Financial Reporting for Schools

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Programme

1. Legal Framework
2. Accounting Framework
3. Reporting Framework
4. Examination procedures
5. Questions
Legislative Framework

South African Schools Act – Act 84 of 1996: Governs the responsibilities of the SGB – s42 & s43

Public Financial Management Act – Act 1 of 1999: Governs the responsibilities of accounting officer – s38

Provincial Schools Education Act (WCED – Act of 1997) Governs the reporting responsibility of the SGB – s52 and s53
Non-section 21 School

• Management by the Department
  – Provided with a budget
  – Funds are administered by Department
  – Procurement with suppliers

• SGB/school administer and manage:
  – Control expenses
  – Submit documents to Department
  – Maintain accounting records
  – Preparing financial statements
Section 21 School

• School is autonomous
• Apply for additional functions
  – Full financial responsibility
  – Preparation of budget
  – Procurement responsibilities
  – Maintain/improve school property
  – Manage expenditures
SGB – Financial Responsibilities

- **s37**
  - Administer and manage the funds of the school using a single banking account

- **s38**
  - Maintain accounting and financial records

- **s42**
  - Prepare and present annual budget at the parents’ meeting

- **s42/3**
  - Draft and submit audited annual financial statements within 3 months of the year end
Responsibilities of Accounting Officer

- Effective, efficient and transparent systems of financial and risk management and internal control
- Effective, efficient, economical and transparent use of resources
- Management, safeguarding and maintenance of assets and management of liabilities
- Compliance to regulation and legislations
Accounting Framework

Framework for preparing annual financial statements are IFRS or IFRS for SMEs

Based on the historical cost and accrual concepts were appropriate
Reporting Framework

- Annual financial statements
- Stock certificate
- Statement of sound financial management
- Fixed asset register
- Outstanding debtors’ report
- Statement of investments
- Bank reconciliation
Financial Statements

- Statement of financial position
- Statement of financial performance
- Statement of cash flow
- Notes to the financial statements
- Budgetary report
  - Variance report
Stock Certificate

- Verification of inventory
- Maintenance of inventory records
- Inventory system – risk management
- Physical inventory control - responsible
- Reconciliation – variance schedule
- Inventory schedule
Fixed Asset Certificate

• Verification of fixed assets

• Schedule of fixed assets

• Basis of funding fixed assets
  – School funds
  – Department funds
  – Donations or sponsorship
Outstanding Debtors Certificate

- Verification of debtors
- Schedule of categories of debtors
- Procedures for collections
- Confirmations/reconciliations
Investment Certificate

• Verification of investments
• Compliance with policies
• Schedule of investments
• Investment certificates
Bank Reconciliation Certificate

- Verification of bank account
- Reconciliation statements
- Bank confirmation
Financial Management Certificate

• Confirmation of effective financial management

• Compliance with:
  – Legislation (PFMA)
  – Policies

• Effective systems of internal control

• Effective risk management system

• Effective financial management
Audit or Examination

Audit should be conducted for public schools – high level of assurance required.

Examination can be conducted by a Professional Accountant – audit is impracticable.
Audit or Examination

• Factors to consider:
  – Costs involved
  – Accounting system implemented
  – Level of assurance required
  – Effectiveness of financial management systems
  – Suspicions of mismanagement
Appointment of Professional Accountant

• Legislative requirements
  – Compliance with regulations
  – No financial interest
  – Appoint process and documentation
    • Application form
    • Minutes of meeting
    • CV or business profile
    • Acknowledgement of appointment
    • Letter of no financial interest

• Regulations [IRSS 4400]
  – Agreed upon procedures
  – Engagement letter
Responsibilities of Professional Accountant

• Agreed upon procedures
  – Examination of the financial statements
  – Evaluating the effectiveness of financial management system
  – Compliance with policies and legislation
  – Submission of reports for approval
Acceptance of Appointment

• Factors to consider:
  – ISQC 1 compliance issues
  – Risk and accountability
  – Competence and capacity
  – Assessing materiality and professional judgement
  – Responsibility for Reportable Irregularities
  – Compliance to legislation
Procedures for Financial Management

• Procedure for evaluating the effectiveness of financial management:
  – Financial management policy:
    • Review the financial management document approved
    • Key areas:
      – Budgetary process
      – Investment policy
      – Accounting officer’s duties
      – Procurement
      – Management of funds
  – Procurement procedures:
    • Compliance with legislation (BBBEE objectives)
    • Adequacy of systems and procedures
Procedures for Financial Management

• Procedure for evaluating the effectiveness of financial management:
  – Systems of internal control:
    • Adequacy of control procedures
    • Risk management strategy and systems
  – Accounting system:
    • Competence of staff
    • Adequacy of accounting system and procedures
    • Compliance with accounting framework
Procedures for Variance Report

• Procedures for auditing/examining the budget
  – Review the budgetary process
    • Effective, efficient and transparent
    • Compliance with policies and procedures
  – Review minutes of meeting approving budget
  – Review compliance with meeting procedures
    • Quorum
    • Documentation of amendments
    • Majority approval
  – Investigate variances
    • Reasons for variance
    • Minutes approving variance reports
    • Minutes approving changes
Procedures for Compliance to Acts

• Procedures for auditing/examining compliance to the Acts
  – Section 21 functions
    • Allocation of Section 21 functions
    • Compliance to condition of section 21 functions

  – Members of SGB:
    • Examine minutes for conflict of interest
    • Examine minutes approving remuneration of SGB members
    • Evaluate the structure and composition of committees and SGB

  – Donations, bequests and contribution:
    • Examine the schedule of donations and contributions received
    • Compliance check with donor conditions
Procedures for Compliance to Acts

• Procedures for auditing/examining the budget
  – Fixed assets:
    • Maintenance of fixed asset register
    • Reconciliation with accounting records
    • Utilisation of assets
  – Budgetary procedures
    • Preparation and approval of budget
  – School fees
    • Approval of school fees
    • Compliance with exemption of school fees
    • Supporting documentation for exemptions
    • Procedure for collecting outstanding debts
Professional Accountant’s Report

• Regulations/legislation governing the appointment

• Independent capacity with no financial interest

• Responsibility of SGB and Professional Accountant

• Compliance of financial statements with:
  – Regulations/legislation
  – Accounting records
  – Accounting framework
Professional Accountant’s Report

• Limitations – access to requested information

• Appropriateness of accounting policies

• Qualifications:
  – Non-compliance of budgetary process regulations/legislation
  – Material variances from approved budget
  – Financial records are not properly maintained
  – Materiality breaches in financial reports
  – Payment made to persons employed by the State
  – Non-compliance with PFMA
Thank you!
WCED Guide


2. www.kzneducation.gov.za/Portals/0/Circulars/General... · PDF file