's digital identity provider that allows you to prove who you are online.

Relationship Authorisation Mananger (RAM) – an authorisation service that allows you to act on behalf of a business online when linked with your myGovID.

myGov is a secure way to access government services online in one place, allows access to ATO. The ATO business portal is accessed using a myGovID and Relationship Authorisation Manager (RAM). The Principal authority can link the ABN to the RAM and set up the authorisation process. The business portal can be used to:

- Prepare, lodge and revise activity statements
- Update your business registration details, including email addresses
- Register for goods and services tax (GST) and pay as you go (PAYG) withholding
- Lodge various online forms
- Communicate with the ATO through a secure mailbox

## 3.2 Start up Grant

The Department provides a $4,000 start-up grant (once per centre) to help a new Associations establishment costs. The grant is paid into the school's bank account until the new Association's bank account has been established.

Contact the Department Portfolio Establishment (Infrastructure Services Branch) Phone: (07) 3034 4831 for information on the process.

## 3.3 Amalgamation of P&C Associations

Two or more schools may amalgamate to create a new school. The Principals and Associations of the affected schools can agree in writing and enter into an agreement to form an interim P&C Association for the new school.

The Principals must be satisfied that the proposed agreement between the Associations to form an interim Association will benefit students at the new school.

In agreeing to form a new interim Association for the new amalgamated school the following will need to be considered:

- Arrangements for final audit of accounts for the existing Associations before the interim Association is formed.
- Establishment of a bank account and application for an ABN in preparation for the commencement of the new interim Association. This will enable funds to be transferred from the existing Association account/s when they are closed.

# 4. Closing a P&C Association

An association may be dissolved through one of the following reasons:

- If the school for which the P&C Association was formed is closed (section 122 of the *Education (General Provisions) Act 2006*)
- If the number of members of the association is 2 or less (section 122 of the *Education (General Provisions) Act 2006*)
- If the question of dissolution is put and resolved in the affirmative on a three-fourths (75%) majority vote of its members present and entitled to a vote at a special meeting called (section 49 of the *Education (General Provisions) Regulation 2017*).

The P&C Dissolution Checklist provides guidance on the requirements, key steps and activities for dissolving an Association. This includes:

- the Australian Business Number (ABN) and Goods and Services Tax (GST) registration must be cancelled after lodgement of the final Business Activity Statement (BAS) or Instalment activity statement (IAS)
- any planned fundraising activities must be cancelled
- all subcommittee activities cease
- commercial activities run by the Association will cease to operate and the Principal will need to make other arrangements to continue them
- all Association property and funds remaining after the payment of expenses will be dealt with by the Principal’s supervisor, as directed by the Minister
- a final audit is to be conducted

# 5. Banking

## 5.1 Opening a bank account

The Association must establish an account with an approved financial institution, such as a bank, building society or credit union.

The Association must authorise at least two officers to be account signatories. The signatories must not be the school Principal, an Association employee, or two members of the same family.

For a new school, an Association bank account can be opened by the two account signatories once the school name is officially approved by the Minister.

The P&C President must sign the financial institution's form requesting establishment of an account in the name of the Association. The Association's ABN must be provided to the financial institution so that the Association is not charged withholding tax.

While each commercial activity (e.g. tuckshop, uniform shop, outside school hours care) may operate a separate bank account, managed by the respective subcommittee, the number of bank accounts should be kept to a minimum. Refer to the Subcommittee Operating Guidelines for information about operating subcommittee bank accounts.

## 5.2 Changing account signatories

Any change to signatories must be authorised by the Association at an Association meeting. The P&C President must advise the financial institution in writing (the financial institution will generally provide a form) when bank account signatories need to change. New account signatories will need to complete the financial institution's documentation and provide proof of identity. The Association must retain copies of change of signatory forms for 7 years.

Refer to the Temporary arrangements — P&C executive officer vacancies

## 5.3 Electronic banking

P&C Associations and subcommittees may use electronic banking facilities where the financial institution's software provides the necessary functionality and is secure.

Associations must carefully consider the risks of using PayPal, including linking an Association bank account to a PayPal account.

Merchant charges are to be met by the Association as a cost of business, and cannot be passed on to parents/students.

### 5.3.1 Steps to create and manage an electronic bank account

1. Choose an account with two factor authentication. Use a financial institution that provides security tokens as a level of security.
2. Create a strong password for electronic banking.
3. Ensure the computer is secure and kept up-to-date with latest internet security. Only access accounts from a secure location. Avoid using publicly accessed shared computers.
4. Never access electronic banking via email. Always check on the browser to see the address for internet banking starts with https:// and has a padlock.
5. Always log out when finished.
6. Set up account notifications if available.
7. Monitor accounts regularly.
8. Be cautious of cyber-attacks, phishing emails and spam messages

## 5.4 Banking procedures

To prevent fraud and errors there must be a segregation of duties when collecting, counting and banking money received. At least two people must be involved and responsible for separate tasks. The same person must not perform all tasks.

When collecting and counting any money received the P&C Daily Takings Sheet template can be used to help track the sales and check takings.

The Treasurer must ensure that records are detailed enough to identify income sources and dates received.

Use bank deposit books or deposit cards for each account and retain a copy of the processed bank deposit receipt.

- All money must be banked promptly.
- The amount of the banking must match the total of receipts.

Where possible, deposit collections into the Association's or the relevant subcommittee's account on the day they are received or the next working day. If cash cannot be banked immediately it must be securely stored, either:

- in the school safe, labelled with the name of the Association and the date received, or
- in the bank's night safe. It is recommended that night safes at the financial institution be used to hold large amounts of money after hours.

To protect Association members from allegations of fraud, under no circumstances should a member take home any Association cash.

Consider and follow any insurance policy terms and conditions regarding money in transit to the financial institution.

## 5.5 Bank reconciliations

Bank reconciliation is a process to check that the transactions recorded at the bank match the transactions recorded in the financial accounts, and explain any differences between the two. Differences might be caused by timing (money not yet banked, uncleared deposits or cheques drawn on the account that have not yet been presented), bank charges, clerical errors, or fraud.

The Treasurer must reconcile the bank account(s) each month and present the reconciliation to each Association meeting for the Executive's endorsement.

To reconcile a bank account, check that transactions and closing balance on the bank statement match your records. If not:

- review bank statement against the transactions in your record keeping tool
- check for bank charges on the statement that are not yet recorded in the financial accounts
- identify uncleared and not yet processed transactions
- find out why receipts dated prior to reconciliation period have not been banked (if relevant)
- investigate any deposits that are long overdue
- review payments and direct debits not yet processed
- determine age of any unpresented cheques
- identify and investigate any unusual activity

## 5.6 Unclaimed money

Unclaimed money includes rejected Electronic Funds Transfer (EFT) payments and cheque payments that are not claimed or cashed.

When an EFT rejection appears on the Bank Statement, incorrect bank account details may have been entered or the payee may have closed their account.

Cheques returned or not presented (unclaimed/uncashed) indicate the cheque may have been lost in the post or sent to an incorrect address.

When unclaimed money has been identified:

- Attempt to contact the payee to ensure details are correct and to finalise payment.
- Record actions taken against the transactions, such as efforts made to:
  - contact the payee (when and how contact was attempted)
  - find a new address where cheques have been returned in the mail
  - ensure that outstanding cheques have not been cancelled or reissued
- Money unclaimed for more than three months must be noted and recorded during the bank reconciliation process.

When a payee reports a cheque lost:

- Ensure enough time has passed for the cheque to have been received.
- Ensure the cheque has not been presented. Investigate the most recent unpresented cheque listing in the bank reconciliation and subsequent bank statements.
- Contact the bank to stop payment on the original cheque, and draw a new cheque.

## 5.7 Unclaimed money to Public Trustee

Funds that are due to a person, company or organisation that have not been claimed become unclaimed money. All unclaimed money is to be remitted to the Public Trustee after 24 months from the date of the original transaction, this includes: unpresented cheques, outstanding rejected EFT payments and unidentified bank deposits.

When remitting unclaimed money to the Public Trustee lodge a stop payment request with your bank for outstanding cheques.

For further information and queries email unclaimedmoney@pt.qld.gov.au

# 6. P&C Association funds

The main purpose of P&C Association funds are to facilitate the development and further improvement of the school. This is through giving, or assisting in the giving of, financial or other resources or services for the benefit of students who receive an education at the school for which the Association is formed.

When using P&C funds there are a number of principles that are applied:

- The decision to use Association funds must align with the main objectives of an Association
- Funds must be used for official purposes
- Expenditure must represent the best use of Association funds to achieve the desired objective
- Procurement policies and practices must be followed
- Expenditure must be properly authorised, and provide an audit trail of that authorisation
- Use of Association funds must be publicly defensible
- A P&C officer must not authorise expenditure that provides, or could be perceived to provide, a personal benefit to him/herself, or where there is a conflict of interest

The Association must not distribute funds directly or indirectly to its members, other than approved reimbursements and wages.

All funds received by the Association must be banked into the Association's bank accounts.

Association funds must firstly be used to pay any legitimate outstanding debts incurred by the Association, and secondly, to achieve the objectives and perform the functions of the Association. Unless provided for in the Association's operational plan (for example, if there is a longer term goal, such as capital improvements), avoid excessive bank balances.

Association funds may be used to pay for reasonable costs of managing the funds including bank fees and charges; stationery; and bookkeeping, accounting and audit costs.

Money raised by the Association for a particular purpose must be used for that purpose.

Any funds raised by a subcommittee are the P&C Association's funds and under the Association's control. In the subcommittee's operating guidelines the Association and subcommittee should outline a schedule for transferring the excess funds from the subcommittee to the Association. Excess funds are funds the subcommittee has after paying all expenses lawfully incurred by the subcommittee, and as agreed by the Association and subcommittee.

# 7. Budget management

The best learning outcomes are achieved when the Association and the school work together. The Association and the school should plan activities for the year, and estimate the timing and value of revenue and expenditure to ensure that funds are available when they are required.

## 7.1 Preparing a budget

A P&C Association financial year starts on 1 January and ends on 31 December each year. An annual budget should be prepared and presented at an Association meeting held prior to the start of the financial year it relates to. This is to ensure that funds are available when expenditure is incurred and are spent in accordance with the budget allocation.

If an approved budget is not in place at the start of the new year, spending on essential items e.g. staff wages, urgent tuckshop supplies etc. can still occur, however the P&C should not commit to any major expenditure.

If there are changing circumstances that affect original income and/or expenditure projections e.g. cancelling/postponing a major fundraising event, reprioritisation of school projects requiring support etc., a revised budget must be submitted for approval at the Association's Annual General Meeting (AGM).

The Association may wish to form a Budget Committee to help the Treasurer to prepare the budget.

When preparing a budget:

- Identify all existing and any proposed new activities that involve revenue and expenditure. Estimate costs and prioritise.
- Estimate receipts for the coming year by reviewing the previous year's receipts and consulting with subcommittees about anticipated differences from previous years.
- List known and/or recurring payments for the coming year.
- Estimate when receipts and payments are likely to actually happen. For example, money raised by a fundraising event in September might not actually be received until October. Consider the actual cash flow for activities in previous years.
- Identify anticipated surpluses or deficits

- If you expect a surplus (taking into account provisions for any unforeseen expenses), consider how the money could be used to benefit students at the school. Maintaining excessive cash may delay achieving the Association's objectives.
- If you expect a deficit, review expenditure and revenue programs to identify whether there are ways to increase revenue or decrease expenditure to reduce the deficit. A deficit may be acceptable if you have surplus funds from previous years to cover it. Ongoing deficit budgets are not sustainable.

- Combine all subcommittee plans into a single budget.

The P&C Annual Budget and Monthly Profiling Template is available to assist Association's to prepare a budget Income Statement and a Cash Flow Forecast Statement.

## 7.2 Monitoring the budget

For each P&C Association meeting, compare actual receipts and payments for all accounts with the budgeted cash flows. It is important to identify the Association's current financial position, as well as to identify trends over time.

If expenditure is greater or revenue is significantly less than expected, the Treasurer must notify all executive committee members. The Association can then decide what action needs to be taken.

# 8. Costing and pricing

## 8.1 Pricing strategy

For each commercial activity and in some fundraising activities (e.g. fete), the school and P&C Association needs to identify a pricing strategy.

A decision is to be made on the objective of the activity being either to:

1. raise funds that can be applied to enhance the learning environment and resources at the school, or
2. provide a cost-effective option for parents to access the product or service being provided

The objective identified will determine the pricing strategy implemented for that activity.

The pricing strategy for the activities:

- must be tabled and approved at the Annual General Meeting
- must be reviewed if any commercial operation is repeatedly or continuously running at a loss, as the viability of running the operation may not be sustainable
- may be used to influence behaviours, for example, by providing healthier options in the tuckshop at lower cost

Once the Association has determined its pricing strategy for an activity it must then calculate the selling price for the product or service.

## 8.2 Pricing products and services

Setting the right price for your products or services helps you achieve your objectives.

Effective pricing can help you avoid serious financial problems that may occur if your prices are too high or low:

- over pricing will affect sales if customers are not willing to pay
- under-pricing can affect your business if you are not able to cover your operating expenses

It is important to continue to monitor the prices regularly, and listen to feedback from your customers

## 8.3 Research your pricing

Your pricing strategy is more likely to be effective if you research 3 key areas. Each of these key areas will impact your activity.

- cover your costs and make a profit
- compare favourably to other options/competitors
- appeal to your target market

### 8.3.1 Research your existing costs

- your direct or fixed costs may include the base cost of goods, wages, loan repayments and other overheads
- your indirect or hidden costs such as superannuation, insurance, audit fees

### 8.3.2 Research your competitors'

Your product and/or services must be an attractive option to that of other alternatives and competitors.

### 8.3.3 Research your target market

You must understand how much your target market is willing to pay for your product or service. If customers believe your prices are too high they will probably seek alternatives. If they think your prices are too low they may question the quality of your product or service.

## 8.4 Establishing a selling price

| | |
|---|---|
| **Selling/sales price** | The price at which a product or service is sold to the buyer<br>**Selling price = (cost of goods sold + operating expense) x markup percentage** |
| **Cost of goods sold** | Calculate the cost of goods sold (COGS)<br>The cost of goods sold is how much it costs to buy or to make something that you then sell. Understanding COGS is the basis for calculating mark-up and profit.<br>**Cost of goods sold = opening stock + purchases - closing stock** |
| **Operating expenses** | Determine all of the operating expenses the activity will incur which includes, wages, stationery, postage, bank charges, insurance and depreciation. |

| | |
|---|---|
| **Markup percentage** | Determine a markup percentage based on the pricing objectives.<br>Markup percentage is the percentage difference between the cost of goods sold and the selling price.<br>• It is important that enough profit is generated to cover all operating costs so that the Association can pay any legitimate outstanding debts incurred<br>• Some earnings should also be identified and saved for future capital replacement and/or replenishment<br>• An overall markup percentage can be applied to the selling price of all products and/or services, or alternatively apply a different markup percentage for specific items<br>Selling prices can be rounded up or down |
| **Gross profit** | Gross profit is the difference between the total amount generated from sales and the cost of goods sold.<br>A lower than anticipated gross profit percentage indicates:<br>• prices are too low<br>• stock is being lost or wasted<br>• giveaways or discounts are too high, and/or<br>• money or stock is being lost due to theft or fraud.<br>**Gross profit = sales - cost of goods sold** |
| **Net profit** | Net profit is the actual amount of money you have earned, after deducting operating expenses from gross profit.<br>If net profit is smaller than desired:<br>• increase prices<br>• reduce the number of low-profit or cost-neutral sales items, and/or<br>• look for new opportunities to generate income<br>• review the operating expenses and identify if some of the costs can be reduced<br>**Net profit = gross profit - operating expenses** |

# 9. Revenue

## 9.1 Receiving payments

Payments for commercial activities, fundraising activities and donations can be received and processed in several different ways, including:

- Electronic Funds Transfer (EFT,) including Electronic Funds Transfer at Point of Sale (EFTPOS), credit or debit card, online payments, direct deposits.
- Cash
- Cheque

Before you choose method/s for receiving payments, speak to your financial institution about transaction charges, operating procedures, and security.

Some things to consider when choosing a payment method for include:

- Customer preference – choosing a payment method your customers prefer will make them more likely to pay you on time.
- Risk – for example, cash has a higher risk of theft since it doesn't go directly into a bank account. There's also more risk of mistakes.

- Privacy – different payment methods provide different levels of privacy for customers in recording transaction information. For example, credit cards automatically record transaction details. Some customers might prefer to pay cash for certain goods and services.
- Service fees – for example, EFTPOS and credit card providers often charge service fees.
- Transaction costs – the bank may charge a cost for each transaction.
- Reliance on electrical and telecommunications infrastructure – for example, EFTPOS uses electricity and needs access to a phone/Wi-Fi network. These payment methods can be unavailable if these systems go down.

## 9.2 Payment Card Industry Data Security Standard (PCI DSS)

P&C Associations must comply with the Payment Card Industry Data Security Standard (PCI DSS) if accepting credit cards as a method of payment.

The PCI DSS is a worldwide data security standard designed to help protect cardholder information. It provides a minimum set of technical and operational requirements for how customer card data is used, managed and stored. The PCI DSS is a mandatory requirement for merchants receiving credit card data.

### 9.2.1 How can P&C's comply with the PCI DSS?

- Establish processes so customers provide card data directly to the bank rather than giving it to you e.g. card-present transactions directly in to a PCI DSS secure EFTPOS machine, or an approved on-line payment gateway. In these situations the bank takes on the PCI DSS responsibilities for the card data. Check with the issuing bank for details on available products.
- Never send or receive cardholder data by email or text message.
- Do not record card numbers from telephone calls. If the P&C cannot receive card details in person, you must receive customer card information on a paper form, for manual entry into an EFTPOS terminal, do not store that data. Card numbers must be destroyed once the transaction is processed. Remove and destroy the card number from the form using a cross cut shredder once the payment has been processed.
- Do not use "black out" methods to disguise a card number. Inks can be removed by a variety of chemical processes. If you must keep a form that has a card number and you need to disguise that number, mask the number using ink or white-out, photocopy, destroy the original and keep the photocopy.
- Ensure EFTPOS machines are housed securely when unattended or not in use and that staff are aware of tampering and substitution devices for EFTPOS machines.
- Make sure staff are regularly trained about PCI DSS requirements.
- Restrict access to cardholder data by business need to know.

Comprehensive information about PCI DSS is available at: https://www.pcisecuritystandards.org

## 9.3 EFT

Financial institutions have products to help receive and process payments, including business banking facilities such as EFTPOS terminals and direct debit options.

| How payments happen | About the transaction | Ways to receive payments |
|---|---|---|
| Over the counter | Where payments are made in person (e.g. fetes, tuckshop, uniform shop) | An EFTPOS terminal accepts both credit cards and debit cards. |
| Mobile | Where there is a need to accept electronic payments on the go (e.g. fetes, fundraising) | Mobile EFTPOS, Smartphone options |
| Phone or mail order | Sales or orders which aren't made in person (e.g. uniform shop, bookshop) | Payments are processed via a secure webpage |
| Online & eCommerce | Customers issued with an invoice which they can pay online at their convenience (e.g. OSHC). | Online payments, BPoint |
| Billing and recurring payments | Schedule future periodic payments or batch payments uploaded in one file (e.g. fundraising drive, OSHC) | BPay, Direct debit |

Do not accept credit or debit cards if:

- the point of receipt does not have facilities to accept the type of card offered
- the expiry date on the card has passed
- the credit card is listed on an electronic warning bulletin. A warning bulletin is a list of credit cards that are reported stolen, cancelled or compromised in some way. When using a point-of-sale (POS) terminal the user is notified through the terminal if the card has been placed on a warning bulletin.

## 9.4 Cash and cheques

To process cash and cheques:

- Record the payer, the date and the nature of the payment, details of the product or service, and the price on the receipt. Note receipt numbers and dates on all corresponding documentation.
- Issue receipts in sequential date order of takings, for the total amount of funds collected.
- There must be a separation of duties between the person receiving the money, the person banking the money and the person maintaining accounting records.

Do not accept a cheque if it:

- is unsigned or incomplete, or
- is incorrectly completed (e.g. the amount in words does not agree with the amount in figures), or
- the date on the cheque is 15 months or more in the past.

## 9.5 Cash registers

Where there are a substantial number of cash transactions, such as for a commercial activity or some fundraising activities, you may wish to operate a cash register.

Cash registers help to prepare banking as they provide exact deposit totals. If an Association or subcommittee wishes to use a cash register, it must develop operating guidelines, including responsibilities for operators. Appoint a cash register manager, sub-manager, and authorised operators. These people will have defined responsibilities to make sure that there are adequate controls over cash received.

- Access to the cash register must be restricted and must be placed under register manager control and only be accessible to authorised persons (sub-manager, and authorised operators).
- The Treasurer must keep a cash register readings report.
- The cash register must be capable of accumulating separate totals for each mode of payment: EFTPOS, cash, cheques and other methods.
- The cash register must record and report the amount received, a progressive receipt number, the date of receipt, the method of payment, the operator's and cash register's ID (if more than one), and a description of the item and the GST applicable.
- All particulars of receipting, resetting or displaying totals must be recorded and reported.
- The cash register must feature an audit total into which every amount for which a receipt is issued by that cash register be accumulated continuously.
- Every day, the cash register manager must:
  - check the cash register readings against the entries in the cash register readings report
  - verify every adjustment made
  - verify all cancellations by ensuring the reason for cancellation is recorded
  - ensure that all receipts are securely filed
  - verify the cash on hand
  - verify that the sub-manager has prepared a daily takings sheet, attached the daily balancing total cash register report, and stored these securely in date order
  - issue a receipt for the total takings and securely store the original of the receipt, and
  - record the money received according to the categories in a daily taking sheet summary.
- Every month, the cash register manager must check each daily balancing entry on the monthly balancing cash register report against the bookkeeping tool and bank statement, and initial the cash register readings report.
- Online Cash Registers (OCR) have additional requirements including:
  - require the OCRs to be registered with the tax administration.
  - issue cash receipts to customers or to transmit the sales data.
  - keep a secure encrypted log of all events
  - require information to a core set of elements such as the seller's name and tax ID, date and time, transaction value and GST payable

Comprehensive information about online cash registers is available at Implementing Online Cash Registers

### 9.5.1 Cash float

The cash float allows the cash register operator to provide change for customers, before a sufficient number of cash sales accrue to make change from the day's sales.

The cash float is the total value of cash counted and removed from the cash register, but not included in the bank deposit. This cash remains in circulation to be used the next time the cash register is opened. This option can be used whenever you need to change the amount withheld from the bank deposit, and can be adjusted per cash register.

The cash float should be kept to an amount that is not excessive but is reasonable for the type and size of commercial activity it is used for.

The cash float should be accounted for and stored securely at the end of each day.

Any changes to the cash floats such as increasing the value or closing the float must be approved by the Association.

## 9.6 Cash sales sheet

Where cash registers are not available, a cash sales sheet will help to track the sales and check takings. The total of the sales sheet should equal cash on hand, minus float. Create one cash sales sheet for each sales point.

Refer to the P&C Cash Register Readings Template to capture and record the cash register readings and any required adjustments made.

## 9.7 Collecting cash and cheques

When money is collected and brought to the Treasurer, whether it is from a commercial activity or ongoing collections during the course of a fete or other activity:

1. Record the names of people authorised to collect money.
2. Ensure two independent people collect and count money daily.
3. Maintain a daily takings register/collection sheet for trading activities. The register must be certified by two people.
4. Check that the money received is the same amount shown on the receipt that has been signed by the collectors. Provide a receipt to the people who have collected the money for the amount handed over.

## 9.8 Issuing invoices

Most Association sales will be based on a cash transaction. In some cases when running a commercial activity you may be required to collect payments from your customers for products or services rendered. When you charge by invoice, you are billing your customers for their purchases. Ensure the payment terms are clearly detailed on the invoice.

A GST-registered Association must issue a tax invoice within 28 days of a request from another business (i.e. for Sponsorship). Refer to the ATO publication Tax invoice to understand the requirements for a tax invoice.

All invoices must:

- include the Association’s name and ABN, and
- clearly show the amount of GST charged, or note ‘nil’ or ‘zero’ if not charged, particularly where the invoice has pre-printed terms like ‘Invoice includes GST of <amount>’.

## 9.9 Issuing receipts

A receipt or proof of purchase is a document that you provide to your customers as record of their purchase of your goods or services. A receipt can be in the form of a tax invoice, or a printed cash register or hand written receipt.

P&C Associations must provide customers with a receipt or proof of purchase for all amounts over $75.  A customer has the right to ask for a receipt for any purchases under $75.

The Association must provide a receipt within seven days of the request.

Any receipt or proof of purchase you give to customers must include:

- your Association's ABN
- the date of supply
- details on the product or service
- the price.

# 10. Expenditure

Expenditure other than urgent, unforeseen expenses must be approved in advance by the Association and recorded in the minutes. Urgent, unforeseen expenses must be approved by a majority of the executive committee, and the decision tabled and minuted at the next Association meeting.

Methods of payment to suppliers include:

- direct deposit using electronic funds transfer (EFT) (authorised by two account signatories)
  - direct debit arrangements including direct debit requests – these agreements tells your bank to deduct money from your account to pay the merchant for the goods or services you are getting.
- debit card (amounts under $1000)
- prepaid card (amounts under $500)
- cheque (authorised by two account signatories)
- petty cash (amounts under $100).

All expenditure must have supporting documentation validating the transactions (e.g. original dockets, payment vouchers, receipts and invoices as evidence of purchases).

GST registered Association's must have a valid supplier tax invoice when GST is charged on transactions totalling more than $82.50 (GST inclusive).

Payments must not be made on statements or quotes.

## 10.1 EFT

All transactions (including electronic transactions) must be authorised by two signatories. Both members must have an individual Personal Identification Number (PIN). Both signatories must sight, check and approve all documentation before authorising a transaction.

When using electronic banking, a payment number or receipt number will be generated upon payment. This verifies that the payment has been made, and must be recorded for account keeping purposes. A record of all EFT payments must be printed and attached to the relevant document (invoice) and filed.

A record of any transaction deleted or edited must be printed and filed for audit purposes.

### 10.1.1 Direct Debit Arrangements

P&C Associations can approve, in advance, direct debit arrangements for a financial year. The approval will be for the total amount of expenditure to be direct debited and could include items such as monthly subscriptions, utilities payments, regular insurance premiums etc.

## 10.2 Debit cards

P&C Associations can use debit cards for appropriately approved official purchases up to the value of $1000.

- Debit cards must not be used to withdraw cash, and direct debit arrangements cannot be attached to the debit card account.
- Retain receipts for all transactions. Reconcile the account monthly.
- Transaction charges for debit cards will be charged to the respective bank account and must be entered as an expense in the financial accounts when the monthly bank statement is received.
- Set up the debit card account as a separate account to the main P&C Association bank account.

## 10.3 Prepaid cards

P&C Association's are allowed to use prepaid cards (e.g. prepaid mastercard/visa, load and go cards) to purchase and pay for low value items.

A prepaid card is not considered as a form of borrowing as you can only spend the funds that have been loaded onto the card.  Unlike a debit card, a prepaid card is not linked to a bank account.

- using prepaid cards does not remove other purchasing, payment and expenditure rules and approvals
- prepaid cards must be listed on the accountable forms register
- total amount loaded on to card must be no greater than $500 (incase of lost or stolen cards and for security purposes a smaller card total is advisable)
- cannot be used to withdraw cash
- retain receipts for all transactions
- prepaid card must be reconciled, with the balance on the card plus receipts for purchases made equal to the original value of the card
- If the card can be topped it must be reconciled when the top up occurs or monthly (whichever is earlier)

## 10.4 Cheque payments

Cheques can be convenient as only the name of the payee is required and payees do not need to have any special facilities or technology in place to accept payment. However, cheques are inefficient, and take longer to process than electronic payments. A cheque will take three to five business days to clear.

Order chequebooks marked 'not negotiable' where possible. Otherwise, on receipt of a chequebook from the financial institution, mark all cheques 'not negotiable – account payee only' and cross out the words 'or bearer'. The P&C President or Secretary must certify and date the inside cover of each chequebook when all cheques have been properly marked or stamped.

A list of all chequebooks and the names of people holding them must be maintained in the P&C Accountable Forms register.

All officers issued with a chequebook must keep them secure. If a chequebook is missing, lost or stolen, a bank account signatory must contact the bank to stop payment on all cheques relating to the chequebook.

Cheques must be signed by two account signatories.

Before signing a cheque, complete the payee and amount details and date the cheque. With the exception of P&C Association petty cash recoupment, cheques must not be made out to cash. Never sign a blank cheque.

Cheque butts must be completed in detail as a record of payments made.

Cancelled cheques, along with their butts, must be crossed with the word 'Cancelled', and either retained in the cheque book or filed with the invoices to which they relate and recorded in the cashbook as cancelled.

## 10.5 Petty cash

Petty cash is used to reimburse expenditure valued at less than $100, and is restored periodically to a fixed amount.

As per the P&C Association Model Constitution clause 20.7.3., if the Association decides to have a petty cash fund, the decision, including the amount of the fund must be recorded in the AGM meeting minutes.

The petty cash fund must be kept in a locked box in a secure location, and not managed by the Treasurer (as the Treasurer reconciles the account). It is generally managed by the Secretary.

Using petty cash does not remove other purchasing, payment and expenditure rules and approvals.

The purchaser is reimbursed for the outlays after a receipt is provided for the purchase. Store the receipt in the cashbox with the balance of the fund to account for money taken. At any given time, the total of cash and receipts in the cash box should equal the amount of the petty cash float.

The Treasurer must ensure:

- Account reconciles monthly and the total value of the balance and receipts for any payments made equals the approval value of the fund, and is recorded in the financial accounts, and
- table a report of expenditure from the petty cash fund to general meetings of the Association.

### 10.5.1 Replenishing the petty cash fund

Periodically, the Treasurer will need to return the balance of the petty cash fund to its original level.

The payment to replenish the petty cash should be made by cheque to minimise the risk of fraud.

1. Total the individual payments made since the last time it was replenished using the receipts provided.
2. Count cash on hand.
3. Add the two amounts. This should equal the amount of the original fund.
4. Draw a cheque to replenish the petty cash fund to the value determined in Step 1. Ensure both account signatories sign the cheque and note 'Pay Cash' on the top of the cheque so it can be cashed.

5. The officer then presents the cheque to the nominated bank branch and replenishes the petty cash float with the cash received.
6. Secure the cash in petty cash box and ensure the float has been returned to its original balance.
7. Document the transaction to replenish the fund in the financial records.

Any changes to the petty cash floats, such as increasing the value or closing the float must be approved by the Association.

If cheques are unavailable to replenish the petty cash fund other options may be considered. Controls around the top up must include a proper reconciliation of the accounts.

## 10.6 Credit cards and Loans

P&C Association's are statutory bodies governed by the *Statutory Bodies Financial Arrangements Act 1982* where it prescribes an Association may borrow but approval from Queensland Treasurer is required.

Credit cards and Loans are considered as borrowing and approval from the Queensland Treasurer is required.

Prepaid cards (e.g. prepaid mastercard/visa, load and go cards) are allowed. A Prepaid card is not a credit card (form of borrowing) as you can only spend the funds that have been loaded onto the card.

A school cannot loan funds to a P&C Association, or pay an invoice on behalf of the P&C Association in place of making a loan.

When seeking a loan the P&C Association must comply with the Department's procedure, Loans Sought by Parents and Citizens Associations.

On receipt of a loan:

- record the receipt of the loan in the P&C record keeping tool
- enter the loan repayments in the P&C record keeping tool as they occur
- report on loan balances in the annual financial statements.

# 11. Purchasing, procurement and contracts

P&C Associations must comply with the Department's Purchasing Policy and Procedures for P&Cs when using P&C funds to purchase goods and services. Purchases must be properly authorised and relate to expenses related to the Association functions and objectives. Personal purchases must not be made using P&C funds.

Associations can also refer to the Queensland Procurement Policy for further information.

## 11.1 Online ordering systems

The Department has a mandatory Standing Offer Arrangement for online ordering systems, (Arrangement number: DETSOA-62891) which allow parents to place orders for school items such as:

- Bookshop
- Event ticketing (for example, formals and performances)

- Tuckshop
- Uniform shop.

Orders are collated and sent to the school with funds deposited into school/P&C Association bank accounts at least weekly.

## 11.2 Leasing

A lease is a contractual arrangement to acquire or use assets. Leases may involve significant costs and potentially contain provisions weighted heavily in favour of the lessor. While leases are not prohibited, Queensland Treasury provides information on Leasing and the approvals required depending on the type of lease being entered into. Associations must have the Principal's approval in writing before considering any leasing proposal, and must purchase insurance cover for leased assets, as leased assets are not covered under the school insurance arrangements.

## 11.3 Contracts

As stipulated in the *Education (General Provisions) Act 2006* (section 137) and the Department's instrument of delegations, P&Cs cannot enter into contracts without the approval of the Principal as the Minister's delegate.

The P&C President may sign a contract or agreement once a motion to enter into the agreement has been passed at a general meeting and the Principal's written approval has been received. Where there are contractual disputes (e.g. unauthorised contract approvals, disputes with contractors) the Association may need to seek independent legal advice.

A P&C Association is legally independent of a school. It is responsible for its own actions, and under the Act, court action can be taken against an Association directly. The *Education (General Provisions) Act 2006* (section 141) provides that a member of an Association does not incur civil liability for an act done, or omission made honestly and without negligence under the Act. The liability attaches instead to the State.

Any damages or costs incurred by an Association and not covered by the Association's insurer are to be paid from the Association's funds.

To limit the Association's exposure to any contractual liability, rather than entering into contracts directly, the Association may choose to donate funds for specific facilities or services to the school, for the Principal to manage any necessary contractual arrangements in line with his or her delegations.

Where possible, equipment and materials (especially large value items) should be purchased by the school, especially if the Association is not registered for GST. In this instance, the Association is to provide the funds to the school to make the purchase. Schools can then arrange the contractual arrangements and receive the supplier tax invoice in the name of the school, enabling the school to claim the GST on the purchase.

## 11.4 Purchase orders and receiving goods

An official purchase order from the Association or one of its subcommittees provides a record of a request for the supply of goods or services, and prevents disputes about price, quantity and items ordered. Purchase orders also allow the Treasurer to monitor purchasing, and to identify any unacceptable practices, such as someone mixing private and official purchases.

All purchase orders must show the Association's ABN/s.

When receiving goods from a supplier officers must:

- Check that all goods listed on the invoice have been received in good condition. Return any substandard stock and obtain a credit note from the supplier
- Stamp the invoice with "goods received / date" and sign the invoice to show the check has been carried out
- Check all invoices for the quantity ordered, price charged, credits for returned goods, discounts and other calculations
- Give certified and checked invoices to the Treasurer.

# 12. Asset Management

Assets are items that the Association owns, benefits from, or has use of, in generating income, that have residual monetary value in the next year. The Association must ensure that its assets are maintained, secure and insure assets against loss.

The Association must keep a register of its assets to:

- ensure that there is a record of them if they are lost or stolen
- know what assets exist for maintenance and insurance purposes, and
- report their value in financial records.

At a minimum the asset register must contain:

- description
- brand, model and serial number
- purchase date and value
- current value
- location.

It is important to plan and set aside funds for assets which will require replacement in future years.

Any goods or equipment that the Association buys for school use must be registered on the school's asset system. Refer to the Equipment Management for Schools procedure.

## 12.1 Depreciation

The depreciation expense of an asset should reflect the underlying physical, technical and, where appropriate, legal factors that affect its useful life.

In the long term, the service potential of any asset will decline. Factors that affect this decline are:

- wear and tear through physical use beyond which repairs and maintenance can sustain
- technical advancement and improvement rendering the assets obsolete, and
- fall in the demand for the goods or services produced by the asset rendering it redundant.

Depreciation is commonly calculated on a time basis. The basis for calculating depreciation expense should take into account various underlying factors. Once the basis has been determined, it should be applied consistently from one reporting period to the next.

Inventory (stock) are not depreciable items.

## 12.2 Disposing assets

It may be necessary to dispose of assets that are no longer required, obsolete, have reached the end of their useful life or are unaccounted for.

Asset disposal or write-off must be approved by the Association.

Disposal of assets must be promptly and accurately recorded on the asset register.

Assets must be safeguarded from physical loss or damage during the disposal process.

Key principles for the disposal of assets are:

- ensure best overall use of public property
- maximise the sale price
- minimise the cost of disposal
- all disposal processes undertaken must be transparent and equitable
- P&C members must not be advantaged

There are a number of options for disposing of an asset which includes:

- sale by auction
- sale by inviting offers
- trade-in
- disposal through private treaty
- disposal by dumping
- disposal through scrapping

### 12.2.1 Asset write-off

- Assets beyond economic repair can be written-off and sold for scrap or dumped
- Stolen or damaged assets due to criminal activity must be reported to the police in writing providing full details of the stolen equipment
- Missing assets must be investigated prior to write-off. The investigation must be documented

## 12.3 Inventory management

Understanding the way stock is consumed can help with re-ordering, expense management, and maintaining a reasonable profit.

Keep accurate records of stock. Stocktakes must be completed at least every quarter (at the end of each term), preferably monthly. To conduct a stocktake, one person should count while another checks and records.

Monitor sales and stock levels to ensure funds are not being tied up in items that are not selling. Reduce stock in the lead up to holidays.

Rotate stock regularly to ensure older stock is sold first.

# 13. Commercial activities

Commercial activities commonly include:

- bookshops
- outside school hours care (OSHC)
- swim clubs
- tuckshops
- uniform shops.

Commercial activities may be operated by either the school, the Association or a third party operator engaged by the school. Associations may establish subcommittees for a special purpose including commercial activities.

Each commercial business operation must develop an operating guide outlining:

- business objectives and associated pricing policy
- acceptable methods of payment
- purchases on credit – commercial activities cannot offer credit for purchases of goods. Goods purchased through commercial activities like the tuckshop, bookshop and uniform shop must be paid for at or before the point of sale
- debt collection – commercial activities need to manage debts confidentially and effectively. The P&C Association and school should follow the same process to recover debts. The Principal and P&C Association should determine the decision-making parameters and processes for the timely collection of money owed, and the action to be taken for non-payment of money
- refund policy – The commercial activity should have a very clear and concise refund and exchange policy

The operating guide/s must be tabled at the Annual General Meeting.

## 13.1 Fair Trading

The *Competition and Consumer Act 2010* aims to give businesses a fair and competitive operating environment. It covers anti-competitive conduct, price fixing, unconscionable conduct and other issues, such as advertising. The Act also sets out consumers' rights and responsibilities. It covers areas such as returns, refunds, warranties, contracts, marketing and advertising. The Australian Competition and Consumer Commission (ACCC) administers the Act. Refer to small business and the Competition and Consumer Act for further information.

Legally enforceable penalties can apply for non-compliance with the Act. The small business self-assessment checklist provided by the ACCC helps businesses know their rights and obligations under Australian Consumer Law.

# 14. Fundraising

P&C Associations are sanctioned under the *Collections Act 1966* to fundraise for a community or a charitable purpose (as defined by the Act).

Most fundraising in schools is conducted by the Association due to their sanction under the *Collections Act 1966.*

People or organisations not eligible for registration as a charity can fundraise for a charitable or a community purpose by getting a sanction from the Office of Fair Trading.

Fundraising activities may supplement government funding to enhance services, facilities and/or resources for the school for which the Association is formed.

An Association can undertake fundraising on behalf of external charities, and/or raise funds for a specific charitable cause (e.g. Red Cross), but must be mindful that their main purpose is to facilitate the development and further improvement of the school.

It is recommended when conducting a fundraising activity to check for any local approvals, licence, registration or obligations which may be required (e.g. council permits, liquor permit)

The Department of Education Fundraising Policy provides guidance on fundraising by staff, students and P&C associations.

The Office of Fair Trading can provide further advice regarding the *Collections Act 1966* as the Agency responsible for the legislation.

## 14.1 P&C responsibilities

- The Association is responsible for ensuring compliance with the *Collections Act 1966.*
- Conduct fundraising where the school is the beneficiary.
- May nominate an individual, e.g. the principal, in writing as the promoter of a fundraising campaign. (Refer Section 11(1)(a) of the *Collections Act 1966*).
- Must ensure that fundraising that involves charitable gaming complies with the *Charitable and Non-Profit Gaming Act 1999*. Contact Office of Liquor and Gaming for advice.
- Must consider information privacy, security (physical and IT) requirements, and insurance cover.
- Must consider local approvals, licence, registration or obligations which may be required (e.g. council permits, liquor permit).
- Must consider any fees/charges/commissions.
- Must not fundraise through product endorsement (e.g. commissions for sales if the purchaser quotes the school or association), as this may give the impression that the school is promoting a product or an organisation.
- May enter into advertising and sponsorship arrangements with the Principal's approval, and in accordance with the Department's Advertising procedure and Sponsorship procedure.
  - Sponsorship and Fundraising Checklist for Schools and Parents and Citizens' Associations
- Cannot enter into contracts without the Principal's approval.
- Develop, in conjunction with the school:
  - a fundraising program outlining the purpose of fundraising and how funds raised will be used, and
  - an annual fundraising calendar that includes all events planned by the Association and known activities organised by staff or student groups or other related entities.
- Must comply with general financial practice requirements, such as cash handling, banking and insurance as outlined in this manual.
- May establish and operate a Deductible Gift Recipient School Building Fund to enable donors to receive tax deductions. The Association must maintain a separate bank account for the fund.
- Must collect the funds raised, and may then transfer funds to the school in the form of a donation.

## 14.2 Is a proposed fundraising activity appropriate?

Ensure that the activity:

- has a clear purpose
- does not unreasonably disrupt service delivery
- is not discriminatory, obscene, degrading, sexual, or violent, or incite illegal acts
- does not include receiving goods, incentives or commissions for sales of loans, mortgages, insurance, real estate or other potentially high risk products
- maintains information privacy for all concerned
- meets requirements of Smart Choices Healthy Food and Drink Supply Strategy for Queensland Schools where food and/or drink is involved
- does not:
    - endorse products or services
    - use the school name or letterhead to promote an external product or service
    - involve commercial advertisements on school intranet or internet pages (see the advertising procedure)
    - align to any political party or organisation
    - include agreements with a commercial business where students use school identification cards to access services provided by that company.

Raffles and gaming activities can be used as fundraising tools, but are often highly regulated and can require permits and reporting.

## 14.3 Third party collection agency

P&C Associations may use a third party collection agency to collect money (for example, for fundraising through crowd-funding organisations), but must follow Queensland Government and departmental procurement policies and practices in selecting the agency. Considerations when using third party collection agencies include the information privacy and security provisions for payers, how quickly or frequently funds are transferred from the agency to the Association, and the fee charged by the agency.

## 14.4 Record keeping

For each fundraising campaign, the Association or the promoter nominated by the Association must record:

- its purpose
- the full name and address of the promoter and the promoter's authority for acting as promoter
- all income and expenditure and funds raised by, or resulting from, the campaign, and how those funds are used, and
- a copy of any audit report generated.

# 15. Donations, gifts and benefits

Before giving or receiving a gift or benefit, consider why it is being offered, and the possible public perception.

All gifts given or received must be:

- reported at the P&C Association meetings
- recorded in the P&C Association meetings minutes
- reported in the school newsletter.

## 15.1 Receiving a donation, gift or benefit

P&C Associations may seek support from local business by way of donations.

Do <u>not</u> accept:

- gifts or benefits from the P&C's suppliers to avoid any real or perceived conflicts of interest
- gifts of money or hospitality to individuals

Details of gifts valued at more than $150 (including multiple gifts from the same donor with a cumulative value of more than $150 during a calendar year) must be provided to the school for reporting purposes.

There are taxation considerations that you need to be aware of relating to the receipt of donations, gifts and benefits.

## 15.2 Giving a donation, gift or benefit

Money raised by the P&C Association is to enhance the educational opportunities and/or amenities of students.

When using P&C funds to give a gift or donation consider the following:

- does the decision align with the main functions and objectives of the Association
- the value of the gift/donation
- the appropriateness and reason for giving the gift/donation
- community/public scrutiny of the decision for giving the gift/donation
- there is no personal benefit to P&C members
- there is no conflict of interest

### 15.2.1 Honoraria

An "honorarium" is a payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

Low-value mementos such as key rings, coasters, spoons, and mugs may be appropriate gifts to acknowledge official guests and speakers at school functions.

Members of the Association, consultants/contractors or employees of the Association or the school must not be given honoraria.

## 15.3 Providing catering and hospitality

Catering and hospitality must be commensurate with the circumstances of the meeting, function or event. The Association should use their judgement when making decisions about whether to offer catering and the nature of that catering. When considering whether or not to use P&C funds for catering or hospitality expenses, consider the following principles from the department's catering and hospitality procedure:

| | |
|---|---|
| **Attendees** | For example, if attendees at the event to be catered are solely members of the P&C Executive, catering the event may be perceived to be poor use of P&C funds. |
| **Purpose** | It is more appropriate to provide catering if there is a goodwill element or to encourage attendance. |
| **Duration** | The longer the duration, the more appropriate it may be to provide refreshments in order to maintain attendees' energy levels and attention spans. |
| **Timing** | Catering may be more appropriate for events that are [unavoidably] held over normal mealtimes. |
| **Location** | Catering may be more appropriate if attendees are not otherwise able to access food and beverage facilities. |

## 15.4 Scholarships

A scholarship is a grant or payment made to support a student's education, awarded on the basis of academic or other achievement.

The provision of funding to assist students is covered by the P&C Constitution (section 3.4), which states that one of the functions of a P&C Association is to:

*"give, or assist in the giving of, financial or other resources or services for the benefit of persons who receive educational instruction at the School"*

P&C Associations should have a policy on how such support is to be administered within their school to ensure equal treatment of all students applying for assistance. This should ensure:

- financial controls are in place to manage risks associated with the scholarship
- funds are available to cover the scholarship
- proper approval is sought for the expenditure
- documented selection criteria for the scholarship prize
- terms and conditions of the scholarship prize
- endorsement from the school P&C Association

Refer to the P&C Qld Student Representation Policy

# 16. Grants

A P&C Association may apply for grants from external organisations such as local councils and the Gambling Community Benefit Fund to fund projects and improvements, such as playgrounds, shade sails, computers and tuckshop refurbishment.

The Association must consider and understand the obligations (legal, financial, reporting) within the grant agreement and ensure the benefits outweigh the ongoing costs.

If the funding body requires a sponsor organisation for a grant application, the Assoication can use the school as the sponsor. The Association is responsible for:

- completing and submitting the grant submission

- complying with any terms and conditions attached to the acceptance of a grant, including reporting requirements
- ensuring the correct GST treatment for any grant funds

Refer to Australian Taxation Office (ATO) GST ruling GSTR 2012/2: Financial Assistance Payments for guidance on determining if a grant received is consideration for a taxable supply. If there is no binding obligation or supply that the Association has to make, the grant is likely to be outside the scope of GST. If there is a related supply or a binding obligation for the Association to do or not do something, the grant payment is likely to be considered as a taxable supply

- verify with the organisation making the grant payment if the amount is inclusive of GST and if the payer requires a tax invoice, and
- ensuring that grant funds are applied as specified in the application. The P&C Treasurer must consider whether the Association spends the grant funds directly or gives them to the school to spend.

Refer to P&Cs Qld for additional information on grants.

# 17. Taxation

P&C Associations:

- are not-for-profit entities. Refer to Tax basics for non-profit organisations for a general tax compliance guide that is relevant for a P&C
- are not required to pay income tax or lodge an income tax return, as they have income tax exemption under section 50(1) of the *Income Tax Assessment Act 1997*
- must pay payroll tax for any paid employees if the total taxable wages of employees exceeds the payroll tax threshold. Taxable wages for payroll tax purposes include salary/wages, including leave, allowances and benefits. Visit Payroll Tax Australia for more information, videos and webinars to help with registering for payroll tax
- must register for PAYG withholding with the ATO, and comply with the relevant requirements, if they employ staff. (PAYG withholding is different to payroll tax. Payroll tax is a state tax.)
- have some concessions under the GST Act, and
- can seek endorsement from the ATO to operate a Deductible Gift Recipient School Building Fund (DGR SBF) so that they can provide tax-deductible receipts for donations to the fund.

## 17.1 Pay-As-You-Go (PAYG) Withholding

P&C Associations must help their employees meet their tax liabilities by collecting Pay-As-You-Go (PAYG) withholding amounts from payments made to:

- employees
- other workers, such as contractors, with whom the P&C has voluntary agreements
- businesses that don't quote their Australian Business Number (ABN).

A P&C Association may not be required to collect PAYG withholding from a contractor/business that is unable to provide an ABN if it is able to satisfactorily complete a statement by a supplier.

If a P&C Association employs staff, it must:

- register for PAYG withholding with the ATO. If the P&C ceases to be an employer it should cancel the PAYG withholding registration
- complete Payment Summaries and provide them to employees by 14 July each year so that employees can prepare their income tax return
- complete a reconciliation statement and send it to the ATO detailing how many Payment Summaries have been issued, together with gross wages paid and tax contributions for their paid staff.

Refer to ATO publications PAYG withholding, Your workers, Employee or contractor for compliance information.

## 17.2 Fringe Benefits Tax (FBT)

Fringe Benefits Tax (FBT) is a tax employers pay to the ATO on certain benefits they provide to employees – including employees' family or other associates. The benefit may be in addition to, or part of, an employee's salary or wages package. The 'employee' may be a current, former or future employee.

FBT is separate to income tax and is calculated on the taxable value of the fringe benefits provided.

Where a P&C provides a benefit to an employee in respect of employment, it needs to determine if the benefit is subject to FBT.

Refer to the ATO publication Fringe benefits tax (FBT) and FBT concessions for details of the types of benefits that are subject to FBT and how the FBT is calculated and paid.

## 17.3 Goods and Services Tax (GST)

Refer to the Australian Taxation Office (ATO) publication GST for comprehensive information.

### 17.3.1 Registering for GST

GST registration is separate to ABN registration.

A P&C Association must register for GST when its turnover or projected turnover is $150,000 per annum or more. A P&C Association with an annual turnover less than $150,000 may choose to register for GST.

To calculate GST turnover (gross income minus GST):

- Include:
  - taxable supplies (GST-exclusive amount), and
  - GST-free supplies
- Exclude:
  - input taxed supplies (e.g., for activities that are input taxed such as tuckshops)
  - donations (which are not related to a taxable or GST-free supply)
  - transactions internal to the P&C Association, and those that do not relate to the P&C Association, such as receipts collected on behalf of the school.

### 17.3.2 Charging GST

GST must be charged for taxable supplies. Otherwise 1/11$^{th}$ of the payment received will have to be paid as GST payable.

### 17.3.3 Accounting for GST

For GST-registered P&C Associations, recognise the GST component of a transaction in a separate GST column in the accounts.

A P&C Association must account for GST on an accrual basis if its GST turnover is $2 million or more. However, a P&C Association that wants to account on a cash basis but has gone over the $2 million threshold can seek approval from the ATO to account on a cash basis.

A Deductible Gift Recipient (DGR) fund can account on a cash basis regardless of the P&C's turnover, however, it is best if the DGR fund uses the same accounting basis as the P&C.

Refer to Cash and non-cash accounting for more information.

## 17.4 Deductible Gift Recipient (DGR)

Deductible Gift Recipient (DGR) funds are funds that can receive tax deductible gifts. Contributors can claim a tax deduction for gifts made over $2.

Both P&Cs and schools are able to establish a DGR fund. P&C's should initially discuss with their Schools who should establish, manage and maintain a DGR fund.

P&C's can set up a school building fund to acquire, construct or maintain school or college buildings, including capital improvements and maintenance, and installation and maintenance of fixtures.

The Australian Taxation Office (ATO) provides rules on what the funds can be used for. The ATO has also advised the department that schools can use DGR funds to cover costs related to fundraising undertaken to raise donations for the fund. P&C's should familiarise themselves with Income Tax Ruling 2013/2 if they are considering setting up a school building fund.

Funds raised by a DGR can only be applied for the purpose of the fund.

Separate bank accounts must be created for DGR funds

A DGR school building fund of a GST-Registered P&C Association can conduct GST-Free activities using the input-taxed method.

## 17.5 Business Activity Statement (BAS)

If you are a P&C registered for GST you need to lodge a business activity statement (BAS).

Your BAS will help you report and pay your:

- goods and services tax (GST)
- pay as you go (PAYG) instalments
- PAYG withholding tax
- other taxes.

A GST-registered P&C Association can lodge a BAS manually or apply for access to lodge the BAS electronically. Refer to the ATO publication Lodging and paying your BAS for more information.

A GST-registered P&C:

- must lodge a BAS monthly, quarterly or yearly, generally by the 21st day after the end of a tax period. The frequency of lodgement is usually established at the time the P&C registers for GST

| Quarter | Due date |
|---|---|
| January, February and March | 28 April |

| Quarter | Due date |
|---|---|
| April, May and June | 28 July |
| July, August and September | 28 October |
| October, November and December | 28 February |

- must account and report the GST it has collected from its taxable sales on the BAS – the GST that it has collected to be paid to the ATO is called 'GST Output Tax'
- can recover GST paid to suppliers if the purchases relate to the making of taxable and GST-free supplies. The GST that is recoverable is called 'GST Input Tax Credit' or 'GST Credit' and must be reported on the BAS. The P&C must pay the net amount to the ATO if the total GST output tax is more than the GST credit for a given tax period. The amount payable should reconcile with the amount calculated on the BAS for that period.

To recover GST credit, the P&C must have a copy of the tax invoice from the supplier. The GST credit amount recoverable should not be more than the GST amount noted on the Tax invoice. You do not need to have a tax invoice if the GST-inclusive amount of the taxable supply is $82.50 or less, although some evidence of the transaction (receipts or credit card transactions) is required.

If the total GST credit is more than the total GST Output Tax for a tax period, the P&C is entitled to a BAS refund from the ATO. Refer to Business activity statements (BAS).

## 17.6 Entitlement to GST credit

If the acquisition is for a creditable purpose GST paid is recoverable long as there is a Tax Invoice to support the claim of GST credit. This is unless the taxable supply is for less than $82.50 and there are other supporting documentation.

If the acquisition is NOT for a creditable purpose, GST paid is not recoverable. Transactions relating to a Non Profit Sub Entity (NPSE) are not to be reported on the BAS.

If the acquisition is for a mixture of creditable and non-creditable purposes, only the portion of GST paid that relates to the making of taxable and GST-free supplies can be recovered.

## 17.7 GST exemptions

This table summarises what GST exemptions and special rules are applicable to certain supplies made by a GST-registered P&C, DGR fund and a government school:

| Exemptions | P&C | DGR School Building Fund of a GST-Registered Entity | Government school |
|---|---|---|---|
| GST-Free: Nominal consideration | No | Yes | Yes |
| GST-Free: Second hand goods | No | Yes | Yes |
| GST-Free: Raffles, bingo and similar supplies | No | Yes | Not allowed |
| Input-taxed: Fundraising events | No | Yes | Not allowed |
| Sale of food as Input-taxed: Tuckshop | Yes | No | No |
| Non Profit Sub Entity | Yes | Yes | Yes |

## 17.8 GST arrangements between a P&C Association and the school

The P&C Association makes payments to the school as part of its business. Some payments are grant/funding to support the school and/or students (such as contributing to the global school budget, helping the school to acquire classroom/playground resources, or subsidising certain school activities); others are for the purchase of goods/services from the school (such as reimbursing operating expenses, photocopying charges, or requiring the school to upgrade or maintain facilities used by the P&C Association).

As the P&C Association and the school are separate entities for GST purposes, transactions between the two must comply with the *GST Act* and other relevant legislation. Where the P&C Association makes a payment to the school:

- To obtain goods and/or services or to enter into/or exit from an obligation, the payment is for a taxable supply, unless there is a provision in the Act that makes the supply not taxable.
- To help the school or students but with no material benefit to the P&C Association, there is no supply and the transaction is outside the scope of GST, even if the P&C receives an acknowledgement of thanks for support or receives a report/ information of some kind that is not for the purpose of the payment.

Example: A P&C with no GST registration provides funds for the school for a set of garden furniture. As the school is GST-registered, it can recover the GST paid to the furniture supplier.

- If the P&C Association does not benefit, the payment is not for a taxable supply and the school should account for the receipt as such.
- If the P&C Association does benefit (for instance, by using the furniture to extend the P&C Association operated tuckshop), the payment is for a taxable supply.

Refer to GSTR 2012/2: Financial Assistance Payments for guidance on determining if a payment is consideration for a taxable supply.

## 17.9 Correcting GST errors

A GST correction means correcting a GST mistake, not making a GST adjustment. GST mistakes include:

- recovering GST credit for an acquisition more than once (like double paying an invoice)
- paying GST for a sale more than once (like raising an invoice twice for the same transaction)
- failing to raise a tax invoice for a taxable supply in the period the sale is made, or when consideration (payment) is received
- incorrectly recording taxable sale as GST-free, input taxed or outside the scope of GST
- incorrectly recording taxable sale as taxable when it is GST-free, input-taxed or outside the scope of GST
- claiming input tax credit (GST credit) without having a valid tax invoice for an acquisition is that for more than $82.50.

GST errors like those noted above can be broadly classified into 2 types:

- credit error – where too much GST has been paid or under claiming or not claiming a GST input tax credit entitlement. A credit error can be corrected on a later BAS within four years
- debit error – where GST output tax is underpaid or there is an over claim of GST input tax credit entitlement. There are GST error values and time limits for correcting GST debit errors.

Refer ATO publication on Correcting GST errors for details.

## 17.10 Non-profit sub-entity (NPSE)

A P&C Association is considered to be a non-profit organisation by the ATO. As a non-profit organisation, any profit made by the P&C Association must be used to carry out its purposes and must not be distributed to office bearers, members or other individuals. This is stipulated in the model constitution.

Payment of wages and business expenses (including payment to a contractor or consultant) are not considered to be a distribution to a member.

A GST-registered P&C Association may have some (or all) of its subcommittees or activities treated as separate entities for GST purposes. These separate branches/units are called Non-profit Sub-entities (NPSE).

An NPSE can access the same GST concessions as the P&C Association, however its financial activities are not reported on the P&C Association BAS.

For example, if a P&C Association's uniform shop was nominated as an NPSE:

- GST cannot be claimed back on any purchases
- GST cannot be added to sales prices

There are pros and cons in being an NPSE. While there is no need to charge GST and no need to report transactions under a Business Activity Statement (BAS), any GST that the NPSE pays is not recoverable as input tax credits.

Before making an activity an NPSE, consider:

- implications for administration and accounting
- the types of supplies (whether taxable/GST-free or input-taxed) and related acquisitions that are to be accounted to an NSPE, and their impacts on the BAS of the P&C Association (i.e. whether the activity normally results in net refund or net GST payable), and
- whether charges for the activity will increase or decrease.

### 17.10.1 Managing an NPSE

Once a P&C Association has decided to make an activity that of an NPSE, all it needs to do is to record that decision in the minutes of a P&C Association meeting. The decision will come into effect immediately and the P&C Association cannot revoke it within 12 months. The P&C Association also cannot re-make an activity an NPSE within 12 months after it has revoked a previous decision. None of these decisions need to be provided to the ATO but they must be documented and be available if required for audit purposes.

An NPSE that has a GST turnover (gross income minus GST) of under $150,000 operates under the ABN of the P&C Association. Once the GST turnover is $150,000 or more, the NPSE must apply for a separate ABN and be registered for GST.

It is not in the best interest of an NPSE to meet or exceed the $150,000 GST turnover threshold, and thus the P&C Association must actively monitor GST turnover. Where the projected GST turnover of an NPSE comes close to meeting the threshold, the P&C Association will need to move some activities back to the main entity or to another NPSE.

A P&C Association does not need to maintain a separate bank account or a separate set of accounts for a NPSE. However, the accounts of the NPSE must be clearly and easily distinguished from the accounts of the P&C Association.

Accounting transactions relating to an NPSE must not be shown on the BAS.

GST must not be charged for an NPSE supply, and any GST paid to a supplier that relates to the activities of an NPSE cannot be recovered by the P&C Association.

Where the P&C Association pays for an acquisition that is used by the main entity and for a NPSE, the P&C Association can only recover the GST portion that relates to the main entity.

**Example:** A P&C Association operates a second-hand store in the school as an activity of an NPSE. It also operates a tuckshop which makes input-taxed food supplies. The school provides a $330 (include $30 GST) tax invoice to the P&C Association for electricity for the quarter. Based on a reasonable calculation of electricity usage, the P&C Association determines that 60% of electricity is for the tuckshop and 10% for the second-hand store. The remaining 30% relates to making of taxable/GST-free supplies. This expense is to be apportioned as:

| Types of supplies | Apportionment | Amount | To report on the BAS? | Amount to recover as GST credit |
|---|---|---|---|---|
| Making taxable/GST-free supplies | 30% | $99 | Yes | $9 |
| Input-taxed supplies | 60% | $198 | Yes | $0 |
| NPSE | 10% | $33 | No | $0 |

Refer to ATO publication GST branches, groups and non-profit sub-entities for more information on NPSE.

# 18. P&C employees

Any P&C Association employees are employed by the Association itself as the legal entity, regardless of which activity or subcommittee they are connected to.

## 18.1 Employee entitlements

The Parents And Citizens Associations Award – State 2016 details the hourly rates of pay and other entitlements of P&C Association employees. The Association must ensure provision is made in the Association's financial accounts for employee entitlements as they occur.

Employees must be paid by EFT or cheque (never cash). Ensure employee payments and wage records are correct, and that employees are receiving the correct wages and pay slips, superannuation contributions and leave entitlements.

Depending on the work arrangement, a contractor may be deemed an employee and subject to PAYG (withholding), Superannuation guarantee, and payroll tax. Refer to Australian Taxation Office (ATO) publications PAYG withholding, Your workers, Employee or contractor for compliance information.

Keep payments for superannuation, insurance, WorkCover and tax up to date.

Superannuation is paid in addition to an employee's wage. Record superannuation and long service leave entitlements in the Association account keeping tool.

Association's with employees need to pay super contributions for your employees electronically (electronic funds transfer or BPAY) and send the associated employee super information electronically in a standard format to meet SuperStream requirements.

SuperStream transits money and information consistently between employers, funds, service provider and the ATO.

WorkCover is paid separately and based on what type of work employees perform. Either an Income Activity Statement or a Business Activity Statement must be sent to the ATO every three months.

It is important to keep provisions aside to cover an employee's entitlements including annual leave, sick leave, long service leave etc.

## 18.2 Single Touch Payroll

Single Touch Payroll (STP) is a new way of reporting tax and super information to the ATO. All Associations with paid employees must report payments such as salaries and wages, pay as you go (PAYG) withholding and superannuation information from the payroll solution each time an employee is paid to the ATO. Single Touch Payroll (STP) aligns reporting obligations to payroll processes. When reporting through Single Touch Payroll you will send your employees' payroll and super information to the ATO from the Association's payroll solution each payday.

- From 1 July 2018 for employers with 20 or more employees.
- From 1 July 2019 for employers with 19 or less employees.

## 18.3 Other information relevant to P&C Associations with paid employees

- Single Touch Payroll
- Payroll/Income tax
- PAYG tax remittance
- Fringe Benefits Tax (FBT)
- Superannuation and Super for employers
- Workplace Health & Safety
- WorkCover
- Industrial awards and agreements, and
- Long-service, maternity and family leave entitlements.

Refer also to taxation requirements for employing staff.

# 19. Financial record keeping

## 19.1 Accounting method

Accounting method refers to the rules an organisation follows in reporting revenues and expenses. Two primary methods are accrual accounting and cash accounting.

The cash basis and accrual basis of accounting are two different methods used to record accounting transactions. The core underlying difference between the two methods is in the timing of transaction recordation. When aggregated over time, the results of the two methods are approximately the same.

- Cash accounting, revenue is recorded when cash is received from customers, and expenses are recorded when cash is paid to suppliers and employees.
- Accrual accounting, revenue is recorded when earned and expenses are recorded when consumed.

Therefore, cash accounting does not record payables and receivables, while accrual accounting does.

P&C Associations can choose whether to manage their accounts on a cash or accrual basis.

Using **cash accounting**, financial transactions are recorded when cash changes hands. In cash accounting, revenue is recognised when cash is received, and expenditure is recognised when an invoice is paid. Cash accounting is suited to smaller Association's that handle most transactions in cash (e.g. An Association that only conducts small fundraising or a fete). It shows how much money is on hand or in the bank account, but not money that is owed to the Association or that the Association owes.

Using **accrual accounting**, revenue and expenses are recorded when they are earned or used regardless of when cash changes hands. Accrual accounting tracks the true financial position of the Association, and is helpful if the Association's business is more complex and deals with large amounts of money. Accrual accounting is highly recommended where an Association has a large turnover (e.g. annual revenue is $250,000 or more), operates commercial activities, or employs staff.

## 19.2 Account record keeping

Financial information must be complete, accurate, and timely, and internal controls must govern its collection and use. The tool that an Association chooses to use to maintain its financial records will depend on the accounting method that the Association adopts. Options include:

1. Commercially available accounting software.
    - Commercially available accounting software can be web based or tailored software packages to meet the specific requirements of the P&C
    - Accounting software helps you record your transactions, calculate GST, update ledgers, prepare financial statements and generate invoices. Make sure you check to see what systems your accountant or business advisor recommends and that the software complies with standard business reporting
    - A P&C must use a compatible software package if it employees staff due to Single Touch Payroll reporting.
    - If a P&C uses accrual accounting, runs commercial activities, has employees and/or is a GST registered Associations it is recommended that commercial accounting software is used.
    - Using a web-based or 'cloud' system allows you to update your books from any location. It also has the added benefit of automatic off-site storage of your financial records. While this can be a cheaper option, it does come with added security risks.
2. P&C cashbook – a Microsoft Excel application developed by the Department:
    - Suitable for small to medium cash based Associations.
3. Manual cashbook – available from stationery suppliers.
    - Suitable for small cash based Associations.
4. Engage a professional accounting/book keeping service.
    - All Associations are required to have a Treasurer who may decide to:
        - handle all financial matters themselves or
        - may choose to employ an accountant/bookkeeper and outsource certain services to an external accounting or bookkeeping organisation.
    - The decision on what financial services requires external assistance rests with the Treasurer however, the Treasurer is responsible for the overall financial management of the Association.

### 19.2.1 Selecting an account record keeping tool

When choosing an account record keeping method, consider:

- whether the approach currently in use by the P&C Association is satisfactory
- the size and complexity of the Association's operations
- cost of service/product including ongoing maintenance and upgrading software
- the level of knowledge and expertise of the Executive, especially the Treasurer
- the likely expertise of future Executive members
- access to suitable IT equipment
- ease of use/availability of training in software
- ability to backup computer files
- record retention functionality as financial records must be retained for 7 years
- single touch payroll reporting functionality

Refer to the Department's Non-departmental ICT service providers.

Record all expenditure and revenue with corresponding reference numbers and details and retain all supporting documentation. Enter receipts and payments promptly so that the accounts are kept up-to-date. P&C Treasurer Key Tasks

Refer to the P&C Finance Training online for Treasurer's for more information about financial reports and how to prepare and interpret them.

### 19.2.2 Engaging an accounting/book keeping service

A P&C Association may engage an external accountant/bookkeeper for their account record keeping.

If a P&C engages an accountant/bookkeeper it does not alter the responsibilities of the P&C Executive.

The role and functions of the accountant/bookkeeper will be based on the contractual agreement between the P&C and service provider. Some of the functions may include:

- Managing the Associations account record keeping system
- Processing invoices, receipts, payments and other financial transactions
- Managing payroll
- Preparing financial statements
- Reconciling accounts and preparing reconciliation reports
- Managing any loans or debt repayments
- Calculating GST
- Preparing and lodging your BAS

# 20. Accountable forms

An accountable form is a document that has a cash value or that acknowledges the receipt of money. Examples include purchase orders, receipt books and chequebooks.

Accountable forms require security consistent with their potential value or negotiability. The forms must be securely stored at the school and a master register of them must be maintained and administered by the Treasurer.

All books of accountable forms are to be labelled with book numbers in sequential order. An annual stocktake of the accountable forms must be presented at the AGM.

For each type of accountable form, the register will record:

- date of receipt
- quantity received
- serial numbers of the forms (use a separate line to record the serial numbers applicable to each pad or book where forms are received in book form)
- the type of accountable form, and
- the destruction, cancellation, transfer or issue of accountable forms. The following must be recorded in respect of issuing the forms:
  - date of issue
  - quantity issued
  - serial numbers of the forms issued in those cases where the forms are in loose form, and
  - signature of the officer receiving the forms
- all entries in the register must be signed and dated by an executive officer

Refer to the P&C Association Accountable Forms Register.

# 21. Financial records retention

The Treasurer must keep financial records for the current year and the previous year. All other records must be kept at the school, under the Principal's care. When a new Treasurer is appointed, the outgoing Treasurer must pass on all records.

The following financial records must all be kept for seven years:

- Audit reports
- Bank deposit slips
- Bank statements
- Cash register strips
- Cashbooks
- Cheque butts / payment vouchers
- Financial reports
- Order books, invoices
- Pay sheets and acquaintance sheets
- Petty cash and postage books, and
- Receipt books.

If the Association is to look at the online storage of documents it should consider the relevant and address the following:

- Data privacy, security & storage standards
  - Information Privacy Act,
  - Australian Government Privacy Act,
  - Information Security Policy IS18
  - Queensland Government Cloud Computing Strategy
  - Non-departmental ICT service providers procedure
- Ensure there are adequate safeguards for personal information.
- International payment industry standard - Payment Card Industry Data Security Standard requirements

Employment history records must be permanently retained as per the QLD government General retention and disposal schedule (GRDS) for long service leave entitlements.

# 22. Financial reporting

Financial reports are a structured representation of the financial position and financial performance of an Association. The objective of financial reporting is to provide information about the financial position, financial performance and cash flows of an Association that is useful to a wide range of users in making economic decisions. Financial reports also show the results of the executive committee's stewardship of the resources entrusted to it.

## 22.1 Monthly reporting

Reporting informs P&C members of the Association's financial position and provides assurance that financial operations are sound and controls are in place.

Accounting periods for Associations are whole calendar months. At each P&C meeting, the Treasurer must present financial reports endorsed by the executive committee for all Association and subcommittee accounts. P&C Treasurer Reports

Monthly financial reporting includes:

- **Bank reconciliation** – is the process of matching the balances in the Association accounting records for a cash account to the corresponding information on a bank statement. The goal of this process is to ascertain the differences between the two, and to book changes to the accounting records as appropriate. This should be completed as at the end of the previous calendar month with original bank statement.
- **Debit card and petty cash reconciliation** (where applicable) – If an Association has a debit card and or petty cash fund these must be reported and reconciled.
- **Statement of receipts and payments** – this is simply a summary of the cash and bank transactions, analysed and classified under suitable headings, including the opening and closing balances
- **Profit and loss statement** – provides information on the operation of the Association. These include sales and the various expenses incurred during the stated period (also known as a P&L, income statement or Statement of Comprehensive Income).
- **Balance sheet report** – reports on assets, liabilities at a given point in time. The balance sheet incorporates the net income determined on the P&L statement. A balance sheet can also help you work out your working capital (money needed to fund day-to-day operations) and business liquidity (how quickly you are able to pay your current debts),

which can give you a good indication of the financial health of your Association(also known as Statement of Financial Position).

- **Trading Statement** – If the Association conducts commercial activities, a trading statement is a required report which shows sales, stock values, operating expenses, cost of goods sold and gross profit/loss.

  The trading statement contains the trading details of an individual commercial activity which is consolidated in the profit and loss statement and Balance sheet reports.

  Ideally, trading statements should be generated monthly to quickly identify and address any unusual trends before the financial position becomes difficult.

## 22.2 Annual financial reporting requirements

The P&C Annual Financial Reporting Requirements outlines the mandatory annual financial reporting and auditing requirements for Associations and assists them in the preparation of their Annual Financial Statements.

To assist in providing assurance as part of the Annual Financial Reporting Requirements an annual compliance report is to be completed.

The P&C Compliance Report provides assurance there was adequate control over the financial operations of the Association for the reporting year.

# 23. Audits

## 23.1 Appointing an auditor

P&C Associations must be audited annually by either:

- a member of CPA Australia Ltd ACN 008 392 452 entitled to use the letters 'CPA' or 'FCA', or
- a member of Chartered Accountants Australia and New Zealand ARBN 084 642 571 entitled to use the letters 'CA' or 'FCA', or
- a member of the Institute of Public Accountants Ltd ACN 004 130 643 entitled to use the letters 'MIPA' or 'FIPA', or
- an employee of a public sector entity who has the commercial skills and experience to audit the accounts of an association, or
- an employee of an insurance company, financial institution or other financial or commercial organisation who has the commercial skills and experience to audit the accounts of an association .

All conflicts of interest must be disclosed prior to an auditor being appointed. The auditor cannot be:

- an employee or executive committee member of the P&C
- a relation of an executive committee member, or
- a service provider to the P&C Association

It is preferable the appointed Auditor be a local accountant aware of the activities of the P&C Association.

A member of the P&C Association may only be appointed as the auditor with the approval of the Director-General, Department of Education.

Any fees must be negotiated and confirmed prior the auditor's appointment. Where possible, the auditor is to be appointed in an honorary capacity.

The auditor must be appointed at the P&C Association's Annual General Meeting or a special meeting convened for that purpose. The Regional Director is to be advised of the name, address and qualifications of the appointed auditor.

## 23.2 Conducting the audit

The Treasurer must submit the P&C Association's and its sub-committees' books and accounts to the auditor allowing enough time to prepare the audited financial statements for the AGM each year.

The auditor must be given, at all reasonable times, full and free access to all records and property belonging to, in the custody of, or under the control of the Association to conduct the audit, including:

- minutes of meetings
- the Association's account record keeping tool
- monthly finance reports
- annual financial statements
- bank reconciliations
- cheque, deposit and receipt books
- all records of income
- all payment vouchers
- all receipt books
- stocktake records
- records of assets and liabilities
- bank statements for all accounts
- signed Management Representation Letter
- any other documents/records that provide supporting information for financial transactions as the auditor considers appropriate, and
- information published in the P&C Accounting Manual.

The Treasurer must be available to discuss and address any issues raised.

The auditor must certify whether or not, in the auditor's opinion:

- the financial statements agree with the financial accounts and comply with the financial record keeping requirements
- the financial statements present a true and fair view of the Association's transactions for the financial year
- the financial position at the close of the year is consistent with the basis for preparing the financial statements for the year.

Refer to the Annual Financial Reporting Requirements

### 23.1.1 Interim Audit

If the Treasurer of the Association or a subcommittee resigns or is removed during their term of office, the Association will arrange for an audit of the records and accounts of the Association or subcommittee before handing the records to the successor.

The interim audit is required as it protects the incoming Treasurer and allows them to identify the true financial position of the Association. The day to day operations and duties of the Association should not stop during this period as suppliers and staff will need to be paid.

# 24. Contacts

### P&Cs Qld

- www.pandcsqld.com.au
- 1800 218 228 / 07 3352 3900
- enquiries@pandcsqld.com.au

### Department of Education

- www.education.qld.gov.au
- 13 QGOV (13 74 68)

| Business Unit | Email | Phone |
|---|---|---|
| **Financial Business Policy** | financialpolicy.finance@qed.qld.gov.au | |
| **Procurement Services** | procurement.corporate@qed.qld.gov.au | 1300 366 612 |
| **Infrastructure Services** | ISB.Correspondence@qed.qld.gov.au | 07 3034 4831 |
| **Strategic Communication and Engagement (Sponsorship)** | | 07 3328 6661 |