



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

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To: **Heads of Provincial Education Departments**  
CC: **Heads of Provincial Institutional Management and Governance**  
**Chief Financial Officers**  
**District and Circuit Managers**  
**School Principals and School Governing Bodies**

## **CIRCULAR M1 OF 2017**

### **MEASURES TO IMPROVE MANAGEMENT OF SCHOOL FINANCES, PREPARATION AND AUDITING OF FINANCIAL STATEMENTS**

The Auditor-General of South Africa (AGSA) in its Education Sector's report of 2015/16, raised a number of findings on the management of school finances which include the preparation and auditing of the annual Financial Statements.

A number of consultations were held during the school monitoring visits, AGSA meetings, and HEDCOM Sub-Committee meetings, which recommended the necessity for guidance/ measures to be developed to clarify the processes involved in the management of school finances. The following guidance is recommended to be implemented:

1. Utilisation of the new South African Schools Act (SASA) No. 84 of 1996 (As Amended by BELA Act 15 of 2011)

During a number of school audit monitoring visits it was evident that, schools are currently utilising the outdated SASA. Section 43(1) of the SASA Act No 84 of 1996 regulates that the governing body of a public school must 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. This clause regulated the means and use of an accountant and auditor to be appointed by the School Governing Body as an individual service provider or person. In this instance, a bookkeeper and auditor could play a dual role in the preparation and auditing of the same financial statements.

The SASA Act was subsequently amended and gazetted in 2011 as the new SASA Act No. 84 of 1996 as amended by BELA Act 15 of 2011. Section 43 was amended to reflect the following "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." In this regard, provision was made only for the use of registered auditors for the auditing of the annual financial statements.



## 2. Segregation of duties between bookkeepers and registered auditors

Bookkeepers who prepare the financial statements are required to avoid auditing the financial statements that they have prepared. Measures should be in place to ensure that there are proper segregation of duties. It is recommended that School Principals together with SGBs develop a policy/guideline to clarify the roles and responsibilities for bookkeepers and auditors who prepare and audit the annual financial statements. This may eliminate any conflict of interest that may arise if a bookkeeper prepares and audits the same financial statements.

The table below clarifies the distinction between the responsibility of Bookkeepers and Auditors:

Bookkeeper's responsibility	Auditor's responsibility
The bookkeeper is responsible for the preparation and fair presentation of financial statements in accordance with the relevant accounting policies and practices in order to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.	The auditor's responsibility is to express a reasonable audit opinion on financial statements based on audit engagements conducted. The Auditor conducts an audit in accordance with the Auditing Professions Act. These standards require that the auditor complies with ethical requirements, plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatements due to fraud or error.

## 3. Publishing a list of registered auditors on the Provincial Department's websites

The Independent Regulatory Board of Auditors (IRBA) plays an oversight role to ensure compliance with the Auditing Profession Act (Act 26 of 2005). Some of the functions of the IRBA entail the following:

- 3.1 Developing and maintaining auditing and ethics standards that are internationally comparable;
- 3.2 Providing an appropriate framework for the education and training of properly qualified auditors and their on-going competence;
- 3.3 Registration of auditors who meet the registration requirements;
- 3.4 Monitoring registered auditors' compliance with professional standards;
- 3.5 Investigating and taking appropriate action against registered auditors in respect of improper conduct; and
- 3.6 Development of guidelines for auditing.

The Department of Basic Education has entered into an agreement with the IRBA on the following matters:

- 3.7 Updated list of registered auditors;
- 3.8 Reporting of irregularities in the schooling system; and
- 3.9 Development of a guideline for school audits.

Provincial Education Departments are encouraged to publish the approved list of registered auditors on their websites to ensure that registered auditors are utilised by School Governing Bodies.



A circular will be submitted by the Department of Basic Education on the list of registered auditors.

#### 4. Companies and Intellectual Property Commission (CIPC) validation on Accounting Officers appointed

In accordance with Section 60 (4) of the Close Corporations Act, 1984 and Section 43 (a) of the South African Schools Act, the Companies and Intellectual Property Commission (CIPC) recognises the following accounting professions for purposes of appointment as accounting officers in terms of the Close Corporations Act, 1984:

- 4.1 The South African Institute of Chartered Accountants (SAICA);
- 4.2 Auditors registered in terms of the provisions of the Auditing Profession Act, 2005(CA);
- 4.3 The Southern African Institute of Chartered Secretaries and Administrators (ICSA);
- 4.4 The Chartered Institute of Management Accountants (CIMA);
- 4.5 The South African Institute of Professional Accountants (SAIPA);
- 4.6 The IAC who have obtained the Diploma in Accountancy (IAC);
- 4.7 The Association of Chartered Certified Accountants (ACCA);
- 4.8 The Chartered Institute of Business Management (MCIBM);
- 4.9 The South African Institute of Business Accountants (SAIBA); and
- 4.10 The South African Institute of Government Auditors (SAIGA).

Internal Audit/Internal Control functions should validate the appointments of Accounting Officers with CIPC. Lists of the Accounting Officers are requested to be published on the Provincial Education websites. The MEC should approve the appointment of Accounting Officers. Copies of appointment letters for Accounting Officers should be kept at School, District and Provincial levels.

#### 5. Preparation of guidelines in accordance with Section 42(b) of the SASA Act

Copies of accounting manuals should be signed by the MECs and it is recommended that these copies be kept by District/Circuit Managers, School Principals and Provincial Education Departments.

#### 6. Minutes of approval by SGBs on the audited annual financial statements

Copies of minutes of SGB meetings are recommended to be kept in schools reflecting that the annual audited financial statements were reviewed and accepted by the SGBs.

#### 7. Audited financial statements to reflect audit opinions

All audited financial statements should reflect an opinion. The IRBA recognises the following opinions to be provided on the audited financial statements:

- 7.1 Unqualified with no findings (clean audit);
- 7.2 Unqualified with findings;
- 7.3 Disclaimer; and
- 7.4 Adverse.

#### 8. Databases for audit opinions in schools


Audit opinions for each school should be included in a database kept by the Chief Financial Officer to determine progress made in the auditing of the financial statements, and the opinions per School and District.



You are kindly requested to bring Circular M1 of 2017 to the attention of all District Directors, Heads of Provincial Institutional Management and Governance, Chief Financial Officer, School Principals and School Governing Bodies.

All enquiries related to this circular should be directed to the contact details as indicated above.

Yours sincerely



**MR HM MWELI**  
**DIRECTOR-GENERAL**  
DATE: 06/09/2017