



Department of  
Education & Training

# Management of School Trading Operations

Guidelines



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This document is also available on the internet at  
<http://www.education.vic.gov.au/school/principals/finance/Pages/guidelines.aspx>

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## 1. Introduction

Department of Education and Training (DET) policy provides for all Victorian government schools to conduct various trading operations as a school community service; and to raise funds locally.

While a school's primary function is related to the delivery and management of curriculum-related operations, most schools manage a range of non-curriculum activities or 'trading operations'. The administrative and financial management of trading operations are no less important than any other school-managed operation and standard custodianship, security and reporting obligations apply equally to these activities.

The conduct of all trading operations must reflect efficiency, transparency, full disclosure and effectiveness, and this is achieved by ongoing monitoring, recording and reporting in line with specific and best practice internal controls, processes and procedures. The absence of these principles could lead to significant financial risk and misappropriation.

## 2. Types of School Trading Operations

Typical examples of a trading operation are:

- Out of School Hours Care (OSHC)
- Outsourced Out of School Hours Care (leased)
- School council operated Canteen (not leased)
- Outsourced Canteen (leased)
- School Uniform/Second Hand Book Shop
- Hire of Facilities
- Other Trading Operation e.g. sale of stationery

While the above list covers the vast majority of trading operations in schools, any activity that is not directly curriculum-related and is endorsed by school council as a profit making venture could be included.

There is a difference between trading operations and fundraising activities. Put simply, trading operations can be viewed as those activities that have an ongoing life or are a 'going concern' (e.g. uniform shop); whereas fundraising activities are a one off or limited life activity (e.g. raffle).

**NOTE:** From 1 January 2012, preschools (kindergartens), long day care, out of school hours care and family day care services will be required to operate under the National Quality Framework. For more information regarding the framework see: [National Quality Framework Resources for Victorian Services](#) website.

### **Non-Profit Trading Operations should not be confused with School Trading Operations.**

A Non-profit trading operation is an event whereby a school is acting as an agent and collecting money to be forwarded on behalf of a third party, for example:

- Royal Children's Hospital Appeal
- Red Nose Day
- Scholastic Book Club

In these cases all money received is paid on to the third party the revenue is offset against the expenditure or the revenue for a minor event is totally offset by the expenditure for that event.

Collections for the staff association also apply to non-profit trading operations, where money is collected from the staff specifically for the purpose of the events organised by the staff association. A profit or loss is not incurred by the school.

### 3. Approval Process

All school trading operations must be approved by school council. The planning for establishing a trading operation should incorporate the development of specific goals and objectives for the trading operation (e.g. provision of a service for the school community, supplement locally raised funds). These goals and objectives will generally link back to the school's strategic plan and desired educational outcomes which will be the underlying drivers of the financial activity of a trading operation.

A trading operation should make a surplus or at the very least, break even. If the trading operation makes a loss school council should assess the possible reasons why a loss was made and the viability of the trading operation. An initial decision to subsidise the loss-making operation should be formally minuted by school council.

Ongoing monitoring of school trading operations should occur to ensure the operations are being conducted efficiently and effectively, are meeting the intended objectives and to reassess their viability.

### 4. Resources and guidelines

Several Department resources and Financial Services Division guidelines set out minimum financial controls relating to school trading operations. These resources are available on the [Financial Management](#) website.

- Finance Manual for Victorian Government Schools
- Internal Control for Schools;
- CASES21 Finance Business Process Guide;
- School Level Payroll Requirements;
- School Policy Advisory Guide

School personnel directly involved in the management of trading operations should access relevant policy and guidelines from the above list and familiarise themselves with the information and content provided.

Trading Operations Checklists ([Appendix 1](#)) have been included in these guidelines to assist schools to confirm and verify a number of processes are in place, for example, a written purchase order accompanies all request for purchases, cash is safely stored, Profit and Loss Statement prepared at least once a year.

### 5. GST or Input Taxed

It is an ATO requirement for any school operating a trading activity to nominate the activity as taxable or input taxed. This is an annual requirement that needs to be minuted at the earliest possible school council meeting for the new year. Any change to the decision as to whether the activity is to move from taxable to input taxed, or vice versa, must wait for 12 months.

School personnel must be aware that the decision to nominate the activity as taxable or input taxed impacts on all transactions, revenue and expenditure and asset acquisition.

For specific GST implications for Canteens and Uniform Shops, refer to the School GST Fact Sheets available on the [Departments' Tax Edugate Site](#).

For further information or advice regarding GST matters please contact the Departments' Tax Compliance Unit email: [tax@edumail.vic.gov.au](mailto:tax@edumail.vic.gov.au) or phone 9637-3702.

## 6. Revenue and Expenditure Budgets

School councils are required to account for all monies under their control and to prepare appropriate statements of financial transactions. A vital part of this process is the development and monitoring of the approved annual budget.

Revenue and expenditure budgets are required to be entered into the relevant programs/subprograms relating to all trading operations. This enables comparison of budget against the actual performance of the trading operation, and school council is able to monitor this progress on a regular basis. Note that a separate revenue budget is entered directly into the program/subprogram, NOT via subprogram 9499.

## 7. Chart of Accounts

The school official account should be used for the receipt of money provided from local and commonwealth government sources and locally raised funds such as voluntary contributions, donations and fund raising activities. All payments for goods and services must be made from the official account.

Relevant chart of account codes are vital to providing accurate and complete recording and reporting of trading operations. The Chart of Accounts has provision for identifying revenue, expenditure, assets and program/subprogram codes including the following structure:

Revenue		
71002	Before/After School Care Grant	Revenue received from DFACS (with RCTI) or Centerlink
74201	Hire of School Facilities/Equipment	Proceeds from the hire of school facilities and equipment for private purposes e.g. school gym to local basketball club.
74202	Canteen Lease	Income received from canteen operators leasing canteen space
74402	Trading Operations Revenue	Revenue relating to a school trading operation where a profit is anticipated
74401	Before/After School Care	All payments received from parents related to before and/or after school care

Expenditure		
80052	Other Non Teaching Staff	All salaries and wages paid as a direct result of: operating before and/or after school care, a school operated canteen and/or other school trading operations.
89101	Trading Operations Payments	Costs relating to a school trading operation where a profit is anticipated
89120	Before/After School Care	Costs associated with the Before/After School Care program

### Other expenditure when it is apportioned to the trading operation

These expenses could include telephone, utilities, furniture and fittings (fridges, stoves etc), cleaning costs, requisites and any capital expenditure (building works etc.) directly related to the trading operation. Refer to the current [Chart of Accounts](#) for these codes.

### Programs and Subprograms

#### 710 Before/After School Care Program

7101 Before/After School Care Subprogram

7150 – 7199 (School defined subprograms)

#### 720 Canteen Program

7201 Canteen Subprogram

7250 – 7299 (School defined subprograms)

#### 730 General Trading Program

7301 Book Stall Subprogram

7302 Uniform Sales – New Subprogram

7303 Uniform Sales – Used Subprogram

7350 – 7399 (School defined subprograms)

Refer to the current [Chart of Accounts](#) on the Financial Management website for full details, explanations, GST treatments and links to further information, resources etc.



## 8. Billing Best Practice

Converting the supply of goods or services into cash is one of the most important processes in any trading operation. Where sales are offered on credit, financial systems (e.g. CASES21, QuiKids, KidsWizz etc) will refer to the amount outstanding as a debtor (family or sundry) or accounts receivable. A lot of effort can be wasted in managing debtors if proper controls and procedures are not put in place at the outset.

It is important to manage all outstanding invoices from your debtors and ensure that you have good procedures in place to encourage your debtors to pay on time. Efficient debtor collection procedures include credit controls, payment terms and managing your relationships with your debtors.

Schools should establish a charging policy for the supply of goods or services for their trading operations. This policy should be endorsed and reviewed regularly by the school council.

### Raising invoices

Accurate records should be kept of all income due. For this to occur invoices need to be raised and recorded for goods and services provided. Invoices should be raised and issued for all debts that are due and payable.

It should be remembered that invoices issued in a timely manner are more likely to be paid within the agreed terms. Raise and issue invoices as soon as possible after the goods or services are provided within the terms of agreement and local school policies.

Business managers are advised to routinely review and reconcile receivables for trading operations that run subsidiary systems (e.g. QuiKids, KidsWizz etc). For example, OSHC accounting software generally provides specific receivables reports that should form part of the routine OSHC financial reporting to business managers and the school.

When raising invoices the decision to nominate the activity as taxable or input taxed must be taken into account as that impacts on all transactions, revenue and expenditure and asset acquisition. All invoices must be raised with the correct GST type as per the approved nomination. For further information regarding this see [GST or Input Taxed](#).

Schools should ensure that their tax invoices meet ATO requirements. Invoices produced in CASES21 do meet these requirements. For more information on tax invoices see the [Departments' Tax Edugate Site](#).

### Keeping accurate records

All relevant documentation should be maintained and updated as required. This would include any agreements or contracts (e.g. Hirers agreements).

Sundry Debtors details (e.g. contacts, address) and terms of trading should be maintained in CASES21 or in a subsidiary record.

### Monitoring debts

A key component of monitoring debt is to ensure any outstanding debtor invoices are still valid and assessing the collectability of the debt. Schools should assess the probability of recovering the revenue from any outstanding invoices at regular intervals. If there are any invoices deemed to be unrecoverable, seek approval to write them off and ensure that the necessary documentation and authorisation is retained for audit purposes.

Reminders and statements may be sent to debtors with outstanding invoices. Unlike parent payments these can be issued for trading operations as often as outlined in the terms of agreement with the debtor.

For OSHC programs schools should regularly reconcile lists of students attending the program to OSHC takings and this reconciliation be independently verified.

## Tips for improving debtor collections

- Send out invoices in a timely manner
- Make it easy to pay – direct credit arrangements, EFTPOS or credit card
- Run regular reports to identify when payments are due – aged debtors report
- Identify slow paying debtors and make contact early to discuss any issues – inadequate service, inability to pay etc

## Billing adjustments

Billing adjustments refer to credit notes and invoice reversals. These should only be performed where an error in invoicing has been made, the goods and services were not provided, a credit has been approved (e.g. a discount) or the debt is deemed uncollectable.

Schools should have procedures for following up any invoices which have not been paid within the agreed terms. Debts should be written off only after authorisation has been received and schools should keep a record of all sums written off.

Appropriate documentation and authorisation of credit notes/write offs, journals and family or sundry debtors amounts that are not expected to be collected is required and should be retained for audit purposes.

Business managers are advised to routinely review and reconcile receivable and billing adjustments for trading operations that run subsidiary systems (e.g. QuiKids, KidsWizz etc). For example, OSHC accounting software generally provides specific adjustment reports that should form part of the routine OSHC financial reporting to business managers and the school.

## 9. Receipting Best Practice

Moneys received at points other than at the general office are to be receipted by one of three methods:

- by the issue of an individual official receipt by the person receiving the money; eg Uniform shop
- by a class list collection method for individual amounts up to \$5 per student, received for group activities for which moneys are normally received over a period of time;
- by subsidiary records, eg canteen takings, out of school hours care, fundraising where money is counted by two people and a control receipt is issued.

All moneys collected by a trading operation must be detailed in the record and must be paid intact to the responsible officer each day. For information regarding internal control measures applicable to receipting, schools should refer to Internal Controls for Schools, which can be accessed on the [Financial Management](#) website.

The department recommends that larger schools with substantial local cash collections look to implement point-of-sale systems where possible to strengthen the controls over their cash collections.

Best practice advice regarding cash handling is available in the Cash Handling Primer for Victorian Government Schools available at:

<https://edugate.eduweb.vic.gov.au/Services/Policies/Pages/Fraud.aspx>

Cash is only secure if effective processes are in place to ensure cash transactions can be verified. The receipting process is critically important to ensure cash is protected. This includes:

- promptly issuing a receipt for payment of goods or services
- use a receipt book or receipt numbering system identified for the trading operation or via CASES21
- if a replacement receipt is requested, NEVER issue a new receipt but check back for the original receipt details and provide the customer with a copy of this receipt either by photocopying the original and marking as 'copy' or writing a letter or memo outlining the receipt details.

Without a consistent method of receipting in place, schools are unable to:

- properly reconcile takings to CASES21;
- vouch for the completeness of takings; and
- confirm payment.

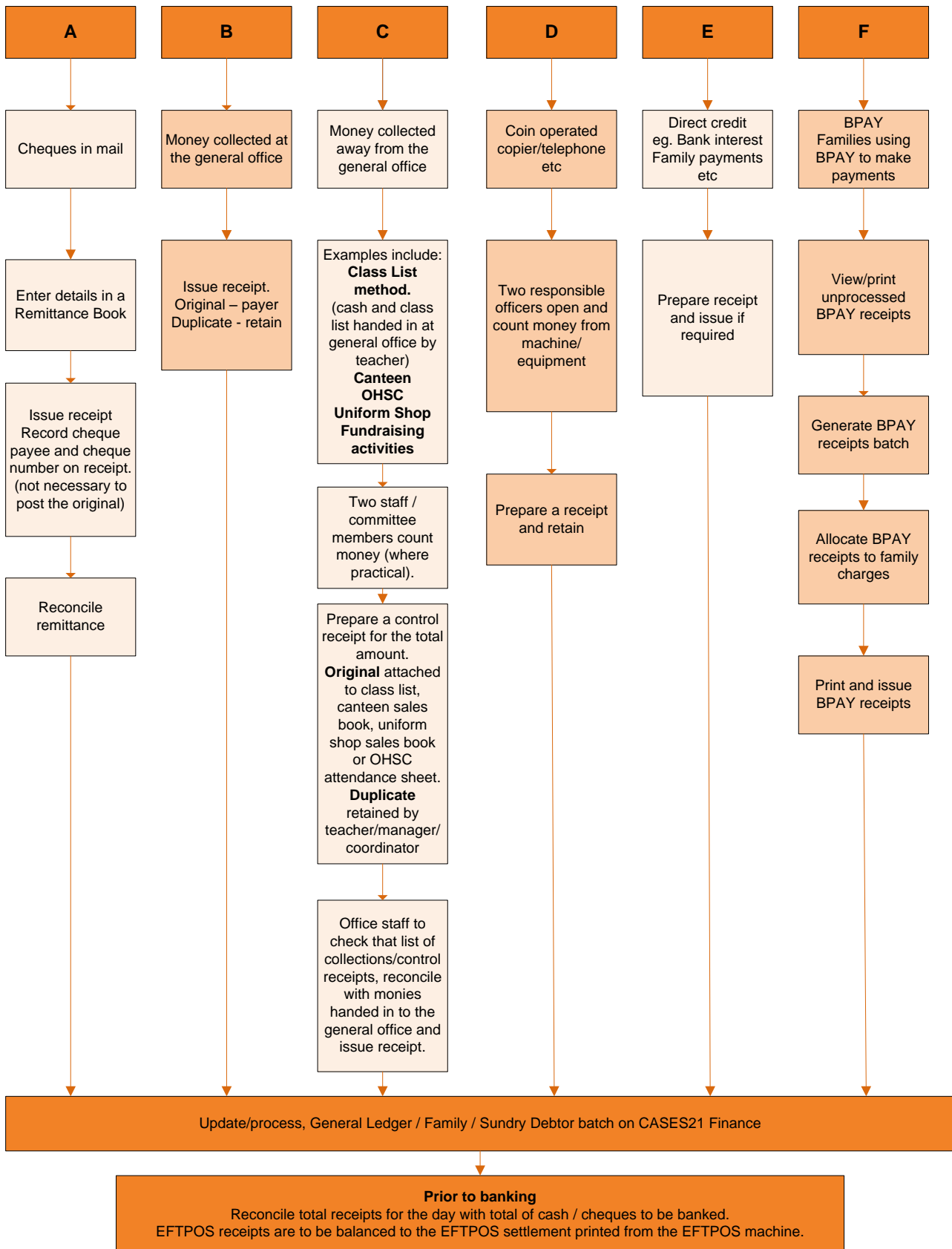
This can also have cash flow implications for the school.

The flowchart of the receipting process below identifies a number of receipt methods and the relevant internal controls pertaining to each method.

The type of method of receipting will depend on the set up of the trading operation (e.g. away from the general office, direct payment via electronic means). A combination of methods might be utilised. In each case the appropriate internal controls need to be in place to ensure the funds are verified, recorded and reconciled accurately.

The preference is for all transactions to go through CASES21 utilising the family and/or the sundry debtors modules. Where other systems are used by the trading operation e.g. QuiKids, KidsWizz etc or cash register, reconciliation between the subsidiary system and CASES21 banking must occur. It is recommended that a separate batch be created in CASES21 for these bankings.

## Receipting Flowchart



## 10. Cash Handling Controls

Cash is the most vulnerable asset in a school, unlike cheques or electronic funds transfers, which have their own trail of evidence for verification. Cash is only secure when a range of specific processes are strictly adhered to by those responsible for handling and managing it.

These processes are outlined in the Internal Controls for Schools publication and are to be applied to any instance when cash is collected or transferred, whether curriculum or non-curriculum related. As a trading operation is often conducted away from the general office and/or out of school hours, the importance of effective and complete processes to verify the accuracy and security of cash collection are essential to minimise risk as much as possible.

One of the most effective controls for minimising the risk is to reduce the collection of cash. Schools are encouraged to provide non-cash mechanisms for parent payments. These may include EFTPOS, credit card, Bpay, direct deposit etc.

While non-cash forms of payment for trading operations, for example, electronic funds transfer via a parent/guardian debit or credit card, will provide transaction evidence and a verifiable trail, this may cause unnecessary hardship to families who may not have access to non cash forms of payment.

Schools need to use discretion in this area and regardless of which type of payment is used, ensure maximum controls and optimum security measures are always in place.

A cash float is often necessary for the conduct of some trading operations, for example, a canteen. The amount is determined by school council and recorded and maintained in a secure location, for example, a cash register. If this is not available, then use of a lockable drawer during operational times with the key to the drawer held by the responsible officer in charge, the supervisor or designated person.

A reconciliation of cash collected versus cash banked is an excellent process to confirm a nil variance, or highlight any discrepancies. Where under/over or nil banking occurs, an investigation into the discrepancy should be immediately conducted, with the reasons for the variance documented.

It is recommended that all schools with Out of School Hours Care (OSHC) facilities reconcile OSHC takings received to CASES21 banking and that this reconciliation be independently verified. Other cash-related trading operations, for example, canteens and uniform/book/stationery sales activities may also benefit from a similar process. A sample Takings Reconciliation Sheet is included in [Appendix 3](#).

### Additional Cash Controls at Specific Times

Schools should:

- Ensure that any cash collected or remaining after banking that day must be stored in the school safe.
- Ensure that there is minimal cash in the school overnight and weekends.
- At the end of each school term, all cash on hand should be banked and if a petty cash system is operational, the principal or responsible officer ensures that the petty cash float is locked in the fireproof safe for the period of the vacation.
- Investigate insurance for cash in transit

### Best Practice for Remote Cash Handling

- Cash collected from away from the general office (e.g. vending machines, photocopiers etc) should be regularly removed, counted and recorded by two independent people.
- Use of a Cash Taking Sheet ([Appendix 2](#)) and Takings Reconciliation Sheet ([Appendix 3](#)) to verify cash collected against cash banked.
- Segregation of duties (for example, all cash and cheques collected are banked intact daily by person other than the one collecting them).
- Stocks of receipt books should be kept secure and recorded in the accountable documents register.
- OSHC lists of students are regularly reconciled to OSHC takings and this reconciliation be independently verified

## 11. Purchases and Payments Processes

All standard Department procurement processes apply for purchases and payments made for trading operations in schools.

### Conflict of Interest

Employees of the Victorian Public Sector are required by the Public Administration Act 2004 and the Code of Conduct for Victorian Public Sector Employees to declare and avoid any real or perceived conflicts of interest to help maintain community trust and confidence in the Public Sector. Employees of the Teaching Service, employed under the Education and Training Reform Act 2006 are also employees of the Victorian Public Sector.

A conflict of interest in the public sector exists where there is a conflict between an employee's public duties and responsibilities, and their private interests. It may be actual, potential or perceived. Private interests include the personal or financial interests of an employee and the interests of family members, friends, or associates of an employee.

School staff and members of school councils are required to declare and avoid conflicts of interest. Further information regarding conflict of interest can be found on [HRWeb](#).

### Purchasing Thresholds

A school council may purchase directly from any source of supply when it is to the best advantage of the school. The exception is where mandated Whole of Government Contracts apply.

Purchases from private suppliers may also take place via the internet. Where it is a requirement to set up an account, such as for purchasing via eBay, the account must be held in the name of the school and not in the name of an individual. All normal purchasing procedures apply to internet purchases.

The following purchasing thresholds are to be followed when making direct purchases from a private supplier:

If the purchase is	then the process is
Less than or equal to \$2,500 (GST inclusive)	A minimum of one quote (maybe verbal or written)
Greater than \$2,500 and equal to \$25,000 (GST inclusive)	A minimum of one written quote
Greater than \$25,000 and equal to \$150,000 (GST inclusive)	A minimum of three written quotes* to be sought
Greater than \$150,000 (GST inclusive)	Public tender process*

\*Acceptance of a selected quotation is to be recorded in the school council's minutes prior to the school order being issued.

**Note** – estimated gross amount is the amount before adjustments (e.g. car costing \$16,000 with a trade in valued at \$14,500 the estimated gross amount is \$16,000 and not \$1,500)

The quotes, including a record of verbal quotes received, and tenders are to be attached and filed with the purchase documentation. Where the lowest quote has not been accepted, a note to this effect from the authorised officer, setting out (briefly) the reasons, should be filed with the purchase order documentation. This note would form part of the audit trail.

## Purchase Orders

No purchases shall be made without an official order form except for petty cash items approved by the principal or delegated officer, certain canteen supplies and utilities.

School purchase order forms are only to be used for purchases that are paid from school funds, not private purchases. No duplicate of an order shall be issued. Any order issued in replacement of an order not received by a supplier shall state that it is a replacement order.

It is important to separate the authorising, recording and custody functions so that a cross-check is provided for each function.

## Tax invoices

Department policy is that schools only deal with suppliers that quote an ABN. In order for all expenditure to be processed on CASES21 a school must hold a valid tax invoice if the supplier of the goods or services has an income greater than \$75,000 in a financial year. Suppliers have a legal obligation to issue a tax invoice within 28 days of a request.

Schools can pay on an invoice from a supplier who is earning less than \$75,000 in a financial year. The invoice may **NOT** include GST, however the supplier must supply an ABN otherwise 46.5% withholding tax must be applied to the transaction by the school.

For more information on tax invoices see the [Departments' Tax Edugate Site](#).

## Receipting of stores and services

The person who performs the purchasing function will ideally be independent of those persons who carry out invoice processing and payment, stock records and receipt of goods.

## Payment of Accounts

Schools may make payments to suppliers, via cheque, direct deposit, BPAY and the School Purchasing Card. All payments for trading operations must meet the same documentation and authorisation requirements as any other payments made by a school. These requirements can be found in the Finance Manual for Victorian Government Schools available on the [Financial Management](#) website.

## School Level Payroll

Trading operations often require payment of staff to properly conduct and manage the operation/s. As a trading operation can be located away from classrooms and the immediate vicinity of the school administration area (e.g. canteen) as well as outside normal school hours (e.g. OSHC), it is imperative that all time sheets for locally paid employees are reviewed and signed by the principal, prior to payment.

## Petty cash

The purpose of petty cash is to meet minor payments for purposes other than salary and wages. The limit on any one payment is \$200 although school councils may decide to set a lower limit.

## 12. Stocktakes

Where a trading operation relies on the purchase of stock at one price and the sale of stock at a higher price in order to make a profit, e.g. canteen or uniform shop it is necessary to perform a stocktake minimum once a year. Depending on the volume and activity of the trading operation, it can be advantageous to stocktake more regularly say once per term or per half year etc., for reporting on the operation via a "Profit and Loss Statement" (see next section).

The purchase of stock can be a significant cost to the trading operation, therefore the correct total value of stock at both the start and end of the reporting period must be included in the relevant reports in order for profitability to be determined accurately.

Below is a sample of a uniform shop stocktake showing all the relevant columns necessary for tracking and reporting:

Xyz School  
Uniform Shop Stocktake  
As at December 31, 20XX

Item	Size	No. of Items On Hand	Cost \$	Total Value \$	Sale Price Per Item \$
Art Smocks	S	1	15.00	15.00	17.50
	M	0			
	L	0			
School Bags	1 size	30	33.00	990.00	35.00
T Shirts	12	3	14.00	42.00	15.00
	14	3	14.00	42.00	15.00

Signature ..... (Coordinator)

As a result of a stocktake it may be necessary to 'write off' stock that is no longer suitable for sale. This should be documented by listing item, size, quantity, cost and total value of the written off stock, attached to the stocktake sheet/s, signed by the coordinator and validated by the principal. The value of the written off stock will form part of the expenditure in the Profit and Loss Statement.

Stock on hand should be valued using the identified cost method where possible. That is, if stock on hand can be identified as belonging to a particular purchase lot then the value of that stock should be calculated using the price of that purchase lot. If this is unable to be done then the stock on hand should be valued using the First In First Out method which means that stock on hand should be valued at the most recent purchase price. The stock valuation assumptions should be documented with the stocktake details.

Further information on stocktake is available in several Department publications: Finance Manual for Victorian Government Schools and Internal Control for Schools on the [Financial Management](#) website.



## 13. Personnel Records

The same conditions of employment apply to locally paid and centrally paid staff. Schools are advised to use the various web based links to ensure current forms, documents and policies are used for locally paid staff.

Schools should reference the School Level Payroll Requirements document available on the [Financial Management](#) website. The Departments' HR policies are available on [HRWeb](#).

### Contractor versus Employee

Contractors may be either individuals or companies and may provide services exclusively to the school or to the public at large. It is the Department's strong preference that schools engage incorporated contractors unless there is no other practicable option, this is because the engagement of sole-traders is more complex and the a greater understanding of obligations is required to understand and manage these relationships.

Prior to engaging a contractor, schools must determine whether the contractor is in fact, a contractor for the purposes of tax, superannuation and WorkSafe in order to be sure that the school is providing lawfully required entitlements.

No one factor determines whether a person is an employee or an independent contractor. Instead there are separate factors to determine the nature of a relationship for tax, superannuation and WorkSafe purposes.

The nature of the relationship between the contractor and the school defines the obligations (for the school) that apply in each area of tax, superannuation and WorkSafe. Understanding the nature of the relationship in each area is a complex and necessary to ensure compliance with obligations.

For information on determining whether a contractor is a contractor or employee for the purposes of tax, superannuation and WorkSafe schools should reference the Contractor Management Fact Sheet available on the [Departments' Tax Edugate Site](#).

### Pre-Employment Requirements

Prior to making an offer of employment the principal must be satisfied that the person:

- meets the qualification requirements (where relevant)
- meets the medical requirements (where a prospective employee is in receipt of ill health benefits the service provider should be notified of the offer of employment). A Medical Check (Pre-Employment Health Declaration) is required for successful Education Support applicants who are hired/rehired.
- has not been the recipient of a Voluntary Departure Package in the past three years
- is registered with the Victorian Institute of Teaching (VIT), for employment as a Casual Relief Teacher (CRT)
- has a Working With Children Check (employee) for non-teaching staff..
- has no employment or re-employment restrictions placed on them.

Certified copies of official documentation (e.g. qualifications) may also be required.

### Retention of records

School councils need to ensure that all payroll related information, for example time sheets, wage records, tax records, personal history details, leave forms and WorkSafe records are documented and retained.

Further, the school must ensure that all necessary trading operations-related documentation is placed permanently on individual personnel files. This should include, as a minimum, police and working with children checks, qualifications obtained proof of identity and an employment agreement or contract. Note Tax Declarations are not kept in the personnel file. They must be stored separately in a locked file.

Timesheets for all employees paid through the school level payroll must be authorised by the manager, then reviewed and signed by the principal prior to payday.

Employee related deductions e.g. after tax superannuation contributions, are required to be in writing both to commence and discontinue deductions.

Income tax legislation requires that wage and tax records (i.e. Payment Summaries) should be kept for a minimum period of five years.

All local personnel records should be kept indefinitely. Refer to 'Records Management and Disposal' on [HRWeb](#).

## 14. Profit and Loss Statement

The profit and loss statement is a summary of a trading operations income and expenses over a specific period of time. It is prepared at regular intervals to show the results of operations for a given period.

This statement is important as it shows how received funds have been allocated against operating expenses during the reporting period, providing information to school council.

A Profit and Loss Statement is required to be prepared for all significant trading operations on a regular basis and at least annually. This will assist school council in monitoring the activities and performance of the operation. A trading operation should make a surplus or at the very least, break even. If the trading operation makes a loss school council should assess the possible reasons why a loss was made and the viability of the trading operation. An initial decision to subsidise the loss-making operation should be formally minuted by school council.

Data for the statement is obtained either from CASES21 transaction data or manually calculated e.g. estimate of annual leave expenditure due in the reporting period.

The most detailed Profit and Loss Statement to prepare is for a trading operation that deals with stock, as covered in the Stocktake section above.

The more complete the financial data in the statement, the more accurate and reliable is the 'bottom line' Net Profit/Loss figure. Ensure that central payroll costs are included in the expense section (include oncost for salaries) to determine a more accurate bottom line. Estimates of annual leave, long service leave and utilities etc (if applicable) are recommended for inclusion in the calculation of Net Profit/Loss.

It is also recommended that outstanding invoices / balances and indication of doubtful debts be included or added as a note to the report.

If a deficit/net loss results from a trading operation, school council needs to assess the viability of continuing the activity and investigate possible reasons for the loss. An initial decision to subsidise the loss-making operation should be formally minuted by school council, however steps should be taken to ensure the program makes a surplus or at the very least, breaks even, and that the result achieved meets with school councils' expectations for the year.

The format for setting out this statement can be adapted from the samples on the [Financial Management](#) website and shown over.

Profit & Loss Statement  
Canteen for ABC Secondary College  
For Year Ending 31/12/20xx

		(Subtotal)	(Total)
Revenue		\$	\$
	Trading Operations	84,500	
	Donations	1,400	
			85,900
Less Cost of Goods Sold			
	Stocktake at Start of Period	5,000	
	Add Trading Operations Payments	62,000	
	(Total)	67,000	
	Less Stocktake at End of Period	4,800	
	Less Stock Write Off	200	
	(Total)	5,000	
			62,000
Gross Profit			23,900
Less Operating Expenditure			
	Staff Salaries – local school payroll	5,000	
	Staff Salaries – central payroll	5,000	
	Superannuation	450	
	WorkSafe	150	
	Annual Leave		
	Long Service Leave		
	Advertising		
	Telephone	200	
	Utilities		
	Insurance	150	
	Other Admin Expenses	500	11,450
Net profit / loss			12,450

It is important to note the following when interpreting the above report:

- This is an 'accrual' report not a cash report, therefore, some items of revenue and/or expenditure could be incurred but not yet received/paid.
- If Total Revenue (\$85,900) is greater than Cost of Goods Sold (\$62,000) and Total Expenditure (\$11,450) combined, a net profit is the result. If Cost of Goods Sold and Total Expenditure combined are greater than Total Revenue, a net loss is the result.

Where no stock is involved in conducting the trading operation, for example, OSHC, Hire of Facilities etc. a more simplified version of the Profit and Loss Statement can be prepared. In fact, removal of the "Cost of Goods Sold" section is the only difference, as shown in the sample below:

Profit & Loss Statement  
Out of School Hours Care for XYZ Primary School  
For Year Ending 31/12/20xx

		(Subtotal)	(Total)
Revenue:		\$	\$
	Before/After School Care Grant	30,000	
	Before/After School Care (parents)	30,000	
	Bank Interest	500	
			60,500
Less Operating Expenditure			
	School payroll	10,000	
	Central payroll	25,000	
	Superannuation	450	
	WorkSafe	150	
	Annual Leave	150	
	Long Service Leave	100	
	Advertising	50	
	Telephone	200	
	Utilities	100	
	Insurance	150	
	Other Admin Expenses	500	
			36,850
Net Profit/Loss			23,650

## 15. Reporting

### Profit and Loss Statements

As outlined earlier a profit and loss statement is to be prepared annually for school council and audit purposes for all trading operations on a regular basis and at least annually.

### Budget versus Actual

Regular monitoring is important to ensure all expected revenue and expenditure is accounted for and within budget.

This involves comparing actual figures to budget figures to assess performance against expectations. Variances should be identified, investigated and reported with corrective action taken if required.

The key report to use in monitoring budgeted versus actual revenue and expenditure is the Operating Statement – Detailed (GL21150).

Trading Operations Coordinators can monitor the actual spending against individual budgets by using the Annual Subprogram Variance Report (KGLSUB21003) or the Annual Subprogram Budget Report (GL21157).

### Retention of financial records

Schools are responsible for the creation, management and disposal of records relating to all aspects of school administration. These records include financial records.

Schools should refer to, and become familiar with the two Retention and Disposal Authorities that are used to sentence school records.

- Schools General Retention & Disposal Authority (PROS 01/01) This RDA covers records specific to schools such as, but not limited to, reports, attendance rolls, enrolment records and school council records.
- General Retention & Disposal Authority for Records of Common Administrative Functions (PROS 07/01) This RDA covers records common to all public offices such as, but not limited to, financial records and personnel records.

These documents can be found on the [Archives and Records Management - Advice for Schools](#) website.

For more information on both Retention and Disposal Authorities, see: [Public Record Office Victoria](#).

## 16. Appendix

### Appendix 1 - Trading Operations Checklists

✓	Trading Operations Checklist
	Established by approval of school council.
	Income sufficient to meet full costs.
	Budgets developed, monitored and reviewed
	Viability of trading operation reviewed annually
	Assets recorded on Assets Management System where appropriate.
	Yearly (minimum) stocktake completed by two persons.
	Profit and Loss Statement prepared at least once a year.

✓	Billing Checklist
	Invoices raised in timely manner
	Regular review collectability of aged debts
	Billing adjustments are authorised and documentation retained for audit purposes
	Regular review and reconcile receivables and billing adjustments in subsidiary systems

✓	Cash Handling Checklist
	School policy in place for collection of money.
	Official receipt issued immediately for all cash, cheques, Bpay and ETFPOS received
	Total of receipts issued is reconciled with total monies collected
	No receipts altered
	Cancelled receipts remain attached to duplicate copy.
	No duplicate receipts issued.
	No personal cheques cashed.
	Money collected away from the school office to be counted by two people (where possible) and a control receipt issued or class list attached.
	Takings entered in daily cash takings proforma/book with two signatures and submitted to general office for reconciliation, recording in CASES21 and banking.
	Cash safely stored prior to banking.

✓	Purchases Checklist
	Quotes/tenders obtained as required.
	Purchase orders issued
	Once authorised, orders are recorded on CASES21 to accurately determine commitment against budget.
	Pre-numbered blank order forms are kept secure and recorded in Accountable Documents Register.
	No order forms used for private purchases.
	Duplicate of each purchase order retained.
	All orders are approved: purchase orders signed by school Principal or persons appointed by school council – other than person writing out the order.
	Person receiving goods different from person authorising order.

	Goods received checked against delivery docket.
	Delivery docket checked against supplier's invoice and purchase order.
	Duplicate of the purchase order marked 'Goods received' and endorsed with the invoice number.
	Invoice marked 'goods received' and endorsed 'paid'.
	Valid tax invoices are received and checked against orders and delivery dockets
	Person checking invoice for correctness signs to accept responsibility.
	Payment of accounts is only made for goods and services ordered and received and to the correct supplier
	Payment is not to be made by statement alone.

✓	<b>Payments Checklist</b>
	All payments, except petty cash, made by cheque, direct deposit to disk, direct debit, School Purchasing card or BPAY.
	Dissection details entered on invoice or "payment voucher"
	Payment voucher authorised by cheque signatories and all supporting documentation (including quotes) attached.
	Invoices and purchase orders, and all supporting documents endorsed "PAID" after approval and cheques signed.
	Cheque stationary recorded in Accountable Documents Registered and stored securely at all times.
	Cheques completed in sequence, ensuring correct guidelines are followed.
	ALL internet payments/debits, and cheque payments are to be authorised by the principal and nominated member of school council. Never the business manager.
	All payments made from school council accounts approved or ratified by school council and documented in council minutes.
	Cheques sent to payees with identifying remittance advice.
	All alterations to cheques properly authorised by signatories.
	Cancelled cheques recorded in CASES21 and documented on the payment voucher with principal endorsement.
	Supporting documents systematically filed.
	Blank cheques never signed.
	No loans permitted. Schools are not permitted borrow money or to loan money under any circumstances.
	Unpresented cheques followed up after 3 months.

✓	<b>School Level Payroll Checklist</b>
	Compliance procedures in place for Australian Tax Office, Superannuation, WorkSafe, Department and school council requirements.
	Authorisation of hours worked procedures in place. Including timesheets being authorised by the principal or delegated staff member.
	Certification of every payroll by the principal.
	Remittance of PAYG and superannuation instalments, are processed according to required timelines.
	TFN Declaration forms are completed and lodged when submitted by school council employed staff.
	All pre-employment processes for new staff completed, including Police Check, WWC Check (E) and VIT registration as applicable. Copies to be retained.
	Workers' award, contract, agreement etc kept on file.
	Personnel documentation retained
	Issue and reconciliation of Payment Summaries is accurate and timely.
	Payroll documentation and retention requirements are in place.
	Relevant payroll reports are generated, certified (if required) and kept on file for audit.
	Budgetary control is maintained over the school level payroll.

Appendix 2 - Sample cash taking sheet

..... School <b>CASH TAKINGS SHEET FOR CANTEEN</b> DATE...../...../20..	
Receipt No.....	

Please enter the cheque and cash details in the receipt boxes below.

Also enter the total at the end of the page.

Have the amount confirmed in the General Office, signing for the confirmed amount.

<b>Receipts</b>	
-----------------	--

<b>Office Confirmation</b>
----------------------------

Amount	Denomination
--------	--------------

Amount
--------

\$	Cheques
\$	\$100
\$	\$50
\$	\$20
\$	\$10
\$	\$5
\$	\$2
\$	\$1
\$	50c
\$	20c
\$	10c
\$	5c
\$	Total Amount

\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$
\$

An amount of \$.....as listed in the above table is presented to the General Office as Canteen Takings.

Signed 1: .....

Signed 2:.....

<b>Office use only</b>
Signed.....
Date.....

## Appendix 3 - Sample Takings Reconciliation Sheet

### EXAMPLE – OSHC/C21 TAKINGS RECONCILLIATION

ABC Primary School

Sub Program 7101-Before/After School Care

Opening Balance 0.00

Month September

Year 20xx

Non C21 Collections Takings					C21 BANKING BATCHES				
Date	C21 batch ref	Cash/Chq	EFT	DEEWR	Date	Batch No.	Cash/chq	EFT	DEEWR
1/09/20xx	xxx1			910.73	1/09/20xx	xxx1			910.73
6/09/20xx	xxx3	398.50			6/09/20xx	xxx3	398.50		
7/09/20xx	xxx7	249.60			7/09/20xx	xxx7	249.60		
9/09/20xx	xxx9			1015.32					
9/09/20xx	xxx9	385.82							
9/09/20xx	xxx9	2,037.70			9/09/20xx	xxx9	2,423.52		1015.32
10/09/20xx	xx10	356.74			10/09/20xx	xx10	356.74		
15/09/20xx	xx14	737.20	140.00						
15/09/20xx	xx14	1,230.80							
15/09/20xx	xx14			2800.62	15/09/20xx	xx14	1968.00	140.00	2800.62
30/09/20xx	xx19	17.00			30/09/20xx	xx19	17.00		
<b>Total</b>		<b>5413.36</b>	<b>140.00</b>	<b>4726.67</b>			<b>5413.36</b>	<b>140.00</b>	<b>4726.67</b>