

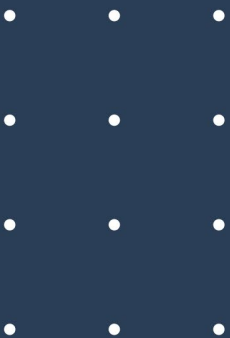
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CHARTERED INSTITUTE FOR
BUSINESS ACCOUNTANTS NPC



Guide on Public Schools in South Africa

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About CIBA

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CIBA is a Professional Accountancy Organisation for bookkeepers, financial administrators, accountants, financial managers, chief financial officers, accounting officers, tax practitioners, and independent reviewers providing accountancy services to the public for a fee.

CIBA is a statutorily recognised organisation to perform a public service in terms of the following empowering legislation:

- Recognised Professional Body and Registered Professional Designations: National Qualifications Framework Act 67 of 2008;
- Recognised Controlling Body for Tax Practitioners: Section 240A of the Tax Administration Act;
- Professional Accountancy Organisation for Assurance and Non-assurance providers: Regulation 29(4) of the Companies Act, 2008 and Section 60(2) of the Close Corporations Act, 1984

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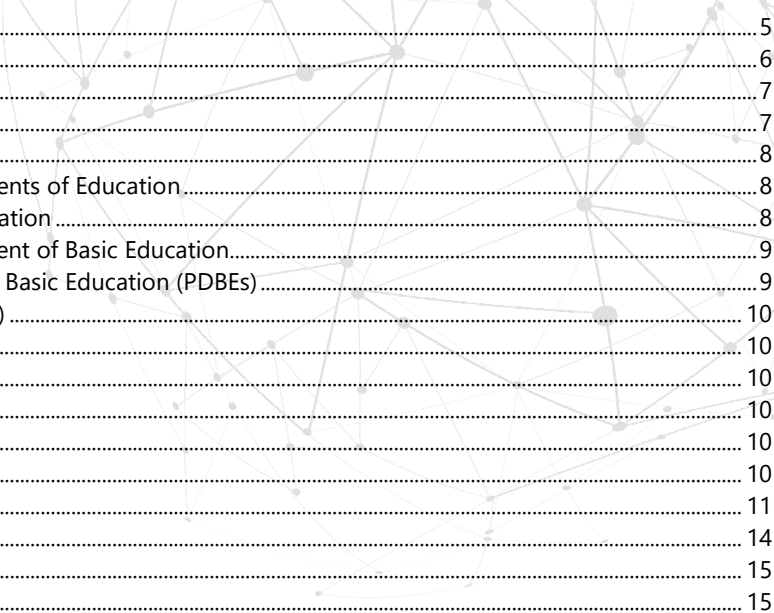
For further information on this guide, please email: technical@saiba.org.za.

The mission of the Chartered Institute for Business Accountants NPC (CIBA) is to serve the public interest, strengthen the accountancy profession in Southern Africa and contribute to the development of a strong regional economy by establishing and promoting adherence to high-quality professional standards, furthering co-operation on such standards and speaking out on public interest issues where the profession's expertise is most relevant. This will enable CIBA to deliver trusted advisors to Southern African small business and support staff to big business.

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1. Definitions, Acronyms and Abbreviations

AUP	Agreed-Upon Procedure
CIBA	Chartered Institute for Business Accountants, formerly known as the Southern African Institute for Business Accountants
CIPC	Companies and Intellectual Property Commission
DBE	Department of Basic Education
FET	Further Education and Training
Financial statement	Financial statements consisting of at least: <ul style="list-style-type: none"> • balance sheet; • income and expenditure statement; • cash-flow statement; • budget and expenditure variance statement; • any other statements that may be prescribed; • any notes to these statements;
ISA	International Standards on Auditing
ISQM	International Standard on Quality Management
ISAE	International Standard on Assurance Engagements
ISRE	International Standard on Review Engagements
ISRS	International Standard on Related Services
MEC	Member of the Executive Council
NEPA	National Education Policy Act
PAYE	Pay As You Earn - A manner for collecting revenue tax from individuals instituted by SARS
PDBE	Provincial Department of Basic Education
PERSAL	Personnel Salaries (The payroll system operated by the Department)
PFMA	Public Finance Management Act, 1999 (Act no 1 of 1999)
Principal	An educator appointed or acting as the head of a school
Public school	A school contemplated in Chapter 3 of the SASA
SASA	South African Schools Act School a public school or an independent school which enrolls learners in one or more grades from grade R (Reception) to grade twelve School Financial year a year ending 31 December.
SCM	Supply Chain Management
SGB	School Governing Body contemplated in section 16(1) of the SASA

2. Introduction

The purpose of this Guide is to establish an engagement framework that can be applied by accounting officers when examining and reporting on the records and financial statements of public schools. The Guide provides guidance on the professional responsibilities of accounting officers during these engagements.

The Guide is not binding but is presented as a recommended approach during the planning and performance of examination engagements. Accounting officers will have to use professional judgment in deciding how and when to apply the principles contained within this Guide.

The principles contained in the Guide provide a basis for the development of an agreement between the accounting officer and his client that establishes the:

- a. Ethical requirements and quality control underpinning the engagement,
- b. Terms of the engagement,
- c. Documentation to be kept as part of the engagement,
- d. Procedures to be performed, and
- e. Conclusions and reporting that will be provided.

The Corruption Watch Report titled, "Loss of Principle: New Schools Report" indicated that a total of thirty-seven percent (37%) of the allegations were related to financial mismanagement.

Some of the root causes for mismanagement in schools were:

- Insufficient documentation
- Inaccurate financial statements prepared and examined by Accounting Officers
- Theft of assets
- Collusion between Principals, School Governing Bodies, and Auditors
- Poor internal controls for compliance with SASA
- No accounting manuals in place
- Lack of segregation of duties between bookkeepers and auditors, and
- Changing audit opinions

Therefore, the purpose of this Guide is also to provide guidance to accounting officers on the implementation of sections 42 & 43 of the South African Schools Act (SASA) to improve the state of financial management in schools.

3. Legislative Framework

3.1. South African Schools Act

The South African Schools Act (SASA) of 1996 is a key piece of legislation that provides the legal framework for the establishment governance and funding of public schools in South Africa. It outlines the rights and responsibilities of learners, educators, and other stakeholders in the education system. SASA promotes the principle of inclusivity and stipulates that every child has the right to access quality education, regardless of their social, cultural, or economic background.

All public schools in South Africa should follow the requirements of SASA.

SASA identified School Governing Bodies (SGB) as having responsibility for the management of school funds and the reporting thereon.

Section 43(1) requires a governing body of a public school to appoint a person to audit the records and financial statements. This person must be a registered auditor in terms of the Auditing Profession Act 26 of 2005.

Section 43(2) states that if an audit is not reasonably practicable, the governing body of a public school must appoint a person to examine and report on the records and financial statements of the school. An audit is an assurance engagement, and in this context, it includes independent reviews. The person who performs this examination must be qualified to act as an accounting officer in terms of section 60 of the Close Corporations Act or must be approved by a Member of the Executive Council (MEC). An accounting officer is not appointed to perform an audit but to examine and report on the records and financial statements of the school.

Extracts of sections 42 and 43 of the SASA

42. Financial records and statements of public schools. The governing body of a public school must
(a) keep records of funds received and spent by the public school and of its assets, liabilities, and financial transactions; and
(b) as soon as practicable, but not later than three months after the end of each financial year, draw up annual financial statements in accordance with the guidelines determined by the Member of the Executive Council.

43. Audit or examination of financial records and statements.

(1) The governing body of a public school must appoint a person registered as an auditor in terms of the Auditing Profession Act, 2005 (Act No. 26 of 2005), to audit the records and financial statements referred to in section 42. [Sub-s. (1) substituted by s. 10 of Act No. 31 of 2007.]

(2) If the audit referred to in subsection (1) is not reasonably practicable, the governing body of a public school must appoint a person to examine and report on the records and financial statements referred to in section 42, who—

(a) is qualified to perform the duties of an accounting officer in terms of section 60 of the Close Corporations Act, 1984 (Act No. 69 of 1984); or

(b) is approved by the Member of the Executive Council (MEC) for this purpose.

(3) No person who has a financial interest in the affairs of the public school may be appointed under this section.

(4) If the Member of the Executive Council deems it necessary, he or she may request the Auditor-General to undertake an audit of the records and financial statements of a public school.

(5) A governing body must submit to the Head of Department, within six months after the end of each financial year, a copy of the annual financial statements, audited or examined in terms of this section.

(6) At the request of an interested person, the governing body must make the records referred to in section 42, and the audited or examined financial statements referred to in this section, available for inspection.

If an audit is not reasonably practicable, the governing body of the school may appoint another person to examine and report on the records and financial statements of the school.

3.2. Other Legislation

In addition to the SASA, other legislation also applies to public schools in South Africa, such as:

- the National Education Policy Act (Nepa), 1996 (Act 27 of 1996), which provides for the development of national education policies,
- the Basic Conditions of Employment Act, which regulates the working conditions of educators and support staff in schools,
- SASA of 1996 was amended by the Education Laws Amendment Act, 2005 (Act 24 of 2005), which authorises the declaration of schools in poverty-stricken areas as “no-fee schools”, and by the Education Laws Amendment Act, 2007 (Act 31 of 2007), which provides for the functions and responsibilities of school principals.
- The Employment of Educators Act, 1998 (Act 76 of 1998) regulates the professional, moral and ethical responsibilities of educators, as well as teachers’ competency requirements. The Act and the South African Council for Educators (SACE) regulate educators and teachers.
- The design of the National Qualifications Framework (NQF) was refined with the publication of the Higher Education Qualifications Framework in the Government Gazette in October 2007, to provide 10 NQF levels.
- The Education Laws Amendment Act, 2002 (Act 50 of 2002) set the age of admission to Grade R as the year in which the child turns five by 30 June in the age of admission.
- The Umalusi Council sets and monitors standards for general and FET in South Africa, in accordance with the NQF Act, 2008 (Act 67 of 2008), and the General and Further Education and Training (FET) Quality Assurance Act, 2001 (Act 58 of 2001).

4. The Role of National and Provincial Departments of Education

4.1. The role of the Department of Basic Education

The Minister of Basic Education, representing the Department of Basic Education (DBE), is responsible for governing schools on a national level.

The Department of Basic Education (DBE) plays a crucial role in implementing the South African Schools Act (SASA). The DBE is responsible for formulating policy and developing curriculum frameworks for basic education in South Africa, which includes primary and secondary education. The Department also oversees the implementation of SASA by providing guidance and support to provincial education departments and school governing bodies.

Some of the key functions of the DBE in terms of SASA is ensuring that SASA is implemented effectively include:

- Developing and implementing policies and strategies for the improvement of basic education in South Africa.
- Providing guidelines and support to provincial education departments and school governing bodies for the effective implementation of SASA.
- Monitoring and evaluating the performance of schools and education systems and providing feedback to stakeholders.
- Ensuring that schools provide quality education and that learners have access to the necessary resources and facilities.
- Promoting equity, inclusivity, and social justice in education.
- Developing and maintaining a national curriculum framework and ensuring that it is implemented effectively in all schools.
- Promoting the professional development of educators and providing them with the necessary training and support.

Overall, the DBE plays a crucial role in and that all learners in South Africa have access to quality education that prepares them for life beyond school.

4.2. Circulars issued by the National Department of Basic Education

The National Department of Basic Education (DBE) has issued several circulars to the Heads of Provincial Education Departments to clarify and provide guidance on improving the financial management of Schools.

These include:

1. Circular M1 of 2018 - Legal interpretation related to when an audit is not reasonably practicable.
2. Circular M3 of 2017 - Measures to strengthen compliance to sections 42 and 43.
3. Circular M1 of 2017 - Measures to improve management of school finances, preparation, and auditing of financial statements.

These and other circulars can be found here:

<https://www.education.gov.za/Curriculum/Circulars/tabid/587/Default.aspx>

4.3. The role of the Provincial Departments of Basic Education (PDBEs)

The head of the provincial department of basic education (provincial DBE) in each province is responsible for carrying out school governance on a provincial level.

PDBEs play an important role in the implementation of the South African Schools Act (SASA). Each of the nine provinces has its own PDBE, which is responsible for overseeing the delivery of basic education services in that province. Overall, the PDBEs are crucial in ensuring that SASA is implemented effectively and that learners in their respective provinces have access to quality education. They work closely with the national Department of Basic Education to ensure that education policies and strategies are implemented consistently and effectively across the country.

Some of the key functions of the PDBEs in terms of SASA include:

- Implementing national education policies and strategies at a provincial level.
- Monitoring and evaluating the performance of schools in the province and providing support to those underperforming.
- Ensuring that schools in the province have access to the necessary resources and facilities to provide quality education to learners.
- Providing guidance and support to school governing bodies on their roles and responsibilities in managing schools.
- Promoting the development of school infrastructure and facilities to ensure a safe and conducive learning environment.
- Managing the allocation of funding and resources to schools in the province.
- Ensuring that all learners in the province have access to quality education, regardless of their socio-economic background, race, or gender.
- Developing and implementing plans to address education challenges specific to the province, such as language barriers or teacher shortages.

It is important to note that PDBEs should work within the requirements of the SASA. They do not have the jurisdiction to override the provisions of the Act. Guidance, in the form of Circulars etc. should aim to assist with implementing the provisions of SASA.

5. The Role of the School Governing Body (SGB)

Various levels of government govern at national, provincial and municipal levels, while school governing bodies (SGBs) govern at a school level. All of these role players must work together to achieve every learner's right to education.

5.1. Who makes up the SGB

SGBs are made up of parents of learners, learners, educators at the school, non-educator staff representation, the principal, and community members where the school is located.

5.2. What is the SGB responsible for?

The SGB in each is responsible for the oversight of the school. They are not responsible for the day-to-day functioning of the school as that is the responsibility of the principal.

The SGB must decide on and carry out school policies that are suitable for the school. Having fair policies helps to protect the rights of children to education.

6. Good Governance

Good governance is vital for the success of any public school.

6.1. About Good Governance

Implementing good governance practices in public schools involves creating a framework for effective decision-making, transparency, accountability, and ethical behaviour. To achieve this, schools need to develop and implement policies and procedures that support good governance. This includes having clear lines of responsibility and authority, promoting transparency and open communication, establishing a system of checks and balances, and ensuring that decision-making processes are fair and inclusive.

Finally, schools should promote a culture of ethical behaviour, where all stakeholders are committed to upholding high standards of integrity, and where misconduct is not tolerated. By following these principles, public schools can establish a strong foundation for good governance and ensure that they are able to meet the needs of their students, staff, and communities in a responsible and effective manner.

Legislation provides that school governing body (SGB) meetings is not a platform for political or personal battles and should be conducted in a professional manner for the good of the school.

6.2. Key elements of good governance

Good governance in public schools in South Africa involves ensuring that there is effective leadership, management, and accountability in all aspects of school operations.

Some key elements of good governance include:

- **Transparency and accountability:** The school should operate in a transparent and accountable manner, with clear procedures and policies in place for decision-making and the use of resources. There should be regular reporting on the school's performance to parents, learners, and other stakeholders.

- **Participatory decision-making:** All stakeholders, including parents, learners, teachers, and the community, should be involved in the decision-making process. This can help to ensure that decisions are made in the best interests of the learners and the school community.
- **Effective leadership:** The school should have strong and effective leadership, with clear roles and responsibilities for all members of the leadership team. This includes the school principal, school governing body, and district officials.
- **Quality teaching and learning:** The school should provide high-quality teaching and learning, with a focus on improving learner outcomes. This includes ensuring that teachers are qualified and registered with SACE, the professional council for educators and well-trained and supported, and that learners have access to resources and support to help them succeed.
- **Effective use of resources:** The school should use its resources effectively and efficiently, with a focus on improving learning outcomes. This includes ensuring that resources are allocated based on the school's priorities and needs, and that there is transparency and accountability in the use of resources.

6.3. Policies & Procedures

Policies and procedures should be documented and implemented for the following:

- **Admissions policy:** This policy outlines the criteria and procedures for admitting learners to the school, including the required documentation, the age limit for admission, exclusions and any special criteria that may apply.
- **Code of conduct:** This policy outlines the expected behavior of learners, teachers, and other staff members at the school. It includes guidelines on dress code, punctuality, attendance, and other behavioral expectations.
- **Disciplinary policy:** This policy outlines the procedures and consequences for learners and staff members who violate the code of conduct or engage in misconduct. It includes the process for investigating and resolving disciplinary issues and the range of disciplinary measures that may be imposed.
- **Curriculum policy:** This policy outlines the school's curriculum and how it will be delivered to learners. It includes the subjects that will be taught, the methods of instruction, the assessment and evaluation procedures, and the resources that will be used to support learning.
- **Health and safety policy:** This policy outlines the procedures for maintaining a safe and healthy learning environment. It includes guidelines for maintaining hygiene, preventing illness and injury, and responding to emergencies.
- **Financial management policy:** This policy outlines the procedures for managing the school's finances, including budgeting, accounting, and auditing. It includes guidelines for ensuring transparency, accountability, and the responsible use of resources.
- **Human resources policy:** This policy outlines the procedures for managing the school's staff, including recruitment, performance evaluation, and professional development. It includes guidelines for ensuring fairness, equity, and transparency in all aspects of human resources management.
- **School fees policy:** The policy sets out the fee structure, payment procedures, penalties for late payment and non-payment, exemptions and dispute resolutions. In South Africa, public schools are required to follow the guidelines set by the Department of Basic Education for the payment of school fees. These guidelines state that:
 - No learner may be denied access to education because of their inability to pay school fees.
 - Schools may charge fees only for items and services that are not provided by the state, such as textbooks, stationery, and extracurricular activities.
 - Schools must have a policy in place to deal with cases where parents or guardians are unable to pay school fees.
- **Uniform policy:** This policy sets out the guidelines and procedures that dictate the type of clothing or attire that learners are required to wear when attending a particular school, the consequences for learners who do not comply (warning, detentions or other disciplinary measures), the exemptions that may be granted (for example for religious, cultural, medical or financial reasons) and the maintenance and replacement of uniforms. School uniforms are typically worn by learners to promote a sense of

unity, discipline, and pride in the school community and helps to reduce bullying or teasing based on clothing.

- **The school language policy:** This policy is a set of guidelines and procedures that outlines the way in which language is used and promoted in a particular school. The policy usually covers issues such as the languages of instruction, assessment and evaluation, the teaching and learning of additional languages, and the use of language in the broader school community. This policy helps to ensure that all learners have access to high-quality education in their home language, and that linguistic diversity is valued and respected in the school community.
- **A religion policy:** This policy is a set of guidelines and procedures that outlines the way in which religion is handled and promoted in a particular school. The policy usually covers issues such as religious education, religious observances, religious expression, inclusivity and tolerance, exemptions and the role of religion in the broader school community. This policy helps to ensure that all learners are able to practice their religion freely and without discrimination, and that religious and cultural diversity is valued and respected in the school community.
- **The School Culture policy:** In South Africa, schools are required to promote a culture of respect, inclusivity, and excellence, and to create an environment that is conducive to learning and personal growth. Schools must develop culture policies that reflect this commitment and ensure that all learners and staff members are able to contribute to a positive and supportive school culture. A school culture policy will include elements like vision and mission, ethos and values, behaviour and discipline, learner and staff interaction and community engagement. Overall, a school culture policy helps to ensure that all learners and staff members can thrive in a supportive and positive school environment, and that the school's culture and values are aligned with its overall purpose and goals.
- **A School Pregnancy policy:** The policy usually covers issues such as how the school handles the issue of pregnancy among learners, pregnancy testing, support for pregnant learners, education on sexual and reproductive health, reporting requirements and measures to prevent discrimination and stigma. In South Africa, schools are required to provide a supportive and inclusive environment for pregnant learners, and to protect their right to education.
- **Fundraising policy:** This policy is a set of guidelines and procedures that outline how a school conducts fundraising activities. The policy usually covers issues such as the types of fundraising activities that are permitted, the use of funds raised, the procedures for organizing fundraising activities, approving fundraising activities, record-keeping and reporting requirements and ensuring the transparency and accountability of fundraising activities. A school fundraising policy helps to ensure that fundraising activities are conducted in a responsible and transparent manner, that funds raised are used to support the educational needs of learners, promote a sense of community and to enhance the educational experience for learners.
- **Procurement policy:** This policy outlines the guidelines and procedures that govern the procurement process, tender guidelines, the minimum number of quotes to obtain, preferential suppliers, payment terms, the accounting process, record-keeping and documentation, the purchasing of gifts, entertainment expenditure, conflict of interest, social responsibility considerations and necessary approvals.
- **Subsistence and travel policy:** This policy encompasses guidelines and provisions for staff and students when undertaking official travel or requiring subsistence support. The policy outlines the eligibility criteria for travel and subsistence claims, including allowable expenses, such as accommodation, meals, transportation, and incidentals. It also provides clear procedures for requesting, approving, and reconciling travel and subsistence expenses, ensuring accountability, cost control, and adherence to relevant regulations. The policy aims to facilitate efficient and transparent processes while safeguarding the well-being of staff and students during official school-related travel and subsistence activities.
- **Employment Policy for SGB employed persons which cater for inter alia, PAYE, SDL and UIF:** This policy typically includes guidelines on advertising of vacancies, recruitment procedures, appointment procedures, dismissal of staff, disciplinary procedures, employee benefits (retirement funds, medical aid contributions, pension fund contributions), management and use of schools assets, provisions regarding payroll-related matters such as PAYE (Pay As You Earn) and UIF (Unemployment

Insurance Fund). These policies ensure compliance with legal obligations and contribute to the overall management of the school's workforce.

- **Leave policy:** This policy outlines the guidelines and procedures governing various types of leave for staff members, including annual leave, study leave, unpaid leave, sick leave, maternity/paternity leave, compassionate leave, and other authorized absences. The policy provides clear information on eligibility criteria, entitlements, the process for requesting and approving leave, documentation requirements, and the responsibilities of both employees and management. It ensures consistent and fair treatment of staff members, promotes work-life balance, and facilitates effective leave management within the school, contributing to a productive and supportive work environment for all.
- **Asset management policy:** This policy encompasses guidelines and procedures for the proper acquisition, utilisation, maintenance, and disposal of assets owned by the school. The policy outlines the responsibilities of staff members in relation to asset management, including maintaining and updating an asset register, asset tracking, recording, and reporting. It establishes clear procedures for asset procurement, inventory management, maintenance, and repairs, as well as guidelines for asset disposal. The policy aims to ensure the effective and efficient use of school assets, prevent loss or theft, and promote responsible stewardship of resources, ultimately supporting the delivery of quality education and the long-term sustainability of the school.
- **Investment policy:** This policy outlines the guidelines and principles for managing and investing financial resources to generate returns and support the long-term sustainability of the school. The policy establishes the objectives, risk tolerance, and asset allocation strategies for investments. It outlines the decision-making process, including due diligence, investment selection criteria, and ongoing monitoring and evaluation. The policy also addresses ethical considerations, transparency, and accountability in investment practices. By adhering to this policy, the school aims to optimize the return on investment while managing risks and ensuring responsible stewardship of financial resources for the benefit of the educational institution and its stakeholders.
- **Inventory policies:** This policy refers to a set of guidelines and procedures that govern the management and control of the school's inventory or stock of materials, supplies, and equipment. It outlines the processes for acquiring, storing, distributing, usage, disposal, replacement of, inventory control and monitoring inventory items to ensure efficient operations and optimal resource utilisation within the school. The inventory policy in a school aims to ensure the availability of necessary resources, minimize waste or loss, optimize inventory levels, and promote efficient resource allocation. By implementing clear procedures and guidelines, the policy helps the school effectively manage its inventory, streamline operations, and provide a conducive learning environment.
- **Year-end procedures:** This policy outlines the essential steps and processes to be followed at the end of the academic year to ensure a smooth transition and proper closure of school operations. These procedures typically include tasks such as student record maintenance, report card generation and distribution, inventory checks, classroom and facility clean-up, archiving of documents, financial reconciliation, and budget planning for the upcoming year. The Year-End Procedures aim to wrap up the current academic year efficiently, prepare for the next academic year, and ensure compliance with regulatory requirements, enabling the school to start afresh with organized and well-prepared operations.
- **Debtors policy:** This policy refers to a set of guidelines and procedures implemented by a school to manage its accounts receivable and minimize the risk of bad debts. It outlines the company's approach to credit provided, collection processes, credit evaluation, and credit limits for debtors. The policy typically includes guidelines on establishing credit terms, monitoring payment behavior, and pursuing collections in case of overdue payments. The aim of a debtor's policy is to ensure effective cash flow management, reduce credit risks, and maintain healthy customer relationships.
- **Debt collection policy:** This policy is a set of guidelines and procedures established by an school to recover outstanding debts owed. It outlines the steps to be taken in order to pursue debt repayment, while ensuring compliance with applicable laws and regulations. The policy typically includes information on communication methods, timelines, legal considerations, and potential consequences for non-payment. Its main objective is to provide a structured approach for recovering debts while maintaining a fair and respectful relationship with parents and other debtors.

- **Creditors policy:** This policy refers to the guidelines and procedures implemented by the school administration to manage financial obligations owed to external entities. This policy outlines the school's approach to managing and paying off debts owed to vendors, suppliers, contractors, or other creditors. It includes processes for accurately recording and verifying invoices, establishing payment terms and schedules, and ensuring compliance with relevant financial regulations. The creditor's policy aims to maintain transparent and responsible financial practices, enabling the school to meet its financial obligations in a timely manner while protecting its financial stability.
- **Budget policy:** This policy refers to a set of guidelines and principles that govern the allocation and management of financial resources within the school. This policy outlines the processes and procedures for creating, monitoring, and revising the school's budget. It typically includes guidelines for budget planning, revenue projection, expenditure control, and financial reporting. The budget policy aims to ensure prudent financial management, transparency, and accountability in the allocation and utilization of funds. It helps the school administration make informed decisions about resource allocation, prioritize educational needs, and optimize the utilization of available funds to support the school's mission and objectives.

These policies and procedures should adhere to the standards as set by the Minister of Basic Education.

On 29 November 2013 the Minimum Uniform Norms and Standards for Public School Infrastructure were published.

You can read it here: https://www.gov.za/sites/default/files/gcis_document/201409/37081rg10067gon920.pdf.

It is law that every school must have water, electricity, internet, working toilets, safe classrooms with a maximum of 40 learners, security, and thereafter libraries, laboratories, and sports facilities. Minimum Norms and Standards are regulations that define the infrastructural conditions that make a school a school. They stipulate the basic level of infrastructure that every school must meet to function properly.

The legally binding Norms and Standards regulations apply to all public schools in South Africa

The Minister of Basic Education on 10 June 2022 published a Government Gazette, with proposed amendments to the Regulations Relating to the Minimum Uniform Norms and Standards for Public School Infrastructure, issued in terms of Section 5A (1)(a) of the South African Schools Act, 1996.

The Department of Basic Education has extended the deadline for the submission of comments on the amendments to the regulations relating to the minimum norms and standards for public school infrastructure to 31 July 2022

The proposed amendments can be read here:

<https://www.education.gov.za/Portals/0/Documents/Legislation/Call%20for%20Comments/New%20folder/Government%20Gazette%2046543gon2157.pdf?ver=2022-06-23-095041-867>.

6.4. The School Governing Board

Members of the SGB should be allocated portfolios that they are responsible for. The person holding a particular portfolio as far as possible, must have expertise and experience in that area, e.g. maintenance portfolio should be headed by an engineer or by someone working in the building industry, the treasurer needs to be an accountant or a CA to have oversight of the finances of the school, and HR by a labour lawyer, etc. If portfolios are not allocated the meetings may end up in a talk shop with no attention being given to the quality of teaching or the governance function to ensure that the school has the best interests of the students as a key function of the SGB. Minutes of SGB meetings must be kept by the secretary of the SGB to record issues raised and decisions made.

7. Internal Controls in Public School

7.1. The importance of internal controls

Internal controls are an essential part of good financial systems. While audits and reviews are an important tool for evaluating financial and operational performance, they are reactive measures that occur after the fact. In contrast, internal controls are proactive measures designed to prevent errors and fraud from occurring in the first place.

Internal controls can promote better financial management in various ways:

1. Prevent fraud and misuse of funds by establishing clear procedures for financial transactions, ensuring that payments are authorized and properly documented, and segregating duties to prevent any one person from having too much control.
2. Ensure accuracy and reliability of financial information by providing checks and balances on financial transactions, ensuring that transactions are recorded properly, and ensuring that financial reports are accurate and timely.
3. Ensure compliance with laws and regulations by providing a framework for the proper handling of funds and financial reporting, and by establishing procedures to ensure that all transactions are following applicable laws and regulations.
4. Promote accountability and transparency by establishing clear lines of responsibility and authority for financial transactions, providing for regular reporting and oversight, and ensuring that all stakeholders are informed and involved in financial decision-making.
5. Protect the reputation of the school district by ensuring that funds are used in a responsible and ethical manner, and by providing assurance to stakeholders that the financial management system is functioning properly and transparently.

In summary, internal controls are critical to the effective financial management of public schools by:

- providing safeguards against fraud and misuse of funds,
- ensuring accuracy and reliability of financial information,
- promoting compliance with laws and regulations,
- promoting accountability and transparency, and
- protecting the reputation of the school district.



7.2. Examples of internal controls

There are several examples of internal controls that can be applied at public schools to ensure accountability and transparency. These include:



Authorization controls

Establishing procedures for authorizing and approving transactions can help prevent unauthorized purchases or expenditures. This includes setting spending limits and requiring approval from multiple individuals for large purchases.



Physical security controls

Security controls can help protect assets such as equipment and supplies. This includes locking doors and cabinets or limiting access to certain areas. It also includes having a working fire extinguisher on the premises.



Separation of duties

Dividing tasks and responsibilities among different individuals can help prevent fraud and errors. For example, one person may be responsible for collecting cash payments, while another person is responsible for banking it and reconciling bank statements.



Record-keeping controls

Maintaining accurate and complete records should be an everyday task as it is essential for ensuring accountability and transparency. This includes recording all transactions in a timely and accurate manner, keeping receipts and invoices, and maintaining an up-to-date inventory of assets.



Training and supervision

Providing training and supervision to employees can help ensure that they understand their roles and responsibilities, as well as the importance of following internal controls. Regular training can also help identify areas for improvement in the internal control system.

8. Preparing Financial Statements

Section 42 of SASA requires that public schools keep records of all financial transactions, including funds received and spent and their assets and liabilities.

The School Governing Board (SGB) should draw up annual financial statements **within three months** after the end of each financial year in the format following the guidelines determined by the Member of the Executive Council (MEC) and approved by the Provincial Education Department.

Some Provincial Education Departments have approved financial reporting guidelines on their websites. Still, for those provinces that do not, the professional or the SGB should consult the district officials to determine which guidelines they should use to prepare the financial statements.

The SGB must submit to the Head of the Department, within **six months after** the end of each financial year, a copy of the annual financial statements duly audited or examined.



The SGB, however, cannot be expected to have the expertise and the time to perform internal control procedures other than periodic monitoring. Therefore, the SGB should appoint a qualified accountant with the relevant skills to compile financial records and perform regular internal control procedures and compile the financial statements in line with the applicable requirements.

Table 1. Timelines and responsibilities for financial reporting

Timelines	Activities	Responsibilities	Internal Controls
1 Jan – 31 Dec	Day-to-day management of funds and recording transactions.	Qualified Accountant / bookkeeper	Internal control processes should be in place, including: <ul style="list-style-type: none"> Procedures for cash receipts Regular (daily/weekly) bank deposits Bank reconciliations Petty cash reconciliations Approval for expenses
1 Jan – 31 Mar	Compilation of Annual Financial Statements in line with Guidelines		Qualified Accountant with the designation of BAP(SA) or equivalent
1 Apr – 29 Jun	Audit, review or examination of AFS	An audit is performed by an independent auditor who is registered with IRBA, or An independent review can be performed by a BAP(SA) with an independent review license, or examination by BAP(SA) Accounting officer in terms of section 60 of the Close Corporations Act, 1984	Whether an audit, review or examination is necessary depends on: <ul style="list-style-type: none"> Size of the public school Total asset value Prior year's findings and issues raised
30 Jun	Finalized AFS submitted to HOD	School Governing Body	Review and approval of AFS

9. Audit versus examination

Public schools are required to have their financial statements audited by an independent auditor unless an audit is not feasible. When this is the case, a school may apply to have its financial statements examined instead of audited.

Financial statements, in fact, may undergo the following types of engagements:

- Audit or independent review, and
- Examination.

All these engagements provide a report on the financial statements. However, the level of scrutiny is quite different.

Table 1. Types of engagements

Type of engagements	Level of assurance	Type of report	Applicable standards	When is this appropriate?
Audit	Reasonable assurance	More in-depth scrutiny of accounts and transactions.	ISAs (International Standards on Auditing) Code of Ethics ISQM	Large schools, with high revenue and asset values. High risk based on prior misrepresentation/fraud cases
Independent review	Limited assurance	Mostly based on analytical reviews and inquiries	ISRE 2400 (International Standards for Review Engagements) Code of Ethics ISQM	Medium-sized schools with medium-level revenue and asset values
Examination	No assurance	Factual finding report relating to agreed objectives	ISRS 4400 - International Standard on Related Services, Agreed upon procedures Code of Ethics ISQM	Schools with lower total asset values where the risk is lower i.e. Non-fee earner schools

9.1. Reporting compliance

All reporting engagements performed by a qualified accountant should comply with:

- A code of ethics. This code should preferably be aligned with the Code of Ethics as issued by the International Ethics Standards Board for Accountants (the IESBA Code).
- ISQM1 or a similar quality control policy and procedures. The adoption of quality management standards will assist the practitioner with ensuring that laws and regulations are adhered to and that reports issued are appropriate.
- International standards, i.e., assurance engagements should be performed in terms of ISAs, or ISRE. Non-assurance, agreed-upon procedures (i.e., examinations) should be performed in terms of ISRSs.

9.2. About assurance engagements

In an assurance engagement, an auditor or independent reviewer is required to issue an independent written report that provides assurance in the form of an opinion. Users may rely on this opinion.

The International Framework for Assurance Engagements (IFAE) defines an assurance engagement, as an "...engagement in which an accounting officer expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party, about the outcome of the evaluation or measurement of a subject matter against criteria".

9.3. About non-assurance engagements

In a non-assurance engagement, an accounting officer issues a statement containing information that will assist users in forming their own opinion about the financial statements. In other words, users of reports issued as part of non-assurance engagements are required to form their own opinion of whether the financial statements are fairly presented.

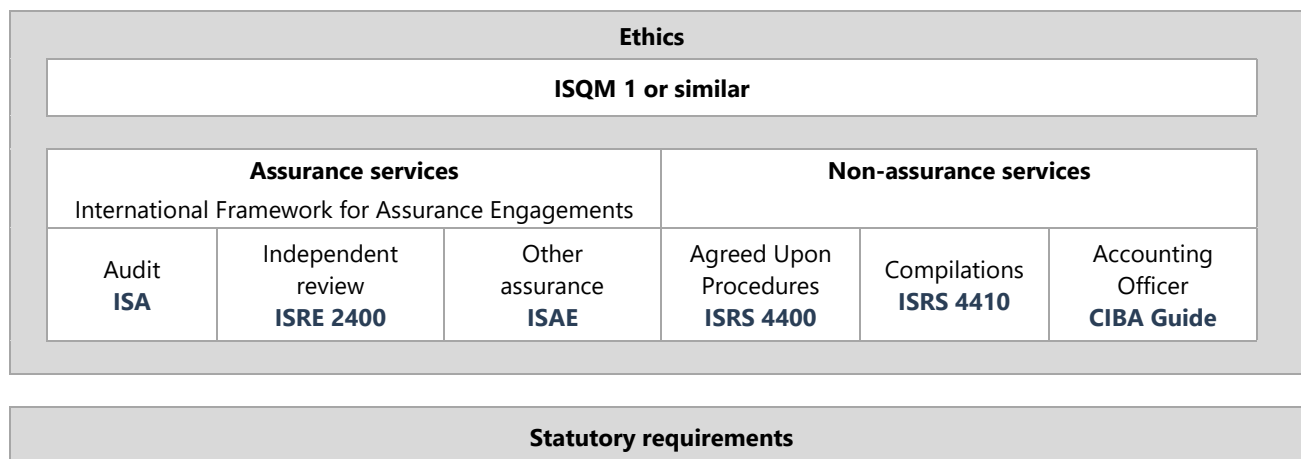
9.4. Examination Engagement

In an examination engagement, the accounting officer report does not include an evaluation of financial statements against an appropriate accounting framework to assess and conclude on fair presentation. By contrast, an auditor expresses reasonable assurance and a review accounting officer limited assurance on whether financial statements have been prepared in accordance with an appropriate accounting framework.

9.5. Framework for Reporting Engagements

The following diagram illustrates the framework within which assurance and non-assurance services should be performed. It also clearly distinguishes between assurance and non-assurance services or related services.

Diagram 1. Framework for Reporting Engagements



Audit of financial statements

Section 43 of SASA sets out the audit or examination requirements of the financial records and statements. Budgets of public schools should clearly include an amount dedicated to this purpose.

The requirement is that all public schools' financial statements should be audited unless such an audit is not reasonably practicable. The types of assurance engagements that can be performed are:

- An **audit** is a full assurance engagement, performed by an auditor registered with IRBA. It entails detailed work on confirming balances reported in the financial statements and verifying underlying transactions.
- An **independent review** is a limited assurance engagement, which can be performed by an auditor, or a professional qualified for this purpose. A BAP(SA) with CIBA holding a valid license to perform independent reviews can perform such an engagement.

No person with a financial interest in the affairs of the public school may be appointed as an auditor or reviewer. Assurance providers should also not be involved in the compilation of financial statements.

Examination of financial statements

An examination is not the same as an audit and may not provide the same level of assurance to stakeholders. However, it can still provide valuable insights into a school's financial situation and help ensure proper financial controls are in place.

The examination of financial statements should be performed by a person qualified to act as an accounting officer in terms of section 60 of the Close Corporations Act or if not, the person must be approved by a Member of the Executive Council. Such accounting officer is not appointed to perform the audit but to examine and report on the records and financial statements of the school. Members of CIBA who have BAP(SA) designations qualify to be accounting officers of corporations, including schools.

It is important to note that the person to replace the auditor should be qualified as an accounting officer.

The person qualified as an accounting officer is required to examine and report not to perform the duties of an accounting officer as specified in the Close Corporation Act 1984.

10. Threshold for examinations

10.1. When can schools opt for an examination

In terms of section 43(2) of the SASA if an audit is not reasonably practicable, the governing body of the school may appoint another person to examine and report on the records and financial statements of the school. Based on the number of inquiries received relating to the interpretation of the phrase "is not reasonably practicable", the Department of Basic Education has developed Circular M1 of 2018 to provide a legal opinion on this matter stating that reasonable practicability depends on the circumstances of the school which may differ from one school to another.

10.2. When is an audit not reasonably practicable?

Circular M3 of 2017 provides an interpretation of when it would be reasonably practicable for a public school to request an examination rather than an audit. This is the case when the SGB has implemented appropriate measures to determine that the appointment of the auditor is not feasible and therefore, in line with requirements of par 43(2)(a) and (b) will be the next required alternative to appoint a person to examine the records.

The first step is for the school to assess whether an audit is truly not feasible. This may be due to limited financial resources, lack of personnel with the necessary expertise, or time constraints. If the school determines that an audit is not feasible, it can then apply to the relevant government department to have its financial statements examined and provide relevant supporting evidence.

The term “reasonably practicable” is not defined by the Act.

Elements that could be considered may include:

- Feasibility, fairness, and the need for inclusivity.
- The economic significance of the school is measured against revenue, assets, number of employees, and similar factors.
- The nature of the school and the community within which it operates.
- The cost of a registered auditor’s report.
- The availability of a registered auditor.

Based on the above, this Guide recommends that the economic significance of the school be used to determine a threshold for when an audit is not “reasonably practicable”. Drivers such as revenue, assets, and whether the school collects school fees will directly impact the school’s ability to afford an audit.

The following thresholds for conducting an examination instead of an audit are recommended:

- The total average annual revenue over the past 3 years generated by the school is below Rx.
- The school does not collect any school fees.

For example: In KwaZulu-Natal, the provincial department has issued the “School Funding Norms Policy Implementation Manual for Public Schools”. These manuals only apply to KZN. According to this manual, an audit is required for all fee-earning schools in KZN. An examination is required for all non-fee-earning schools.

Figure 2. Diagram depicting the recommended thresholds for examination

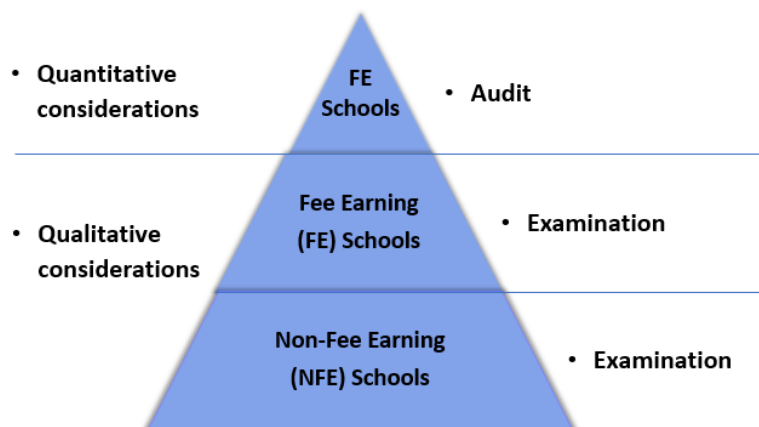
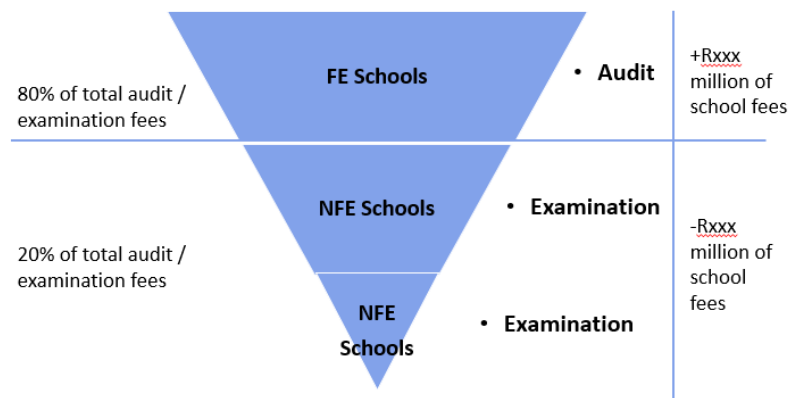


Figure 3. Diagram depicting audit and examination fees relating to the threshold



10.3. How does a school justify an examination?

The application process typically involves providing detailed information about the school's financial situation and why an audit is not feasible. The Provincial Department will then assess the application and decide whether an examination is appropriate.

Circular M3 lists the following information to be provided by a public school as evidence to justify the appointment of an accounting officer instead of an auditor:

- Three quotations obtained from three different audit firms for comparison.
- A motivation letter signed by the SGB indicating that control measures were in place and a feasibility study was performed to appoint an accounting officer instead of a registered auditor and
- Signed minutes of the SGB meeting regarding the appointment of the accounting officer.

11. Framework for the examination of the financial statements of public schools

Accounting officer engagements do not meet the definition of 'assurance engagements' and do not fall under the International Framework for Assurance Engagements (IFAE) issued by IFAC. The duties of accounting officers are explicitly stated in various statutes. However, in addition to these statutory duties, accounting officers have certain common law duties such as:

- Performing engagements with professional competence and due professional care
- Planning and supervising the engagement performance and
- Obtaining sufficient relevant data to afford a reasonable basis for issuing an accounting officer report.

To satisfy the above common law duties, this Guide recommends that accounting officers apply international best practices in performing the examination of the financial statements of public schools. Best practices, in this case, would be the International Standards on Related Services.

Accounting Officers who are engaged to examine the financial statements of public schools should perform the engagement in terms of ISRS 4400: Agreed-Upon Procedures. This engagement can be performed at a much lower cost, and since smaller public schools are non-fee-earning schools, this is the best option.

Conducting standardized agreed-upon procedures at each school and issuing factual findings reports will provide valuable information to the Department of Basic Education on financial management and compliance with the SASA at each school.

12. Ethical Requirements

Accounting officers should comply with the code of ethics of the professional body of which he or she is a member. CIBA, as other professional bodies have adopted the IESBA Code of Ethics ('the Code')

12.1. Fundamental principles of ethics

Part A of the IFAC Code sets out the fundamental principles that should be observed by all professional accountants. These are:

- Integrity,
- Objectivity,
- Professional competence and due care,
- Confidentiality, and
- Professional behaviour.

Part B of the IFAC Code illustrates how the conceptual framework contained in Part A is to be applied by

professional accountants who offer their services for a fee i.e. act in private or public practice. The Code advises that any threats to the conceptual framework should be avoided. Part B of the Code provides a case study approach to explaining the principles that should be followed with regard to:

- Professional appointment,
- Conflicts of interest,
- Second opinions,
- Fees and other types of remuneration,
- Marketing of professional services,
- Gifts and hospitality,
- Custody of client assets, and
- Independence related to audit and review and other assurance engagements.

12.2. Quality management (ISQM1)

A system of quality management will provide a firm of accounting officers with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or accounting officer are appropriate in the circumstances.

Accounting officers should therefore adopt a standard of quality management as appropriate for the engagements they undertake. It is preferable that professional firms adopt the IFAC International Standard on Quality Management (ISQM1) with amendments as required in the circumstances.

ISQM1 only applies to all firms or accountants performing audits and reviews of financial statements or other assurance, and related services. Related services are defined as the standards for agreed-upon procedures and compilations. It is a common cause that accounting officers should ensure the quality of their work. In addition, the ISQM1 allows that if circumstances dictate a firm may depart from a requirement of ISQM1 if the requirement is not relevant to the services provided. A firm of accounting officers should therefore adopt a system of quality control derived from ISQM1.

12.3. Independence considerations

An accounting officer performing an agreed-upon procedures engagement is required to fulfil the accounting officer's responsibilities in accordance with relevant ethical requirements. Relevant ethical requirements ordinarily comprise the IESBA Code, together with national requirements that are more restrictive.

The IESBA Code requires accounting officers to comply with fundamental principles including objectivity, which requires accounting officers not to compromise their professional or business judgment because of bias, conflict of interest, or the undue influence of others. Accordingly, relevant ethical requirements to which the accounting officer is subject would, at a minimum, require the accounting officer to be objective when performing an agreed-upon procedures engagement.

The IESBA Code does not contain independence requirements for agreed-upon procedures engagements. Accordingly, there is no requirement for the accounting officer to determine independence. However, national ethical codes, laws or regulations, the firm's policies, and procedures, or the terms of engagement may specify requirements pertaining to independence.

Section 43(3)(4) of the SASA states that no person with a financial interest in the affairs of the public school may be appointed in terms of section 43.

This guide further recommends that the accounting officer not accept an appointment to examine the financial statements of a public school where he/she is:

- A member of the SGB of the school
- An employee of the school
- A family member of any of the above.

13. Overview of ISRS 4400 Engagements

Engagements to perform Agreed-Upon Procedures (AUP) regarding financial information.¹

13.1. Objective of an AUP Engagement

The objective of an agreed-upon procedures engagement is for the accounting officer to carry out procedures to which the accounting officer and the school and any appropriate third parties have agreed and to report on factual findings.

13.2. General Principles of AUP Engagements

The accounting officer should comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code).

13.3. Defining the Terms of the Engagement

The accounting officer should ensure with representatives of the school and, ordinarily, other specified parties who will receive copies of the report of factual findings, that there is a clear understanding regarding the agreed procedures and the conditions of the engagement.

13.4. Planning

The accounting officer should plan the work so that an effective engagement will be performed.

13.5. Documentation

The accounting officer should document matters which are important in providing evidence to support the report of factual findings, and evidence that the engagement was carried out in accordance with ISRS 4400 and the terms of the engagement.

13.6. Procedures and Evidence

The accounting officer should carry out the procedures agreed upon and use the evidence obtained as the basis for the report of factual findings.

13.7. Reporting

The report on an agreed-upon procedures engagement needs to describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the

¹ As taken from and adapted from ISRS 4400 – Engagements to perform agreed-upon procedures regarding financial information.

extent of the work performed.

14. Defining the terms of Engagement

The accounting officer should ensure, with representatives of the entity and, where appropriate, with other specified parties who will receive copies of the report, that there is a clear understanding regarding the engagement procedures and the conditions of the engagement.

- Matters to be agreed include the following:
- The objective of the service being performed
- Management responsibility for the financial statements
- The scope of the report, including reference to this framework (or relevant national standards or practices)
- Unrestricted access to whatever records, documentation and other information requested in connection with the engagement
- A sample of the report expected to be issued
- The fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations (embezzlement) that may exist

A statement that an audit is not being performed and that an audit opinion will not be expressed.

To emphasize this point and to avoid confusion, the accounting officer may also consider pointing out that an examination engagement will not satisfy any statutory or third party requirements for an audit.

The engagement letter should include agreed upon procedures to examine and report on the following:

- Financial statements
- Budget Variance Report
- Compliance with allocated Section 21 functions (for S21 schools only)
- Compliance with the relevant sections of SASA
- Compliance with respect of submission of statutory returns, e.g. UIF, PAYE, etc.

The terms of the engagement should be drafted in an engagement letter and should be agreed to with the representative of the school. An illustrative engagement letter is attached in Annexure A to this guide.

15. Standardized procedures to be performed at each school

Accounting officers that are considering accepting an appointment to issue a report should obtain knowledge and an understanding of the following:

- The South African Schools Act
- Whether provincial schools legislation require an audit
- Whether the rules and regulations of a particular school require an audit
- The Public Finance Management Act
- The "School Funding Norms Policy Implementation Manual for Public Schools" issued by the relevant department in KwaZulu-Natal. These manuals only apply in KwaZulu-Natal but provide useful guidance of the duties and responsibilities of the auditing or examining process.
- National policy for preparation of financial statements.

15.1. Acceptance procedures

15.1.1. Thresholds

Determine whether the school requires an audit or an examination in terms of paragraph 5 of this guide. Also consider any provincial legislation or SGB requirements to perform an audit. Where an audit is required, the engagement should not be accepted.

15.1.2. Ethical, independence and competence requirements

Determine whether ethical and independence requirements have been met. Consider paragraphs 6 & 7 of this guide. It is recommended that each team member completes a declaration of his/her compliance to ethical and independence requirements at the start and end of the examination engagement.

Determine whether the engagement team has the necessary skills and competencies to carry out the examination engagement.

15.1.3. Issue engagement letter

Once the threshold, ethical and independence requirements as well as competencies have been satisfied, issue the engagement letter. Refer to paragraph 9 of this guide.

15.2. Planning

15.2.1. Obtain an understanding of the school

STEP 1: Conduct an interview with the principal/ senior financial person to obtain an understanding of the following:

- Financial systems and controls
- Enquire about and obtain all financial policies and procedures
- Process for compilation of financial statements
- Policy for financial reporting by Finance Committee to SGB regarding:
 - Fees
 - Outstanding fees
 - Income & Expenditure
 - Balance Sheet
- Litigation and claims against the school
- Knowledge of fraud and investigations
- Obtain minutes of all SGB and other committee meetings

STEP 2: Read prior year financial statements and reports (audit or examination).

STEP 3: Obtain the school organogram, specifically pertaining to SGB positions and administrative support staff.

- Do clearly documented financial and operational procedures exist?
- Are financial duties clearly defined and separated? Obtain job descriptions of finance staff

15.2.2. Governance

- Does the school have a Financial Administrator /Administration clerk?
- Can the administrative clerk work on Excel/Accounting Package?
- Does the school have a Finance Committee (Fincom)?
- Are the roles and responsibilities of Fincom clearly defined?
- Does the school have a Treasurer?
- Does the SGB receive school financial information?
- Are minutes taken in all school meetings and signed by the principal?

15.2.3. Financial Reporting

- Does the school prepare monthly income and expenditure reports?
- Does the school have accounting package for recording financial transactions? (e.g., Sage or Quickbooks etc.)
- Do the SGB or relevant finance committee review the income and expenditure report against the budget monthly?
- Are accounting records properly maintained?
- Are all transactions transparent and traceable?
- Are accounting records kept securely?

15.3. Financial Statements

Perform the following procedures on the approved financial statements to ensure compliance with the National policy for the preparation of financial statements.

It is recommended to include the below table into the report.

	Procedure	National policy for preparation of financial statements ref.	Yes / No
1	The financial statements consist of the following: <ul style="list-style-type: none"> • Statement of income and expenditure, • Statement of Assets and Liabilities, • Accounting policies, and • Disclosures and explanatory notes. 	Par 10	
2	The Statement of Assets and Liabilities include assets, liabilities and accumulated surpluses of the school	Par 11	
3	The Statement of Income and Expenditure includes all income and expenditure and the resulting surplus or deficit.	Par 14	
4	Explanatory notes were included to provide additional information about amounts included on the face of the statement of income and expenditure and statement of assets and liabilities.	Par 15	
5	Explanatory notes were included to provide additional information about amounts included on the face of the statement of income and expenditure and statement of assets and liabilities.	Par 16	
6	The explanatory notes for all assets, liabilities, and accumulated surpluses or deficits included a reconciliation of the opening and closing balance indicating separately all types of movements. The explanatory notes for all assets, liabilities and accumulated surpluses or deficits included a reconciliation of the opening and closing balance indicating separately all types of movements.	Par 17	
Income			
7	The accounting policy for income is in terms of the National policy for preparation of financial statements.	Par 19 – 30	
8	The Standard Chart of Accounts for income is in terms of National policy for preparation of financial statements.	Par 18	
Expenditure			
9	The accounting policy for expenditure is terms of the National policy for preparation of financial statements.	Par 32 - 35	
10	The Standard Chart of Accounts for expenditure is in terms of National policy for preparation of financial statements.	Par 31	
11	The accounting policy for assets is terms of the National policy for preparation of financial statements.	Par 37 - 43	
12	The Standard Chart of Accounts for assets is in terms of National policy for preparation of financial statements.	Par 36	
Liabilities			
13	The accounting policy for liabilities is terms of the National policy for preparation of financial statements.	Par 45 - 47	
14	The Standard Chart of Accounts for liabilities is in terms of National policy for preparation of financial statements.	Par 44	
Disclosures and explanatory notes			
15	Allocations, Transfers, grants and subsidies - The school disclosed the following in relation to transfers, grants and subsidies: <ul style="list-style-type: none"> • Identity of the institution/entity/individual • Amount received and 	Par 48	

	Procedure	National policy for preparation of financial statements ref.	Yes / No
	<ul style="list-style-type: none"> The conditions attached to each amount received, if any. 		
16	<p>Net income from Hostels reconciliation - The Net income from hostels note included the following:</p> <ul style="list-style-type: none"> Total hotel fees Total hostel expenses and Net surplus/deficit from hostels. 	Par 49	
17	<p>Net income from Hostels reconciliation - The Net income from hostels note included the following:</p> <ul style="list-style-type: none"> Total hotel fees Total hostel expenses and Net surplus/deficit from hostels. 	Par 50	
18	<p>Land, buildings, Vehicles, furniture, equipment, fixtures and fittings - The school disclosed a reconciliation of the opening and closing carrying amount of land, buildings, Vehicles, furniture, equipment, fixtures and fittings indicating the following:</p> <ul style="list-style-type: none"> Purchases Disposals Depreciation Derecognition and Write-offs. 	Par 51	
19	<p>Bank - The school disclosed the following for all bank accounts opened by the school:</p> <ul style="list-style-type: none"> Institution name Account type (Cheque, savings, transmission, etc.) and Balance at current and previous year end. 	Par 52	
20	<p>Inventory - The school disclosed the following for each type/category/grouping of inventory</p> <ul style="list-style-type: none"> Description Quantity at current and previous year-end and Balance at current and previous year-end. 	Par 53	
Corrections of prior period errors			
21	<p>The school disclosed the following about prior period errors:</p> <ul style="list-style-type: none"> the nature of the prior period error for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c) and Financial statements of subsequent periods need not repeat these disclosures. 	Par 58	

15.4. Income

15.4.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Policy for School Fees and other Funds a. Ordinary b. Partial exempt c. Fully exempt		
2	Funding policy		

15.4.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	Did parents approve the fee allocations? Inspect the minutes and attendance register and document the date of the meeting.	Section 39 (2)(a)	
2	For partially/ exempted school fees, did parents submit an application in line with the criteria set by the SGB?	Section 39(2)(b)	
3	Does the school have an exemption register/ database that reflects the approved exempted learners?		
4	No public school may charge any registration, administration or other fee, except school fees. Has the school charged any fees in contravention with section 39(5)?	Section 39(5)	
5	Did the school comply with regulations on the exemption of parents who cannot pay school fees?		
6	Has adequate documentation been maintained by the school with regard to the procedures followed in the granting of exemptions?		
Receipt Books			
1	Does the school keep a register of issued and unused receipt books, which can be reconciled at all times?		
2	Are receipt books locked up to ensure safeguarding?		
3	Have errors on receipts or cancelled receipts been properly authorized to ensure no misappropriations of funds? 20 Procedure SASA (if applicable) Yes/ No		
4	Are monies received deposited on a timely basis to avoid temptation?		
5	Are bank statements collected and reconciled on a monthly basis?		

15.4.3. Examination procedures

As the key risk area for income is completeness, the examination should concentrate on whether all revenue that should have been received is actually received and recorded.

#	Procedures	Yes / No
School Allocation (Grants) from the provincial education department		
1	Obtain the allocation letter from the provincial education department and confirm that the receipt has been accounted for in the general ledger in the correct period and accurately presented in the financial statements	
	Suggested Reporting The financial statements correctly / (do not correctly) reflect the allocation from the provincial basic education department	
Fund Raising		
1	Obtain the register/ list of fund-raising activities for the year. Select the most significant activity and perform the following procedures: <ol style="list-style-type: none"> a. Document controls in place over the completeness of monies (including cash) received. b. If tickets are sold, ensure they are numbered and perform a sequence test to account for all the tickets that have been issued. c. Reconcile the tickets to ticket sales to ensure that: <ul style="list-style-type: none"> • All the sales have been deposited in the bank or accounted for as petty cash. • All the sales are correctly recorded in the general ledger. 	
	Suggested Reporting For [the most significant fund-raising activity, include name of activity], the school had / (did not have) sufficient controls in place to verify the completeness of fund-raising revenue.	
Tuck Shop Sales		
1	Determine if the tuck shop is sourced out or run internally by the school	
2	If sourced out, verify the agreement between the school and the supplier and confirm that the proceeds are accounted for under the correct heading, i.e. rental income.	
3	Confirm that rental paid are recorded for all applicable periods in the financial year as per the agreement (i.e. 12 months).	
4	If run internally by the school, perform the following procedures: <ol style="list-style-type: none"> a. Observe the selling of goods at the tuck shop to ensure that no illegal items are being sold e.g. cigarettes, alcohol etc. b. Observe cash handling procedures to ensure that cash received as rental income is properly accounted for and recorded. Test the segregation of duties and the existence of proper controls to mitigate the risk of cash misappropriation. c. Select 5 non-consecutive dates during the year and re-calculate the sales revenue and reconcile with the till receipts. d. For the dates selected above, confirm that monies have been banked and recorded in the general ledger. 	
	Suggested Reporting The tuck shop is outsourced and the [rental revenue] is accounted in terms of the agreement with the school. OR; The tuck shop is managed internally. On these dates the controls (did not) function(ed) sufficiently to ensure the completeness of tuck shop sales: [State the 5 dates tested]	
Rental Income		
1	Determine and document the facilities generating rental income as well as the approved rates/ agreements in place	
2	Select 5 rental source documents (including agreements for repetitive rent and once-off rentals) and perform the following procedures: <ol style="list-style-type: none"> a. Recalculate the rental amount. 	

#	Procedures	Yes / No
	b. Trace rental received to the general ledger account and confirm that it has been accounted for in the correct period c. Calculate the rental income the school should have received based on the agreement and compare it to the amounts shown as received.	
Suggested Reporting The rental income received on [include dates tested] have [not] been accounted in the general ledger at the approved rate.		
Hostel Income		
1	Obtain a register of learners that are staying in the hostel and the approved rates	
2	Select one month (not January or December) and perform a reconciliation of the hostel income for that month and compare to the income recognized in the general ledger	
Suggested Reporting The hostel income received for [include month tested] have [not] been accounted in the general ledger at the approved rate		
Other income		
1	Obtain the general ledger and/ or any supporting registers. Agree the general ledger and/ or supporting registers to the financial statements for each income category	
2	Select a sample of 5 source documents for other income and agree to the general ledger/ supporting registers	
Suggested Reporting The [specify other income] received on [include dates tested] have [not] been accounted in the general		

15.5. Expenditure

As the key risk area for expenditure is validity, the examination should concentrate on whether all expenses recorded in the books are for the school and whether monies spent for the intended purposes.

15.5.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Procurement policy		
2	Subsistence and travel policy		

15.5.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
Purchasing			
1	Does the school seek three quotations before purchasing in terms of their procurement policy?		
2	Are reports given when the lowest quotation is not accepted?		
3	Are pre-numbered order forms utilized?		
4	Are orders approved by the SGB or relevant delegations as per their procurement policy?		
5	Are goods and services checked upon delivery?		
6	Are payments made on valid invoices only?		

#	Procedures	SASA if applicable	Yes / No
7	Are payments approved by relevant members of the SGB or relevant delegations as per their procurement policy?		
8	Are all paid invoices marked "PAID" and filed securely?		
Payments			
1	Are payment requisition forms with all supporting documents (invoice, signed delivery, requisition, and purchase order) filed in sequence for each payment?		
2	Does the official match the order to the invoice and check for proof that services have been rendered or goods received prior to authorization of the payment?		
3	Are all cheques signed by a minimum of 2 officials (one of which should be the principal)?		
4	Are all EFT payments approved/released by a secondary official?		
Cheque Payments			
1	Are all cheque payment documents stamped as "PAID"?		
2	Are cancelled cheques filed for future reference purposes?		

15.5.3. Examination procedures

#	Procedures	Yes / No
1	Obtain the approved signatories on the bank account pertaining to authorization of EFT's and cheque signatories.	
2	Obtain the general ledger. Agree the general ledger to the financial statements for each expense category.	
3	For recurring monthly expenses inspect that all 12 months' expenses have been accounted for. If less than the 12 months have been paid to the third parties, inspect that an accrual has been raised for the payments not yet made relating to the financial year.	
4	Select the 10 largest expenses from the general ledger on a random basis and carry out the following procedures: <ul style="list-style-type: none"> • Confirm that the expense was approved, by the correct person, in terms of the school's approval policies and procedures. • Inspect supporting documentation for the expense item and confirm that the supporting document is issued in the name of the school and has been recorded in the correct period. • Confirm that the approved policies and procedures in respect of procurement were correctly adhered to. • Confirm that the expense item is recorded in the correct budget line category by review of the supporting documentation and by discussion with the appropriate personnel. • Confirm that the above invoices were paid within 30 days of being received. 	
<p>Suggested Reporting</p> <p>The following 10 largest expense transactions were examined: [Insert table with fields for payment number, date, supplier, and amount]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> • [X out of 10] expense transactions were [not] approved, by the correct person, in terms of the school's approval policies and procedures. • [For x out of 10] the supporting documents were [not] issued in the name of the school and were [not] recorded in the correct period. • The approved policies and procedures in respect of procurement were [not] correctly adhered to [for x out of 10]. • The expense items [for x out of 10] were [not] recorded in the correct budget line category. • [X out of 10] invoices were [not] paid within 30 days of being received. 		

15.6. Salaries and employment costs

As the key risk area for employment costs is validity, the examination should concentrate on whether all payments recorded are in fact for employees of the school who provided services for the period. Only valid expenses for SGB positions should be reflected in the financial statements.

15.6.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Employment Policy for SGB employed persons which cater for inter alia, PAYE, SDL and UIF.		
2	Leave policy		

15.6.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	Is there prior approval with funding for SGB staff positions?	Section 20(9)	
2	Were IRPs 5's issued within the time frame specified by SARS?		
3	Were the PAYE/ UIF/ SDL remitted by the 7th of the next month?		
4	Did the school submit the bi-annual IRP 5 reconciliations?		
5	No member of a governing body may be remunerated in any way for the performance of his or her duties. Did the school pay remuneration other than the reimbursement of expenses to members of the SGB?	Section 27(2)	
6	Governing body may not pay or give to a state employee employed in terms of the Employment of Educators Act, 1998 (Act No. 76 of 1998), or the Public Service Act, 1994 (Proclamation No. 103 of 1994), any unauthorised remuneration or benefit without prior application. Did the school pay any remuneration or benefit to funded staff, excluding reasonable travel and subsistence?	Section 38A	

15.6.3. Examination procedures

#	Procedures	Yes / No
SGB (unfunded) posts		
1	Obtain the general ledger. Agree the general ledger to the financial statements for salaries and employment costs.	
2	Select a sample of [10 or the actual if less than 10] employee payments from the accounting records (payroll ledger, general ledger etc.) and perform the following procedures: <ul style="list-style-type: none"> • Physically verify the person through inspection of the employee's access card or ID document. If the person is not physically present during the inspection, obtain an approved leave form. • Match the transaction with the pay slip and agree details such as employee name, package or rate per approved appointment letter/ contract and deductions in terms of employee authorisation of deductions. • Recalculate the deductions to confirm that it is in accordance with legislation and auditee's policies (UIF, pension, medical, PAYE, etc.) • Test the mathematical accuracy of the pay slips selected. • Agree net pay to and payee to cheque/pay envelope or bank transfer summary. 	
3	Reconcile PAYE and SITE as per the IRP 5 reconciliation with the payroll information. Follow up on any differences.	

#	Procedures	Yes / No
4	Inspect that all 12 months' payments have been made to the various third parties. If less than the 12 months have been paid to the third parties, inspect that an accrual has been raised for the payments not yet made relating to the financial year.	
	<p>Suggested Reporting</p> <p>The following 10 personnel expense transactions were examined: [Insert table with fields for name, personnel number, date and amount]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> • [X out of 10] employees could [not] be physically verified. [For x out of 10] an approved leave form could be provided. • [X out of 10] payment details could [not] be matched with the payslip and approved appointment letter/ contract. • [X out of 10] payslips [did not] reflect[ed] the deductions in terms of employee authorisation documentation. • [X out of 10] payslips [did not] reflect the accurate amount for deductions in accordance with legislation and auditee's policies (UIF, pension, medical, PAYE, etc.) <p>[X out of 10] times the net pay to and payee to cheque/pay envelope or bank transfer summary did [not] agree.</p>	
Terminations		
1	Terminations of SGB staff: Select 5 personnel files of staff that resigned or were terminated during the year and perform the following: <ul style="list-style-type: none"> • Confirm that the salary payments were stopped and the salary system records amended accordingly. • Inspect the debt form from the employee file and check that all outstanding debt has been calculated and recovered. Calculate overpayments and verify whether it has been recovered.	
2	Terminations of funded staff: Select 5 persons who resigned, retired or otherwise had their services terminated during the current financial year and perform the following procedures: <ul style="list-style-type: none"> • Obtain the employee's personnel file • Document the reason for the employee's termination of service and the termination date. • Inspect the personnel file of the employee to ensure that notice of period of termination of contract was given in writing (Ref to Basic Conditions of Employment Act, 1997 (Act No 75 of 1997, s37 (5) (a) & (b)). 	
	<p>Suggested Reporting</p> <p>The following 10 personnel terminations were examined: [Insert table with fields for name, personnel number, termination date]</p> <p>My findings are as follows:</p> <p>Terminations of SGB staff</p> <ul style="list-style-type: none"> • [For X out of 5] terminations, all outstanding debt were [not] calculated and recovered. • [For X out of 5] terminations, overpayments were [not] recovered. <p>Terminations of funded staff</p> <ul style="list-style-type: none"> • [For X out of 5] terminations, notice of period of termination of contract was [not] given in writing. <p>Note: Funded staff termination information can be used by the department to verify termination dates and overpayments on Persal</p>	

15.7. Non-current assets

As the key risk area for assets is existence, the examination should concentrate on whether all assets listed on the fixed asset register exist, in the correct condition and whether they are on school property and used for the intended purposes.

15.7.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Asset management policy		

15.7.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
Asset control			
1	The Head of Department has the right to compile or inspect an inventory of all the assets of a public school. Does the school maintain an asset register?	Section 58A(1)	
2	Does the school provide for asset depreciation?		
3	Does the school keep a register of damages, losses and theft of school property?		
Control over Fixed Assets			
1	Have an asset controller been assigned and have all his/her responsibilities have been effectively communicated?		
2	Do the values on the asset register reconcile to the amounts reflected on the financial statements?		
3	Are all assets clearly marked using indelible ink or barcodes?		
4	Are all assets adequately covered by the school insurance policy?		

15.7.3. Examination procedures

#	Procedures	Yes / No
High Value Assets		
1	Select the 5 highest value assets (across all categories) from the asset register (closing balance) and perform the following: <ul style="list-style-type: none"> Agree the selected sample item from the fixed asset register to the physical assets to determine that the asset exists. Inspect supporting documentation to confirm whether ownership for the sample items exists. 	
2	Select a sample of 5 physical assets (all categories) and perform the following (remember direction of testing is from the floor to the fixed asset register): a. Trace the selected sample item from the floor to the fixed as	
3	Repairs and maintenance. Inspect repairs and maintenance expenditure accounts for the period and determine whether there are any material items that should have been capitalised.	
<p>Suggested Reporting</p> <p>The following 10 assets were examined: [Insert table with fields for asset number, description, date of acquisition, value]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> X out of 5] assets could [not] be traced from the fixed asset register to the physical assets to determine that the asset exists. For [x out of 5] assets ownership of the asset could [not] be determined. [X out of 5] assets could [not] be traced from the floor to the fixed asset register. 		
Donated assets		
1	Ensure that upon receipt of the asset the Asset Controller together with any other member of the Finance Committee confirmed the following:	

#	Procedures	Yes / No
	<ul style="list-style-type: none"> Assessed the value and exact nature of the Donated items. Add these items to the Asset Register including the expected economic life of the assets. 	
	<p>Suggested Reporting</p> <p>The following 5 donated assets were examined: [Insert table with fields for asset number, description, date of donation, value]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> [For x out of 5] donated assets upon receipt of the asset the Asset Controller together with any other member of the Finance Committee [did not] confirm[ed] the value, the expected economic life and exact nature of the donated items. [X out of 5] donated assets were [not] added to the Asset Register. 	
Disposed assets		
1	<p>Select 5 disposed assets and perform the following tests:</p> <ul style="list-style-type: none"> Ensure that the asset controller in consultation with the principal has completed an asset disposal form and that adequate motivation was provided. Ensure that the motivation was reviewed by the Finance Committee and considered and approved by the SGB prior to application to the Department for authorisation to scrap the listed item. Confirm that adequate authorisation was obtained from the department. 	
	<p>Suggested Reporting</p> <p>The following 5 disposed assets were examined: [Insert table with fields for asset number, description, date of disposal, value]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> [For x out of 5] disposed assets the asset controller in consultation with the principal has [not] completed an asset disposal form with adequate motivation. [For x out of 5] disposed assets the motivation was [not] reviewed by the Finance Committee and approved by the SGB. [For x out of 5] disposed assets adequate authorisation was [not] obtained from the department. 	

15.8. Investments

15.8.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Investment policy		

15.8.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
Investments			
1	Does the school have an investment register?		
2	A governing body of a public school may, with the approval of the Member of the Executive Council, invest surplus money in another account. Did the school obtain approval from the MEC for all investment accounts?	Section 37(3)	
Investment Income			
1	Did the school receive any investment income during the year?		

15.8.3. Examination procedures

#	Procedures	Yes / No
1	Select a sample of 5 investments (Closing balance) and perform the following procedures: <ul style="list-style-type: none"> Obtain supporting documentation (bank statements, investment documentation, share certificates, etc) and confirm that the investment is in the name of the school. 	
2	Scrutinise minutes of SGB meetings to identify any investments and confirm that these investments were accounted for in the financial statements.	
3	Confirm accurate recording of interest received.	
<p>Suggested Reporting</p> <p>The following 5 investments were examined: [Insert table with fields for description, date of investment, value]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> [X of 5] investments were [not] in the name of the school. [X] Investments identified from minutes of SGB were [not] accounted for in the financial statements 		

15.9. Inventory

15.9.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Inventory policies and procedures		
2	Year-end inventory listing/ register		

15.9.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	Has the school allocated a designated area for the storage of all inventory items?		
2	Has the school allocated a senior member of the school the responsibility for the control of all inventories?		
3	Does the school keep record of: <ul style="list-style-type: none"> Inventory requisitions Inventory issued 		
4	Does the year-end inventory listing/ register reconcile to the financial statements?		

15.9.3. Examination procedures

#	Procedures	Yes / No
1	Obtain the detailed period-end inventory listing and summaries: <ul style="list-style-type: none"> Check clerical accuracy (additions and extensions). Agree summaries to general ledger. Review the listing for any unusual items. Document the explanations received. 	

#	Procedures	Yes / No
	<ul style="list-style-type: none"> Review the listing for similar items or quantities. Where found, verify the existence and accuracy of each of the amounts. 	
2	<p>Physical inventory counts during the period. Review physical inventory counts made by the entity during the period and:</p> <ul style="list-style-type: none"> Assess the adequacy of the school's count procedures for counts conducted throughout the period (if applicable). Investigate and document explanations for material differences between physical quantities and book (including perpetual) records during the period and at period end. Prior to physical count date. Identify all locations (including inventory held by third parties) with significant inventory amounts. Tour locations with significant inventory in advance of the count date. Tour other locations on a rotational basis. Assess inventory layouts, areas containing highvalue or slow-moving inventory and other areas (i.e., shipping, consignments etc.) which may require special attention during actual inventory taking. e. Identify high Rand value or high-volume inventory items that, when priced, will be significant. These items should be given more attention during counts. Attend the physical inventory count at the selected locations. The count will normally take place at period end unless the entity has an information system capable of reconciling quantities between the count date and the period-end date. 	
3	Trace 10 items (from the physical inventory count) to the final inventory listing. Ensure the tag or control numbers from the physical count match to the listing, as well as the description and quantity. Obtain explanations for any differences found.	
4	<p>Select a number of major purchases and sales prior and subsequent to the period end and:</p> <ul style="list-style-type: none"> Match details to the shipping and receiving documents. Ensure the invoices are recorded in the sales or purchase journals in the appropriate period. 	
5	Make a selection of inventory items from the year-end inventory listing. Trace the sampled items to the most recent purchase invoice before year end, and the first sales invoice after year end for that item. Verify based on these supporting documents that the inventory is held at the lower of the cost and net realisable value.	
<p>Suggested Reporting</p> <p>The following 5 inventory items were examined during the year-end inventory count: [Insert table with fields for code, description, date of purchase, quantity, unit cost, value] My findings are as follows:</p> <p>The school did [not] have adequate count procedures in place.</p> <ul style="list-style-type: none"> [X out of 10] inventory items could [not] be traced from the physical inventory count to the final inventory listing. [For x out of 10] inventory items the quantities per the physical inventory count [did not] agree[d] to the final inventory listing. • [X out of 10] inventory items were [not] recorded in the correct period. [X out of 10] inventory items were [not] valued at the lower of cost or net realizable value. 		

15.10. Trade and other receivables

15.10.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Debtors' policy		
2	Debt collection policy		

15.10.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	A public school may by process of law enforce the payment of school fees by parents who are liable to pay in terms of section 40. Does the school follow-up on outstanding school fees?	Section 41(1)	
2	A learner may not be deprived of his or her right to participate in all aspects of the programme of a public school despite the non-payment of school fees by his or her parent and may not be victimised in any manner. Does the school exclude learners whose fees are overdue from school activities or refuse school reports or transfer certificates?	Section 41(7)	
3	Does the school send out monthly debtor's statements to parents/guardians?		

15.10.3. Examination procedures

#	Procedures	Yes / No
	Trade and Other receivables: From the accounting records. Select a sample of 10 receivables (all categories) from the accounting records (debtor's age analysis, debtors' sub-ledger, general ledger etc.) and perform the following:	
1	Agree the opening balance of the debtor to the prior year closing balance.	
2	Agree the closing balance of the debtor to the debtor's monthly statement.	
3	Agree the receipts during the year to the cash book and bank statement. Inspect the details for example the debtor name, date, and amount and consider that it agrees.	
4	Agree the revenue transactions during the year from the accounting records (for example debtor age analysis) to the invoices.	
5	Recalculate and inspect supporting documentation i.e. any interest received, discounts, credit notes and other adjustments.	
6	Re-perform the casts and calculation of the individual's debtor balance.	
7	Trace the outstanding balances to subsequent payments received after year-end (It must be clearly documented so that it is clear that the subsequent payment that was tested related to the balance outstanding at year end).	
	<p>Suggested Reporting</p> <p>The following 10 debtors were examined: [Insert table with fields for name, balance and aging]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> • [For x out of 10] debtors the opening balance [did not] agree[d] to the prior year closing balance. • [For x out of 10] debtors the closing balance of the debtor [did not] agree[d] to the debtor's monthly statement. • [For x out of 10] debtors receipts could [not] be traced to the cash book and bank statements/ or details of receipts [did not] agree[d]/ or related to another debtor. • [For x out of 10] debtors revenue transactions [did not] agree[d] to the invoices/ approved rates. • [For x out of 10] debtors supporting documentation for i.e. any interest received, discounts, credit notes and other adjustments could [not] be verified. • [X out of 10] debtors could [not] be traced to subsequent payments received after year-end 	

15.11. Cash and cash equivalents

15.11.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Cash Book - plus full supporting vouchers		
2	Clean, up to date bank reconciliations		
3	Petty Cash on imprest system		

15.11.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
Bank accounts			
1	In terms of sec 37(1) of the SASA, has the SGB established only one bank account?	Section 37(3)	
2	All money received by a public school including school fees and voluntary contributions must be paid into the school fund. Are all monies received, including contributions paid into this one account?	Section 37(2)	
3	Money from the school fund of a public school may not be paid into a trust or be used to establish a trust. Does the school have any trust funds?	Section 37(7)(a)&(c)	
4	If a trust was established from a school fund of a public school or if such money was paid into a trust prior to 1 January 2002, such trust or payment is invalid and the money must be paid back into the school fund. Did the school pay back any trust funds established prior to 2002 to the school fund?	Section 37(7)(b)	
5	Are there a maximum of 3 signatories for the bank account, are these people the treasurer, the principle and one other member of the governing body only? Examine that the three signatures corresponds with the bank confirmation.		
6	Are the cheque books properly stored and secured?		
7	A governing body may not enter into any loan or overdraft agreement so as to supplement the school fund, without the written approval of the Member of the Executive Council. Does the school have an overdraft facility?	Section 36(2)	
8	Was the overdraft facility approved by the MEC?		
Petty Cash			
1	Does the school have Petty Cash?		
2	Does the Petty Cash run on an imprest system?		
3	Are the petty cash levels kept at recommended levels (R1000.00)? Cash?		
4	Is petty cash expenditure supported by receipts and documents?		
5	Is the imprest account reconciled on a monthly basis?		
6	Are there regular independent checks done on the Petty cash reconciliation?		

15.11.3. Examination procedures

#	Procedures	Yes / No
1	Obtain the bank reconciliations for all bank accounts held by the client and test the accuracy of the reconciliations.	

#	Procedures	Yes / No
2	Confirm that the bank account is in the name of the school.	
3	Agree the bank statement balance as per the reconciliation with the bank statements.	
4	Select 5 reconciling items and trace them to supporting documentation.	
5	Obtain bank confirmations for all bank accounts held by the school and agree the balances on the bank confirmation to the bank reconciliations performed by the school.	
6	Through inspection of the bank confirmation, confirm that all securities and guarantees were appropriately disclosed.	
7	On year-end, perform a cash count for all material cash on hand and confirm the cash count results with the financial records.	
<p>Suggested Reporting</p> <p>Bank accounts disclosed in the financial statements are [not] in the name of the school.</p> <p>The school [did not] perform[ed] monthly bank reconciliations.</p> <p>The year-end bank reconciliation [did not] accurately reflected the year-end bank balance per the bank statements and/ or reconciling items.</p> <p>All securities and guarantees of the school per the bank confirmations obtained were [not] disclosed in the financial statements.</p> <p>On year-end, the cash on hand [did not] agree[d] with the financial statements.</p>		

15.12. Trade and other payables

15.12.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Creditors policy		

15.12.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	Does the school perform monthly creditor's statement reconciliations?		
2	Does the school review the creditor's age analysis?		
3	Does the school perform a reconciliation between the creditors age analysis and the general ledger amount.		

15.12.3. Examination procedures

#	Procedures	Yes / No
1	<p>From accounting records. Select a sample of 5 payables/ accruals (all categories including debit balances) from the accounting records (creditor sub-ledger, general ledger etc.):</p> <ul style="list-style-type: none"> Agree the amount per the sample to any proof ORIGINAL (GRN, invoice, creditors' statement) that the goods/services were received in the financial period. Agree the amount per the sample, to bank statements ("after year-end" - limited to the number of months in line with the school's payment terms) to verify that payment has been made and that the creditor exists. 	
2	From original source documents. Select a sample of 5 payables/ accruals from the subsequent bank statements and perform the following procedures:	

#	Procedures	Yes / No
	<ul style="list-style-type: none"> With reference to supporting documentation, inspect that the item was recorded in the correct accounting period and account description with reference to when the goods/services were received. 	
	<p>Suggested Reporting The following 5 creditors were examined: [Insert table with fields for name, balance and aging]</p> <p>My findings are as follows:</p> <ul style="list-style-type: none"> [For x out of 5] creditors the closing balance [did not] agree[d] to the creditor's invoice/ monthly statement. [X out of 5] creditors could [not] be traced to subsequent payments made after yearend. [X out of 5] subsequent payments for goods and services received before year-end could [not] be traced to the list of accruals/ creditors. The creditors aga analysis total agreed to the trail balance total. 	

15.13. Capital and reserves

15.13.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Does the school have share policy (applicable if company) or founder contribution policy (applicable if voluntary association.		

15.13.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	Money or other goods donated or bequeathed to or received in trust by a public school must be applied in accordance with the conditions of such donation, bequest or trust. Does the school apply donations received in trust in accordance with the conditions of the donation? If the donation is not of a capital nature, then this will fall under receipts/income). Note: No separate trust funds may be established.	Section 37(4)	
2	Agree opening balances to prior year financial statements closing balance and supporting documentation.		
3	Inspect share certificates if applicable.		

15.13.3. Examination procedures

#	Procedures	Yes / No
1	Inspect the statement of changes in equity in the prior year financial statements. Trace all equity from the prior year to opening balances in the current year and cross check to other balance sheet and income statement amounts.	
2	Draw a sample of movements from the general ledger. Trace through to supporting documentation, including where necessary the applicable statutory documentation, resolutions, or minutes. This process includes verification that the relevant acts have been complied with related to equity.	
	<p>Suggested Reporting The opening balances of all equity [did not] agreed to the closing balance of the prior year. All movements in equity were [not] supported by applicable statutory documentation, resolutions or minutes.</p>	

15.14. Budget

15.14.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Budget and forecast policy		

15.14.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
Preparation			
1	A governing body of a public school must prepare a budget each year according to prescriptions determined by the MEC in a Provincial Gazette, which shows the estimated income and expenditure of the school for the following financial year. Did the school prepare a budget for the year under review?	Section 38(1) 2	
Approval of budget			
1	Before a budget is approved by the governing body, it must be presented to a general meeting of parents convened on at least 30 days' notice, for consideration and approval by a majority of parents present and voting. The quorum requirements should be met.	Section 38(2)	
2	The notice must also inform the parents that the budget will be available for inspection at the school at least 14 days prior to the meeting.	Section 38(3)	
3	Is the budget compared to the income/expenditure on a monthly basis?		
4	Is the variance report presented to the SGB on a monthly basis?		
5	Does the school prepare cash flow forecasts?		

15.14.3. Examination procedures

#	Procedures	Yes / No
1	Obtain the minutes and attendance register of the meetings at which the budget of the year was tabled. Review the minutes and attendance register and confirm the following: <ul style="list-style-type: none"> The quorum for the meeting was met in accordance with approved quorum requirements. The majority of parents present approved the budget as tabled. All amendments to the budget were recorded and subsequently approved by parents. 	
2	Confirm that the notice specified the 14 days inspection period before the general meeting?	
3	Confirm that the budget is in line with the set objectives of the school	
Suggested Reporting The budget was examined and the following findings were noted: <ul style="list-style-type: none"> The budget was appropriately approved. The budget was available for inspection 14 days before the general meeting. The budget line items were found to be in line with the schools objectives. 		

15.15. Other SASA compliance matters

15.15.1. Policies and procedures

Does the school have the following in place?

#	Procedures	SASA if applicable	Yes / No
1	Does the school have a governance policy?		
2	Is the school registered as a Section 21 company with Companies And Intellectual Property Commission (CIPC)		

15.15.2. Compliance and financial management procedures

It is recommended to include the below table into the report.

#	Procedures	SASA if applicable	Yes / No
1	Has the school been allocated any Section 21 functions?	Section 21(1)	
2	Did the SGB make an application to the granting of Section 21 functions to the school?	Section 21(2)	
3	Have any conditions been attached to the granting of Section 21 functions to the school? If so, has the school complied with all these conditions?	Section 21(3)	
4	Did the school carry out any Section 21 functions that they were not authorised to carry out?		
5	Were any previously allocated Section 21 functions withdrawn by the HOD during the current year? SGB member vote in a decision in Section 22(1)		
6	Based on the review of the minutes of SGB meetings, did any which said member had a personal interest?	Section 26 7	
7	Is the principal a member of the SGB?	Section 23(1)(b)	
8	Is the chairperson of the finance committee a member of the SGB?	Section 30(b)	

15.15.3. Examination procedures

#	Procedures	Yes / No
1	Did the school (non profit company) file their annual report with CIPC?	
2	Inspect proof that the chairperson of the finance committee is a member of the SGB?	
3	Inspect proof that the principal is a member of the SGB?	
4	Inspect proof that all section 21 functions performed by the school were appropriately authorised.	
	<p>Suggested Reporting</p> <ul style="list-style-type: none"> In our examination it was found that the company filed their annual returns with CIPC timeously. It was confirmed that the chairperson of the finance committee is a member of the SGB. It was noted that all section 21 functions performed by the school were appropriately authorised. 	

16. Reporting

The accounting officer's report shall contain a clear affirmation that conforms to the requirements of a relevant statute of regulation. Based on the work performed the accounting officer should assess whether a positive or negative affirmation should be made.

The report should be drafted in a manner that will enable the reader to understand the nature of the work that was performed. The report should indicate that an audit was not performed and that an audit opinion is not expressed. An example is provided in Annexue B.

16.1. Elements of an Accounting Officer's Report

The accounting officer's report should contain the following elements:

- Title
- Addressee
- Opening or introductory paragraph including:
- Identification of specific financial or non-financial information to which the procedures have been applied
- A listing of general procedures performed
- A statement of the responsibility of the entity's management or owners and the responsibility of the accounting officer
- A statement that the procedures performed were those deemed necessary in the circumstances • A statement that the engagement was performed as a result of a relevant statute, regulation or other agreement
- A description of any factual findings related to a contravention of a relevant statute of regulation where relevant
- A statement that the procedures performed do not constitute an assurance engagement and as such, no assurance is expressed
- A statement that had the accounting officer performed additional procedures, or performed an assurance engagement, other matters might have come to light that would have been reported
- A statement indicating whether the report is restricted in distribution
- A statement (when applicable) that the report relates only to the elements, accounts, items or financial and non-financial information specified and that it does not extend to the entity's financial statements taken as a whole
- Date of the report
- Accounting officer's address
- Accounting officer's signature, designation, professional membership and member number.

Refer to Annexure B for an illustrative report.

17. Conclusion

In conclusion, this guide serves as a resource for accounting officers involved in examining and reporting on the records and financial statements to contribute to the accuracy, transparency, and accountability of public schools' financial reporting. The guide acknowledges the importance of professional judgment, empowering accounting officers to tailor its principles to specific circumstances and required legislation.

This ultimately benefits the education sector as a whole.

18. References

The following material was consulted in the compilation of this guide:

- The South African Schools Act, Act no 84 of 1996
- The School Funding Norms Policy Implementation Manual – KwaZulu Natal Department of Education, 1 January 2014
- National policy for the preparation of public-school financial statements (DRAFT), 8 May 2018
- ISRS 4400 – Engagements to perform agreed-upon procedures regarding financial information.
- Circulars issued by the Department of Basic Education (DBE):
 - Circular M1 of 2018 - Legal interpretation related to when audit not reasonably practicable.
 - Circular M3 of 2017 - Measures to strengthen compliance to sections 42 and 43.
 - Circular M1 of 2017 - Measures to improve management of school finances, preparation and auditing of financial statements.

19. Annexure A: Illustrative Engagement letter

The following letter is for use as a guide and is not intended to be a standard letter. The engagement letter will need to be varied according to individual requirements and circumstances.

To the Governing Body or other appropriate representatives of the school who engaged the accounting officer:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide.

Our engagement will be conducted in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements and we will indicate so in our report.

We have agreed to perform the following procedures and report to you the factual findings resulting from our work:

(Describe the nature, timing and extent of the procedures to be performed, including specific reference, where applicable, to the identity of documents and records to be read, individuals to be contacted and parties from whom confirmations will be obtained.)

The procedures that we will perform are solely to assist you in (state purpose).

Our report is not to be used for any other purpose and is solely for your information.

The procedures that we will perform will not constitute an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements and, consequently, no assurance will be expressed.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our engagement.

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the terms of the engagement including the specific procedures which we have agreed will be performed.

XYZ & Co

Acknowledged on behalf of ABC Company by (signed)

Name and Title Date

20. Annexure B: Illustrative report

REPORT OF FACTUAL FINDINGS

To (those who engaged the accounting officer)

We have performed the procedures agreed with you and enumerated below with respect to the financial statements and records of ABC public school as at (date).

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements.

The procedures were performed solely to assist you in evaluating the validity of the financial statements and are summarized as follows:

1. We obtained and checked the addition of the trial balance of accounts payable as at (date) prepared by ABC Company, and we compared the total to the balance in the related general ledger account.
2. We compared the attached list (not shown in this example) of major suppliers and the amounts owing at (date) to the related names and amounts in the trial balance.
3. We obtained suppliers' statements or requested suppliers to confirm balances owing at (date).
4. We compared such statements or confirmations to the amounts referred to in 2. For amounts which did not agree, we obtained reconciliations from ABC Company. For reconciliations obtained, we identified and listed outstanding invoices, credit notes and outstanding checks, each of which was greater than xxx. We located and examined such invoices and credit notes subsequently received and checks subsequently paid and we ascertained that they should in fact have been listed as outstanding on the reconciliations.

We report our findings below:

- a) With respect to item 1 we found the addition to be correct and the total amount to be in agreement.
- b) With respect to item 2 we found the amounts compared to be in agreement.
- c) With respect to item 3 we found there were suppliers' statements for all such suppliers.
- d) With respect to item 4 we found the amounts agreed, or with respect to amounts which did not agree, we found ABC Company had prepared reconciliations and that the credit notes, invoices and outstanding checks over xxx were appropriately listed as reconciling items with the following exceptions:
(Detail the exceptions)

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the financial statements as of (date).

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

Accounting Officer

Date

Address

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