

Schools – Audit, Examination and Financial reporting

Presenter: **Lettie Janse van Vuuren CA(SA)**



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***Applicable guides for different engagements
With specific reference to the governance and compliance
environment under which schools operate***

Presenter

Lettie Janse van Vuuren CA(SA), RA, CBA(SA)

- Lettie joined SA Accounting Academy in November 2017 as Head of Technical. She is a Chartered Accountant, Registered Auditor and Certified Business Accountant.
- She is a **professional trainer and webinar host**, and with her relaxed and humorous presentation style, she is able to hold the attention of an audience. She has a unique ability to communicate with delegates at their respective levels of knowledge and experience. Over the last 20 years, she has trained thousands of partners, managers, trainee accountants and other professionals.
- She is responsible for our MCLU (Monthly Compliance and Legislation Updates).
- She was the Professional Development Manager at SAICA for 4 years and in charge of accrediting new training offices and monitoring existing ones (including the moderation of training offices and trainee assessments).
- Lettie is passionate about improving the efficiency and standardisation at practices. She has extensive experience on a variety of technical and practical topics which she consults on, including: SAICA re-accreditation assistance and preparation, IRBA inspection assistance and preparation, audit file reviews (post-issuance monitoring and EQCR), Quality control implementation, other office-specific manuals, and FASSET skills development facilitation.



Ask Questions

To ask questions and interact during the webinar please use the chat sidebar to the right of the video / presentation on the screen.

→ ***NB = Please include the topic that your question is about for easy identification purposes***

Feel free to ask your questions during the webinar in the chat, these will be addressed live in the formal Q & A at the end of the presentation.

Where appropriate, a **Q & A Summary will be uploaded to your profile as soon as all answers have been documented.**

WHAT'S ON THE AGENDA?



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Quote

“Education
is the mOst
POwErful Weapon
wHiCH you can
use to ChAnGE
the World.”

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Sometimes it's not
about the money, but
rather the process of
managing money.

- Unknown

INTRODUCTION



Abbreviations used

- **SASA** = South African Schools Act of 1996
- **BELA** = Basic Education Law Amendment
- **PIE** = Public Interest Entity
- **SGB** = School Governing Body
- **DBE** = Department of Basic Education
- **SAICA** = South African Institute of Chartered Accountants
- **SAIBA** = South African Institute of Business Accountants

GUEST PRESENTATION

Enjoy today's detailed presentation by

**Lucky Ronald Menoe
&
David Machaba**

Guest Presenter

Lucky Ronald Menoe

Lucky Ronald Menoe is the managing director of Inkaba Human Capital Solutions.

He has worked in the social justice sector for over 20 years.

He has extensive experience in community development, capacity development, stakeholder, project, and events management, training and development.

He is an activist in the education sector advocating for access to quality education and has extensively worked with School Governing Bodies.

He will be discussing the following:

- Forensic audits (*root causes of what goes wrong, corruption, etc.*)
- Powers of SGBs
- Audit
- Conclusion

His presentation is available to you as a Source Document



Guest Presenter

David Machaba

Mr Mabetlwa Strike David Machaba is the Director of Machaba Accountants and Auditors.

He is multi-skilled in different fields. He has excellent academic achievements, including certificate in Pastoral Ordination, Computer, Diploma in Mechanical Engineering and Bcompt. Financial Accounting Science Degree and is also a member of different Accounting Bodies.

He has extensive public and private service managerial experience in project management, strategic planning, policy development, implementation in monitoring and evaluation for more than 20 years and also in the Labour movement for more than 5 years as a regional organizer.

He is currently a community activist and an education facilitator in Schools for school development plan and school financial management plan.

He will be discussing the following topics:

- His experience with schools, SGBs, problems that he's encountered
- Workshops, Challenges in public schools
- The need for Accountants to remedy the situation

His presentation is available to you as a Source Document





TO OUR GUEST PRESENTERS!

Functions of SGBs

The SGB at a school is responsible for things such as:

- the admissions policy,
- the code of conduct at the school,
- the disciplinary procedures of the school and
- exactly what religious practices will be followed at the school.
- The **management and the detailing of the school's finances** are also among the duties conducted by a school SGB along with
- making important decisions regarding the school's admissions and language policies as well as the support of the principal, teachers and other staff at the school which may include the recommendation of staff appointments.

Root causes

- Mismanagement through:
 - Misappropriation
 - Fraud
 - Pilfering of cash
 - Theft
 - Improper control of financial records
- Financial mismanagement
- Abuse of school funds
- Procurement irregularities

LEGAL FRAMEWORK

SASA

- The South African Schools Act of 1996 stipulates that schooling is compulsory for all South Africans from the age of seven, starting at grade 1, to the age of 15, or the completion of grade 9.
- The SASA governs the responsibilities of the SGB.
- This Act has been updated to Government Gazette 34620 dated 19 September, 2011
- Contents of the Act

➤ *Refer to Source Document available to you*

Section 42 of SASA

- 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.

Section 43 of SASA

1. 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 referred to in section 42.
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 for this purpose

Section 43 of SASA *(continued)*

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

Section 44 of SASA

- The **financial year** of a public school commences on the first day of January and ends on the last **day of December** of each year
- 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
- Section 43(5) states that 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**

Some grey areas...

- The impracticability of an audit
 - *Practitioners can only accept examination engagements where the public school has obtained the necessary approval from the MEC*
- Types of engagements that qualify as “examinations”
 - *An examination is not defined in SASA*
 - *Practitioners who are engaged to examine financial statements of public schools have the option of conducting a review engagement (conclusion reached) or an agreed-upon procedures engagement (factual findings report)*
 - *In most instances, the DBE requires that an opinion or conclusion be expressed*

Financial Reporting Framework

= Depends on the impact of the classification of the guidelines from the MEC

- **Special purpose** financial reporting framework
 - *requirements of **ISA 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks**, must be complied with*
- **Fair presentation** framework or compliance framework
 - ***SAAPS 2 (Revised 2018)** issued by the Independent Regulatory Board (IRBA) for Auditors provides further guidance on the impact of financial reporting frameworks on the auditor's report*

BELA

Makes amendments to SASA and the Employment of Educators Act of 1998

Changes include:

- The possibility of a prison sentence in cases where the parents of a learner, or any other person, prevents the learner who is subject to compulsory school attendance from attending school;
- It will influence teacher appointments;
- Subjugation and search of learners;
- Terms and criteria for SGB members will change;
- The head of department will have the final authority to admit learners to a public school;
- Schools will be expected to draft and submit a language policy for approval;
- New admissions guidelines;
- Possible prison sentence for not registering home-schooled children with the Department of Education and strictly teaching the requirements around what curriculum they may be taught.

PFMA

- Section 38 of the PFMA
 - *General responsibilities of the accounting officer*
- Section 40 of the PFMA
 - *Reporting responsibilities of the accounting officer*

Refer to the Circular M1 of 2019 (available to you as a Source Document)

CIRCULARS ISSUED

9 Circulars issued

Circulars are issued by the DBE to provide clarity on interpretation of certain issues, and are very important!

- The following Circulars have been issued:
 - Circulars M1, M2, M3, M4, M5 of 2017 (when to audit and when to examine by accounting officers)
 - Circular M1, M2 of 2018
 - Circular M1, M2 of 2019 (PFMA and Schools)

➤ *Refer to Webinar Material for more detail*

➤ *All 9 are available to you as Source Documents*

AUDIT Vs EXAMINATION

Which engagement?

- **Audit** should be conducted for public schools – high level of assurance required
- **Examination** can be conducted by a person who is suitably qualified to act as an Accounting Officer, and is a member of an appropriate professional body (as listed on the DBE website)
 - *ONLY where audit is impracticable,*
 - *AND exemption has been granted by the MEC*
 - *Refer to Webinar Material for more detail*

PROFESSIONALS ASSISTING SCHOOLS

Roleplayers

❑ Bookkeepers

❑ Accountants

- Compile the financial statements – *ISRS 4410 Compilations*

❑ Accounting Officers

- Examine the financial statements
- AUP engagement – *ISRS 4400 Agreed-Upon Procedures*

❑ Auditors

- Audit the financial statements – *ISAs, ISRE or ISAE*
- Independence issue = NB!!!

DBE GUIDELINE FOR

PREPARATION OF FINANCIAL STATEMENTS

Joint project with SAIICA

Issued by SAIICA in August 2019

- The purpose of these guidelines is to provide the requirements for the **accounting policies, form and minimum contents of the financial statements** of a public school.
- The guidelines also outlines the **fundamental principles**, concept and requirements that should be complied with when preparing the financial statements of a public schools.
- These Guidelines are **applicable to all public schools**.

➤ *Refer to Source Document available to you*

Contents of DBE Guide

- Chapter 1: Users, purpose, applicability and legal requirements 2**
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SAIBA Guide

Guide to Accounting Officer Reporting Engagements

Issued by SAIBA in 2017

- 98-page Member's Guide to Accounting Officer Reporting Engagements, which contains, inter alia, the following:
 - ✓ *Accounting officer reports for schools (page 37)*
 - ✓ *Appendix 1: SA Schools Act 84 of 1996 (page 77)*
- *Refer to Source Document available to you*

Source & Bonus Documents

The following Documents are available to you:

1. DBE Guidelines on Preparation of Public School Financial Statements
2. 9 Circulars issued by DBE
3. SA Schools Act (1996 & 2011)
4. Draft BELA Bill 2017
5. PFMA Act
6. ISRS 4400 AUP
7. ISRS 4410 Compilations
8. SAIBA Guide on Accounting Officer engagements
9. Modified Cash Standard 2021_2022
10. IRBA Definition of a PIE

Remember that these are uploaded to your profiles



In closing...

- Define the engagement: *compilation vs audit vs examination*
- SGBs should insist on letters from accounting bodies to confirm the registration of the auditors and accounting officers as the use of unqualified individuals and firms result in shady work being performed and the issuance of reports that are not in line with required standards
- Practitioners who are engaged to examine financial statements of public schools have the option of conducting a review engagement or an agreed-upon procedures engagement
- Use the DBE Guide when compiling AFS for public schools
- Use the SAIBA Guide when examining AFS as Acc Officer



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❑ MCLU subscription

- Stay up-to-date on all the latest developments in our field by attending the **Monthly Compliance & Legislation Update**
- Please refer to the [SAAA website](#) for subscription options



QUESTIONS





for your participation!