



DIE VERANDERING IN ONDERWYS
THE CHANGE IN EDUCATION




WORKSHOP: FINANCIAL MANAGEMENT



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WHAT IS REQUIRED
BY LAW?

HOW DO I PLAN THE
BUDGET OF THE
SCHOOL?

WHAT ARE THE
FINANCIAL
FUNCTIONS?


WHAT IS FINANCIAL
ACCOUNTABILITY?




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SECTION 1:
WHAT IS REQUIRED BY LAW?





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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



Effective financial management ensures:

- All **financial regulations and procedures** are complied with
- All financial transactions are recorded accurately
- Adequate controls are in place to ensure that expenditure does not exceed income
- Only authorised expenditures are incurred



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



Questionnaire

Answer only YES or NO to the following questions

1. Do you keep and maintain the following financial records?
 - Cash Book / Cash Journal
 - Petty Cash book
 - Deposit register
 - Commitment register
2. Does your school have a bank account?
3. Does your school have more than one bank account?
4. Do you hold annual general meetings for financial reporting to parents?



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



Questionnaire

Answer only **YES** or **NO** to the following questions

5. Does your school have a finance committee?
6. Does your school have a procurement committee?
7. Do you have a database of the service providers that you use when acquiring goods and services?
8. Is there a drafted rotation plan that is used for awarding tenders?
9. Did your school produce Audited Financial Statements for the previous financial year?
10. Do you elect the executive committee of the SGB every year?



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



The management of school finances can be one of the **most challenging** of principals' responsibilities, because for many it is an area in which they have **little or no training or expertise**.

It is also likely that the elected members of the school governing body may be equally **ill-equipped** for the task.



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



- Education laws lay down certain requirements for principals of schools



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



Remember

- A principal acting in his / her capacity as a principal is a public official, not a private person
- A public official may do **ONLY** what a law permits when acting in his / her official capacity
- A private citizen may undertake any actions which law does not prohibit
- The principal **MUST** do what the law requires when acting in his / her official capacity



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



What happens if the principal does not do what he / she has to do with regard to Financial Management?



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



Employment of Educators Act, Act 76 of 1998

- Section 17 Serious Misconduct

17 (1) An educator (that includes the Principal!!) must be dismissed if he or she is found guilty of –

(a) theft, bribery, fraud or an act of corruption in regard to examinations and promotional reports



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



Employment of Educators Act, Act 76 of 1998

- Section 18 Misconduct

18 (1) (b) Wilfully or negligently mismanages the finances of the State, a school or adult learning centre

There are other provisions as well and if found guilty after due process, one of the sanctions that is possible is dismissal

(18 (3) (h)) and also 18 (5)



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WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?



What we learn is that the management of finances is part of the principal's duty as laid out in law.

What we also learn is that if this duty is not properly carried out, it could lead to disciplinary action and even loss of employment.

Therefore, Financial Management matters a lot and that is why we are here – to make sure we do the right things in the correct way and that we avoid some common pitfalls.



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LEGISLATION



CONSTITUTION

- Exclusive powers
- Concurrent powers

National Legislation

- SASA; NEPA; EEA; PFMA; ELAA; The Division of Revenue Act, 2013; Public Service Act, 1994;

National Policy Guidelines

- NDP (National Development Plan);
- Action Plan 2019; Schooling 2030;
- STANDARDS FOR PRINCIPALSHIP
- Collective Agreement: Personnel Administration Measure (PAM)



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LEGISLATION



NATIONAL LEGISLATION

- Audit and Accounting Act
- Regulations
- Policies
- Prescripts (Circulars)

PROVINCIAL LEGISLATION

- Regulations
- Policies
- Prescripts (Circulars)


SCHOOL LEVEL

- Financial Policy
- Accounting Policy
- Governing Body Mandate



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LEGISLATION



Essential reading for every Principal and SMT



- SASA
- Relevant Provincial Education Act
- Regulations at National and Provincial Level
- National Norms and Standards for School Funding
- Policy on the South African Standard for Principalship
- Regulations for the Exemption of Parents from the Payment of School Fees, 2005 as amended




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DOCUMENTS RELEVANT TO FINANCIAL MANAGEMENT





SASA	NEPA;	EEA	PFMA
ELAA	The Division of Revenue Act, 2013,	Public Service Act, 1994;	PAM
Norms and Standards for Funding of Public Schools		King III & IV Reports	Additional Reading



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DOCUMENTS RELEVANT TO FINANCIAL MANAGEMENT



SOUTH AFRICAN SCHOOLS' ACT

16 A	20	34 (1)	37
38	42	43	

RELEVANT SECTIONS TO FINANCIAL MANAGEMENT



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SOUTH AFRICAN SCHOOLS ACT



Section 16 A

Functions and responsibilities of principal of public school.

(1) (a) The principal of a public school represents the Head of Department in the governing body when acting in an official capacity

(2) The principal must—
provide the governing body with a report about the professional management relating to the public school;
inform the governing body about policy and legislation; [Para. (f) amended by s. 9 of Act No. 15 of 2011.] Wording of Sections

provide accurate data to the Head of Department when requested to do so; and;



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SOUTH AFRICAN SCHOOLS ACT



Section 16 A

- assist the governing body with the management of the school's funds,; and
- the giving of advice to the governing body on the financial implications of decisions relating to the financial matters of the school;
- take all reasonable steps to prevent any financial maladministration or mismanagement by any staff member or by the governing body of the school;
- be a member of a finance committee or delegation of the governing body in order to manage any matter that has financial implications for the school; and
- report any maladministration or mismanagement of financial matters to the governing body of the school and to the Head of Department.



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SOUTH AFRICAN SCHOOLS ACT



Section 20.

Functions of all governing bodies.

- Administer and control the school's property, and buildings and grounds occupied by the school, including school hostels, but the exercise of this power must not in any manner interfere with or otherwise hamper the implementation of a decision made by the Member of the Executive Council or Head of Department in terms of any law or policy;



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SOUTH AFRICAN
SCHOOLS ACT



Section 34 (1)



“the State must fund public schools from the public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of the past inequalities in education provision.”



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SOUTH AFRICAN
SCHOOLS ACT



Section 37.

School funds and assets of public schools.—



- The governing body of a public school must establish a school fund and Administer it in accordance with directions issued by the Head of Department.
- All money received by a public school including school fees and voluntary contributions must be paid into the school fund.
- The governing body of a public school must open and maintain one banking account, but a governing body of a public school may, with the approval of the Member of the Executive Council, invest surplus money in another account.



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SOUTH AFRICAN
SCHOOLS ACT



Section 37.



School funds and assets of public schools.—

- 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.
- All assets acquired by a public school on or after the commencement of this Act are the property of the school.



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SOUTH AFRICAN SCHOOLS ACT



Section 37.



School funds and assets of public schools. (6)

The school fund, all proceeds thereof and any other assets of the public school must be used only for:

- (a) educational purposes, at or in connection with such school;
- (b) educational purposes, at or in connection with another public school, by agreement with such other public school and with the consent of the Head of Department;
- (c) the performance of the functions of the governing body; or
- (d) another educational purpose agreed between the governing body and the Head of Department.




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SOUTH AFRICAN SCHOOLS ACT





Section 37.

School funds and assets of public schools. (7)

- (a) Money from the school fund of a public school may not be paid into a trust or be used to establish a trust.
- (b) 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.
- (c) A governing body of a public school may not collect any money or contributions from parents to circumvent or manipulate the payment of compulsory school fees and to use such money or contributions to establish or fund a trust, and if such money or contributions of parents were paid into a trust prior to 1 January 2002, the trust must pay such money or contributions into the school fund.




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SOUTH AFRICAN SCHOOLS ACT





Section 38

All public ordinary schools are required to prepare an annual budget. This budget has to be presented to the SGB for approval late in the third or early in the fourth quarter for the next academic year.



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SOUTH AFRICAN SCHOOLS ACT



Annual budget of public school.

(1) A governing body of a public school must prepare a budget each year according to prescriptions determined by the Member of the Executive Council in a Provincial Gazette, which shows the estimated income and expenditure of the school for the following financial year.



(2) Before a budget referred to in subsection (1) 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.



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SOUTH AFRICAN SCHOOLS ACT



Annual budget of public school.



The notice contemplated in subsection (2) must also inform the parents that the budget will be available for inspection at the school at least 14 days prior to the meeting.



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SOUTH AFRICAN SCHOOLS ACT




Section 42

Financial records and statements of public schools.

The governing body of a public school must:

- keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions; and
- 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.



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SOUTH AFRICAN SCHOOLS ACT



Section 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.
- (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.



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NATIONAL NORMS AND STANDARDS FOR SCHOOL FUNDING



- **Section 101** categorises schools on the bases of socio-economic conditions under which the school operate. This results in having five categories or quintiles.
- Allocations are calculated based on the number of learners enrolled as well as the quintile classification of the school. Therefore it is essential that the school maintains quality enrolment data.
- This allocation informs the planning functions of the school, in the form of a budget.
- The funding which is provided through the Norms and Standards for funding cannot be utilised for the payment of salaries



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PUBLIC FINANCE MANAGEMENT ACT




Financial management entails not only management skills, but it also necessitates knowledge of:

- Accounting and
- Finance to be able to manage a school's finances.
- The principal is the accounting officer for the department in the school, but the overall management of the school's finances is the **primary function of the school's governing body.**



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PUBLIC FINANCE MANAGEMENT ACT



APPLICATION OF PFMA FOR SCHOOLS


- The HOD as accounting officer for the provincial department prescribes through circular to principals and SGBs how the State's resource allocation for schools should be spent.
- Schools are obliged to spend State funds for:
 - ☐ Resources
 - ☐ Services
 - ☐ Repairs
 - ☐ Maintenance of Schools
- The spending of these funds is ring-fenced.


Virement?


Mestry, 2013


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SECTION 2:
HOW DO I PLAN THE BUDGET OF THE SCHOOL?






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CASE STUDY



Mr M is a principal of a two educator school, with 37 learners in Limpopo Province. The school is classified as a quintile 1 school and the majority of the parents are unemployed.

The school is given R24 000 for the year because of their low learner enrolment (as per Norms and Standards Allocation).





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CASE STUDY

EXPENDITURE	
Water and electricity	R900,00 pm
Transport costs	R800,00 pm
Stationery	R700,00 pm
Staff development	R250,00 pm
Sports	R500,00 pm
Audit fees	R1200 per year
Bank charges	R1200 per year
SGB Meetings	R1200 per year
Repairs	R4800 per year
TOTAL PER YEAR	

INCOME =
R24 000,00

Assist Mr M to
compile a
budget for this
school



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CASE STUDY



1. What is the total income for the year?

2. What is the total expenditure for the year?

3. What can Mr M do to balance his budget?

Increase
income

Decrease
expenditure



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BUDGET PLANNING



Accounting

+

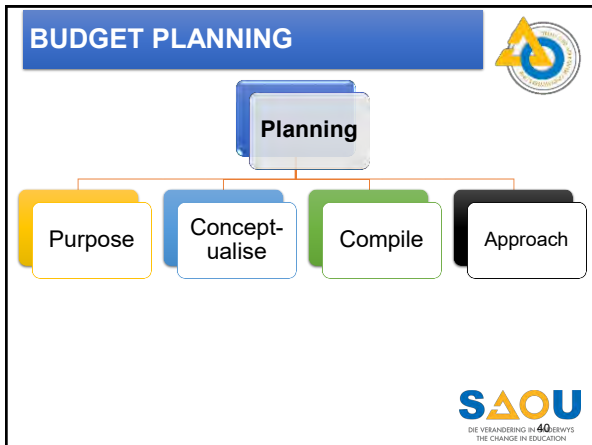
Finance

=

Financial
Management



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PURPOSE OF A BUDGET

Good financial practice means:

- managing money and money processes
- so the budget is aligned with the school's strategic plan.
- Budgeting is an important process that allows for some delegation of financial tasks and responsibility in larger schools.

<http://www.educationalleaders.govt.nz/Managing-your-school/Guides-for-managing-your-school/Understanding-school-finances>

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PURPOSE OF THE BUDGET

The **benefits** of compiling a budget are:

- It establishes a plan of action over a specific period.
- It requires an appraisal of past activities in relation to the planned activities
- It establishes a work plan
- It projects expenditure and estimates income
- It establishes a system of management controls
- It provides a planned process of review and planning

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PURPOSE OF A BUDGET

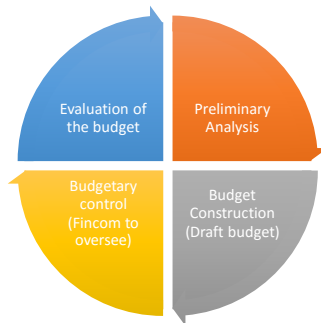


- All income and expenditure must be properly budgeted for (including 38A provisions)
- The budget must take account of the historical situation in respect of bad debts and exemptions
- The budget must be a balanced budget – you may not budget for either a surplus or deficit
- The budget may allow for reasonable reserves



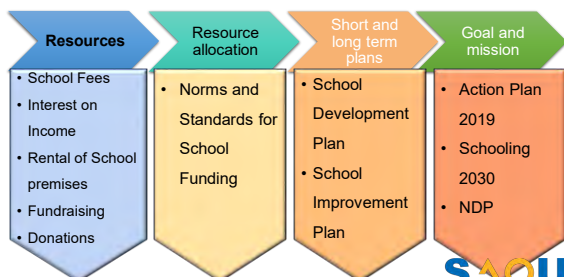
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CONCEPTUALISING THE BUDGET



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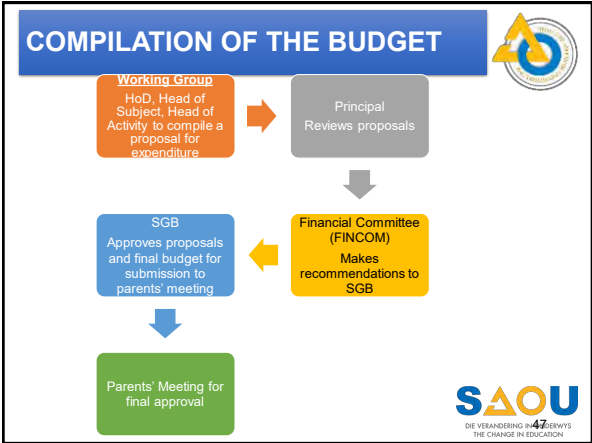
CONCEPTUALISING THE BUDGET



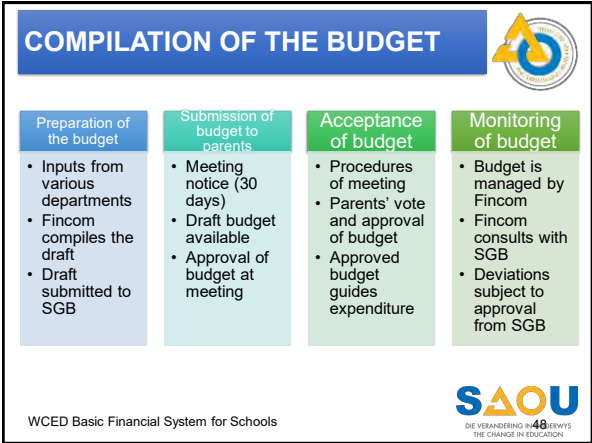
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CONCEPTUALISING THE BUDGET	
INCOME	EXPENDITURE (Where applicable)
State Funding for non-personnel costs	Audit Fees
School fees	Bank charges
Interest on Income	Cleaning and sanitation
Rental of School Premises	Electricity and water
Fundraising	Printing
Donations	Stationery
	Repairs and Maintenance
	Salaries and wages
	Security services
	Sport and Extra curricular activities
	Telephone and fax
	Textbooks, transportation
	Leases

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COMPILATION OF THE BUDGET



The Budget Process:

- Compiling a budget ensures good financial management
- The figures must be realistic and data on previous periods are vital
- Broad guidelines of the budget should be established



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GUIDE FOR COMPILING A BUDGET



Number of
learners in
school

Personnel
planning
(Where
applicable)

State
funding

School Fees
(Where
applicable)

Other
sources of
Income

Expected
expenditure

Budget



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COMPILING A BUDGET: CRITERIA



Possible criteria to consider:

- Equitable allocation to the needs of different subjects
- Taking cognisance of the school's priorities
- Facilitation of long term planning
- Ability to react to environmental change
- Ability to spend wisely
- The budget should be easy to understand and widely accepted.

Be aware of hiding
expenses behind
terminology which
is not easily
understood



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SCHOOL FEES AND FEE EXEMPTION

Types of Public Schools

Fee paying

Non Fee paying

Legislation requires "No Fee Schools" to provide a budget





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APPROACHES TO BUDGETING

Incremental

- Previous budget is adjusted with increments for any anticipated increases in income and expenditure. These are normally inflation linked percentages





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APPROACHES TO BUDGETING


Pragmatic

- Based on previous budget but attempts to improve on the previous year based on savings




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APPROACHES TO BUDGETING




Base

- The schools' planned priorities is the starting point. The budget allocation is "ring fenced" and most of the money cannot be used for anything other than core school activities



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FUNCTION OF THE PRINCIPAL



Draw up a Financial Policy

Receive

➔

Receipt

➔

Payment to Finance Office

➔


Deposit Money

➔

Record


Procurement Procedures

Asset Management



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FINANCIAL POLICY



❑ Reporting


- ✓ Monthly budget variance
- ✓ Monthly Income and Expenditure
- ✓ Quarterly Income and Expenditure
- ✓ Budget Variance
- ✓ Audited Annual Financial Statement
- ✓ Virement

Clarke (2008), Mestry (2006)




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FINANCIAL POLICY



- The **Financial Policy** will indicate the areas of principle
- The **Accounting Policy** deals with the practice of implementing the principles.




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ACCOUNTING POLICY




Bank	Petty Cash	Cash receipt	Cash Disburse
EFT	Asset Management	Capital Repairs	Account Reconciliation
Trusts	Tax	Loans	Procurement Policy
Travel	Training	Fundraising Activities	



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ACCOUNTING POLICY



A. Bank Accounts and Reconciliation

- All school receipts and disbursements should flow through one interest bearing cheque account. A petty cash fund may be used for minor expenditures.
- There should be at least two signatories on all school accounts. It is advisable that the bookkeeper should not be an authorised signer on the account. A Trustee or Finance Committee member may also be designated as an authorized signer.
- A copy of the bank statement should be maintained and the original sent to the proper person for reconciliation.
- Bank accounts should be reconciled on a monthly basis by a person independent of the handling and recording of cash.



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CASE STUDY



Glory High School in the Eastern Cape has a monthly fundraiser where learners are encouraged to wear plain clothes to school. They have to pay R5-00 which is utilised for school activities.

The teachers collect all R5-00 coins in their classes and only send the money to the office once all the coins in the class have been collected.

Some teachers have experienced theft in their classes due to this practice.
How would you advise?



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ACCOUNTING POLICY



1. All money received must be recorded as income and must be deposited into one school account. This refers to:
 - School fees; Government subsidy; Proceeds from Tuck shop; Donations; Asset disposal; Fundraising; Interest from investments
2. A receipt should be issued for all money received
3. Receipts should adhere to the following
 - Date of receipt
 - Name of the payee
 - Differentiation between type of payment: cheque, cash, direct deposit, EFT.
4. Money received should be recorded in a Receipt Cash book
5. All the money should be deposited into the school account
6. Deposit slips should be recorded



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ACCOUNTING POLICY



It is advisable that:



1. An inventory register be kept
2. Annual stock takes should be conducted
3. Depreciation of assets to be taken into account

A maintenance policy?
Should maintenance be considered? When?



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CASE STUDY





The Sunshine Primary School in Mpumalanga has signed a 10 year contract with a provider of a computer centre. This company provides a teacher, computers and the most up to date software programmes.

- A new SGB is elected in year 3 of the contract. They want to disapprove of the existing contract.
- They feel that they no longer want to pay the accounts until a full investigation is completed
- How would you advise?

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ACCOUNTING POLICY





Personnel appointed and paid by the SGB. In some instances schools appoint personnel through the SGB. It is necessary to ensure that:

- Documents be provided to the Financial Administration on the remuneration and the benefits which these appointees will receive
- A service level contract which states remuneration and benefits
- These employees should be in possession of UIF cards
- These employees have to be registered with SARS and have a SARS number available.
- The school's PAYE reference number will be needed to complete these transactions
- Skills levies have to be paid for these employees.

Does the SGB employ staff?
If so 38A

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ACCOUNTING POLICY




LOANS

School makes a loan

School takes a loan

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ACCOUNTING POLICY



LOANS


Schools are prohibited from entering into loan agreements.

- Section 60 was added to SASA. This states that the
 - State will be required to cover the debt if a school defaults
 - Except in case of SGB salaries
- Therefore schools need permission of MEC to:
 - Take out loans
 - Repayable loans – building a school hall which will become a resource.
 - Purchase fixed assets per lease/ suspensive sale / hire purchase agreement
- Schools may not make loans to staff or any other entity



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ACCOUNTING POLICY




Irregularities

All suspected irregularities with regard to the management of school funds must be reported without delay to the Department and the South African Police Service, when appropriate.

Misappropriation?


Mismanagement?

Fruitless expenditure?




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EXPENDITURE AGAINST NON-STATE FUNDS




CASE STUDY

Mr Y invites the teaching staff to a quarterly lunch. He records the expenses in the account for Non-State funding. Discuss your view on this expense.




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IN CONCLUSION



Financial planning refers to the following processes:


1. Drafting of the School Development Plan as well as the School Improvement Plan and approval by the SGB thereof
2. Drafting the school budget and presentation to parents for approval
3. Determination of school fees by the SGB (where applicable)
4. Allocation of budget per cost item according to prescriptions from Department
5. Drafting of the procurement plan
6. Drafting of budget implementation plan





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SECTION 3:
WHAT ARE THE FINANCIAL FUNCTIONS?








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FINANCIAL FUNCTIONS



TEST YOUR KNOWLEDGE

Here are a few financial management functions. Allocate these functions to the person responsible. Refer to the relevant policies for the answers

Function	SGB	PRINCIPAL
Assist the SGB with their functions in terms of SASA		
Start and administer a school fund (Section 37(1) SASA)		
Keep the financial records of the school (Section 42a SASA)		
Administer the process of budgeting for costs and manage the budget (C3.3 (1.21) PAM)		
Manage the compilation and finalisation of the annual financial statements (4.2(e) (v) PAM)		
Monitor compliance		




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FINANCIAL FUNCTIONS

- The first and most important function managing a school's finances is to be quite clear **who is responsible for what**. Overlapping responsibilities need to be minimised because the areas of overlap are likely to be areas of conflict. The lines of responsibility need to be clearly drawn.

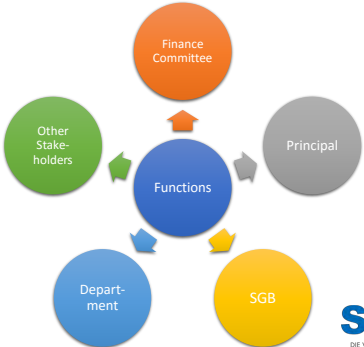
Clarke (2008)



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FINANCIAL FUNCTIONS




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FINANCIAL FUNCTIONS

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L


- Assist SGB with Management of school funds
- The role of the principal is to advise the SGB on:
 - Information related to conditions or directions imposed by Minister, MEC or HoD
 - Financial implications of financial decisions
 - On reasonable steps to prevent financial maladministration
- The role of the principal is to
 - Be a member of Fincom and any finance delegation
 - Report any maladministration to the HoD



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FINANCIAL FUNCTIONS



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Obligations of the principal

1. The principal must **maintain a complete record of statutory provisions, regulations and departmental instructions** relating to the financial management of the school, and the finances of the governing body.
2. The principal must ensure that he/she and staff under his/her control, appointed to assist the governing body in the execution of its duties, are **acquainted with all statutory provisions, regulations and departmental instructions** of which he or she must bear knowledge to enable him/her to assist the governing body in the execution of its functions.



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FINANCIAL FUNCTIONS



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Obligations of the principal

3. The principal must ensure that all statutory provisions, regulations and departmental **instructions are observed** by him/her and by employees under his/her control.



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CASE STUDY



The SGB of Pretty Flower Primary School has recently been elected. There is only one existing member from the previous SGB. The district is conducting a training session in Polokwane 90 kms away.


The principal feels that the school should budget for the travel expenses of the SGB members to attend the training.

How would you advise?



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FINANCIAL FUNCTIONS




S
G
B

• Office bearers –


At its first meeting, the SGB shall, from amongst its members, elect office bearers, who shall include at least the following:

- (i) Chairperson;
- (ii) Treasurer; and
- (iii) Secretary.



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FINANCIAL FUNCTIONS




S
G
B

Responsibilities of office bearers in financial management –


SGB Chairperson shall be the Accounting Officer of the finance accounting authority (SGB) of a public school; The Treasurer shall –

- (i) oversee all financial matters of the school as directed by the SGB;
- (ii) serve as a chairperson of the finance committee;
- (iii) advise the SGB on financial matters;



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FINANCIAL FUNCTIONS




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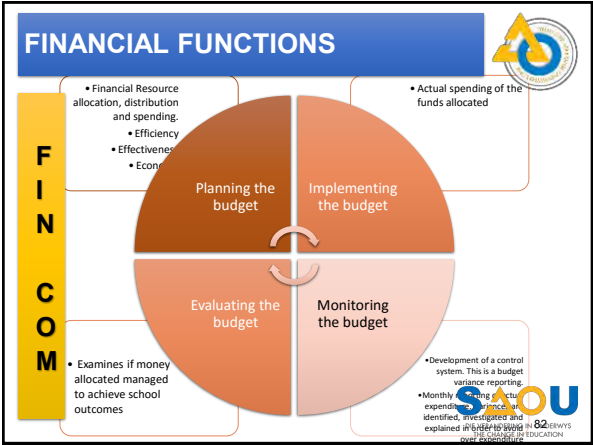
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Constituting the Finance Committee –

- (i) There shall be at least six and at most eight members in the Finance Committee – of which three of them shall be parents.
- (ii) The principal, chairperson of the Governing Body and Treasurer must form part of the Finance Committee.
- (iii) Treasurer is the chairperson of the Finance Committee.



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FINANCIAL FUNCTIONS

Responsibility of the Finance Committee –

Finance Committee shall –

- (i) prepare and present financial reports to the SGB;
- (ii) be responsible for controlling and monitoring all financial matters at the school;
- (iii) co-ordinate and prepare the school's annual budget;

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SECTION 4: WHAT IS FINANCIAL ACCOUNTABILITY?

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CASE STUDY



- Mrs V is the principal of a primary school in the Northern Cape. Her Provincial Education Department requests that her audited statements be submitted. Mrs V feels that that is an intrusion into the privacy of the affairs of her school. She has provided all necessary documentation to parents, SGB and the District and she feels that this is not a reasonable request.
- As the principal from her neighbouring school, how would you advise her?



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FINANCIAL ACCOUNTABILITY



- The school as a public institution is **accountable** to its community, the parents and to the department.
- The annual financial report serves as an accountability measure. This entails a full disclosure of all financial processes that take place in schools.
- The PFMA stipulates that annual reporting must reflect any cases where the institution suffered losses which may be due to criminal conduct or unauthorised expenditure. (Section 42 B)



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FINANCIAL ACCOUNTABILITY



REPORTING:

Annual reports:

- Balance Sheet
- Revenue and Expenditure Statement
- Budget Report (Revenue and Expenditure Variance Report
- Provide guidance for the maintenance of accounts and their closure.
- Draw up a detailed annual timetable for final accounts preparation, approval and audit.





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CONTROL ACTIVITIES

- Approvals
- Authorisations
- Verifications
- Reconciliations
- Periodic reviews of performance
- Security of funds
- Separation of functions

- This is based on two elements:
 - Policy that establishes what should be done
 - Procedures to implement the policy

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CONTROL ACTIVITIES

Completeness

Accuracy

Authorisation



Validity

Establishing Existence of transaction

Handling errors

Segregation of duties



Presentation and disclosure

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CONTROL NORMS

- Financial controls are the means by which an organisation's resources are directed, monitored, and measured.
- Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud and protecting the organisation's resources, both physical and intangible.
- These internal control procedures reduce process variation, leading to more predictable outcomes.
- Financial Controls to Consider:
 - Segregation of duties,
 - Cheque writing,
 - Access to credit cards and ATM cards,
 - Inventory management, and
 - Accuracy of reporting.

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CONTROL NORMS



- These norms are closely linked to legislation as well as approved school policies.
- Managers put financial controls into place to track performance and evaluate progress toward the financial goals.
- Financial controls are among the tools that managers use to track progress and evaluate results.



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EXTERNAL FINANCIAL AUDIT



- The SGB shall:
 - (i) Appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 (Act No. 80 of 1991), to audit the records and financial statements referred to in section 42 of the SASA.
 - (ii) If it 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, who is qualified to perform the duties of an accounting
 - (iii) No person who has a financial interest in the affairs of the public school may be appointed under this section.
 - (iv) If the MEC 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.



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HOW TO READ AN AUDITOR'S REPORT



A financial audit report is the final step of an external financial audit. After planning the audit and gathering necessary information, an auditor then must interpret results. Although the information an auditor collects through inquiry, observation, inspection, calculations, comparisons and analysis is "fact," the report itself expresses the opinion of the auditor.

<http://smallbusiness.chron.com/read-financial-audit-report-70379.html>



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HOW TO READ AN AUDITOR'S REPORT



Introduction

The introductory section identifies the responsibilities of the company director (*in this instance the school*) and the independent auditor.

The auditor holds the company (*school*) responsible for accounting policies, the preparation of financial documents, internal controls designed to ensure the financial documents are honest and correct and the presentation of financial statements to the auditor. The auditor takes responsibility for expressing an opinion based only on the facts and for complying with ethical and legal auditing guidelines during the planning and information-gathering stages of the financial audit.

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HOW TO READ AN AUDITOR'S REPORT



Scope

Defining the scope of the audit -- the area it covers -- is the second and shortest section. It provides a description of what the auditor has done and includes a blanket statement -- a statement common to and for the most part identical in every audit report -- that specifically states the auditor has examined the financial statements in accordance with generally accepted auditing standards and has performed appropriate tests to make a reasonable assessment of the business's financial processes, internal controls and documents.

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HOW TO READ AN AUDITOR'S REPORT



Opinion

- The auditor's opinion is the most important section of the audit report. Here the auditor sums up findings by expressing one of three generally accepted opinions or includes a disclaimer, which means the auditor refuses to give an opinion, most often because the business either can't or won't produce the appropriate documents or information.

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HOW TO READ AN AUDITOR'S REPORT

Opinion

- The most favourable opinion is an **unqualified opinion**, meaning the company director provided all the necessary financial documents and everything was in order and met all auditing requirements. A qualified opinion means that while the majority of documents were in order, the auditor did find one or two exceptions. An adverse opinion is an opinion no one wants; this negative opinion says the financial records are inaccurate, incomplete or not in compliance with generally accepted accounting principles.

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HOW TO READ AN AUDITOR'S REPORT

The adverse opinion:

In some cases, the auditor may see unmistakable signs that a business (school) is in deep financial waters and may not be able to convince its creditors and lenders to give it time to work itself out of its present financial difficulties. An adverse opinion is issued when the financial statements are materially misstated or misleading, or in the event that, when taken as a whole, they are not in compliance with GAAP.



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HOW TO READ AN AUDITOR'S REPORT



Your financial statement audit report can give you a clean bill of health, or the auditor's report may state that your financial statements are misleading and should not be relied upon:

The clean (unqualified) opinion:

If the auditor finds no serious problems, the firm gives your financial statements an unqualified or clean opinion, which it expresses in a three-paragraph report.

The qualified opinion:

If the audit report is longer than three paragraphs, it's never good news. For example, the auditor's report may point out a flaw in the financial statements but not a fatal flaw that would require an adverse opinion.



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AUDITING: FORENSIC ENQUIRIES



• **Forensic accounting, forensic accountancy or financial forensics** is the specialty practice area of [accounting](#) that describes engagements that result from actual or anticipated disputes or [litigation](#). "[Forensic](#)" means "suitable for use in a court of law", and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial.^[1]



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AUDITING: FORENSIC ENQUIRIES



- Financial audit – section 43(1) and (2)
 - Appointment of auditor or accountant
- Financial enquiry – section 43(6)
- (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.*
- As opposed to forensic inquiry or forensic audit – section 43(4)
- (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.*



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IN CONCLUSION



- A Principal must ensure, that
- He / she is not solely responsible for financial processes at school
 - He / she has the necessary approval from the SGB before transacting
 - The necessary budget cycle is in place at school
 - The necessary policy has been developed in accordance to the national and provincial legislation and regulations, and that said policy is implemented.
 - He / she is accountable for the Financial Management of the school.



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