

# BASIC FINANCIAL SYSTEM FOR SCHOOLS



WESTERN CAPE  
Education Department

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Provincial Government of the Western Cape



## The Role of the Governing Body

### A1. OBJECTIVE

- To give effect to the legislative requirements of the South African Schools Act, 1996 (Act 84 of 1996) (SASA)
- To ensure that the governing body (GB) is aware of the roles it is expected to play, both legislatively and otherwise, with regard to the finances of the institution.

### A2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- PGWC Provincial Gazette 5156 of 11 July 1997 (PG 5156)
- PGWC Provincial Gazette 5161 of 8 August 1997 (PG 5161)
- The Education Laws Amendment Act, 2001 (Act 57 of 2001)
- The Employment of Educators Act, 1998 (Act 76 of 1998) (EEA)
- The South African Constitution, 1996 (Act 108 of 1996)
- The South African Schools Act, 1996 (Act 84 of 1996)
- The Personnel Administration Measures (PAM)
- The Public Service Act, 1994 (Act 103 of 1994)
- The Public Finance Management Act, 1999 (Act 1 of 1999)
- WCED Circular: 039 of 1999: School Fees Exemptions
- WCED Circular: 027 of 2001: Auditors appointed under Section 43(2) (b) of SASA
- WCED Circular: 205 of 2003: Annual Audited Financial Statements
- WCED Circular: 059 of 2005: Debt Collection on Behalf of Public Schools
- WCED BM Minute: 004 of 2004: Submission of Financial Reports and Applications
- WCED BM Minute: 002 of 2005: Standard Application Forms
- Education Laws Amendment Act: 024 of 2005



### A3. SCHOOL GOVERNANCE AND PROFESSIONAL MANAGEMENT

- **School Governance:** This means determining the policy and rules by which your institution is to be organised and controlled. It includes ensuring that such rules and policies are carried out effectively in terms of SASA and the budget of the institution. The GB is responsible for such governance in terms of Section 16(1) and the functions stipulated in Section 20 and 21 (if approved as a Section 21 school) of SASA and in terms of policies and prescriptions of the WCED.
- **Professional Management:** This refers to the day-to-day administration and

organisation of teaching and learning at the institution and the performance of the departmental responsibilities that are prescribed by all relevant legislation. In terms of Section 16(3) of SASA, the professional management of a public school is the responsibility of the principal as delegated by the Head of Department.

- With regard to the above, the role of the GB and principal where finances are concerned is illustrated in the table below. In terms of Section 15 of SASA, each school is a "juristic person", that is, a legal entity. The school can institute legal proceedings (e.g. against a parent who does not pay school fees) and it can be held legally liable (e.g. if a child is hurt as a result of negligence on the part of the school/a teacher). The overall responsibility for controlling school money and property, in terms of the SASA, lies with the GB.

<b>GOVERNING BODY</b>	<b>PRINCIPAL</b>
<ul style="list-style-type: none"> <li>❖ Start and administer a school fund (Section 37(1) of SASA)</li> <li>❖ Open and maintain one banking account (Section 37(3) of SASA)</li> <li>❖ Keep the financial records of the school (Section 42(a) of SASA)</li> <li>❖ Prepare an annual budget and submit to parents for approval (Section 38 of SASA)</li> <li>❖ Draw up and submit audited or examined annual financial statements to the WCED (Section 42(b) and 43(5) of SASA)</li> <li>❖ Buy textbooks, educational material or equipment for the school (Section 20 and 21 of SASA)</li> <li>❖ Supplement the funds supplied by the WCED to improve the quality of education in the school (Section 36 of SASA)</li> <li>❖ Ensure that school fees are collected according to decisions made by the GB (Section 39 – 41 of SASA)</li> <li>❖ Decide on applications for exemption from school fees</li> </ul>	<ul style="list-style-type: none"> <li>❖ Assist the GB with their functions in terms of SASA (Chapter A 4.2(e)(v) of PAM)</li> <li>❖ Support and guide expenditure in consultation with the GB (Chapter A 4.2(e)(i) and 4.3(e)(i) of PAM)</li> <li>❖ Assist the GB in keeping proper record of school accounts (Chapter A 4.2(e)(i) of PAM)</li> <li>❖ Administer the process of budgeting for costs and manage the budget (Chapter C 3.3 (1.21) of PAM) if delegated to him/her by the GB</li> <li>❖ Manage the drawing up and finalisation of the annual financial statements (Chapter A 4.2(e)(v) of PAM) if delegated to him/her by the GB</li> <li>❖ Advise on textbooks, educational material and equipment to be bought by the GB</li> <li>❖ Support the GB with their functions in terms of SASA (Chapter A 4.2(e)(v) of PAM)</li> <li>❖ Ensure controls are in place and operating for cash collection</li> <li>❖ Know the requirements of this manual</li> <li>❖ Monitor compliance</li> <li>❖ Act on any non-compliance detected</li> </ul>

#### **A4. ELECTION AND DUTIES OF TREASURER**

At its first meeting the GB must, from amongst its members, elect office-bearers, who must include at least a chairperson, a treasurer and a secretary (Section 29 of SASA and PAM 19 (2) of PG 5156/PG 5161). It is recommended that the treasurer serve as chairperson of the finance committee (see Establishment of Finance Committee). Note that the treasurer,

depending on the specific needs of the institution, should preferably be a parent member of the GB. Should this not be attainable, the treasurer should be a member of the GB. If the expertise does not exist on the GB, a person with financial expertise can be co-opted to assist with this role.

- Duties of Treasurer:
  - Oversee all financial matters of the school as directed by the GB which include the following:
    - Serve as member/chairperson of the finance committee
    - Advise the GB on financial matters (the GB can co-opt an expert on financial matters to serve on the GB in an advisory capacity – Section 23(6) of SASA and PAM 2(1) (g) of PG 5136).
    - Monitor on a monthly basis
      - ❖ that all funds received are deposited in the school account and that all payments were duly authorised;
      - ❖ all donations received, in cash or kind; and
      - ❖ all petty cash transactions, including the reconciliation of petty cash.
  - Provide a financial report to the GB on a quarterly basis
  - Monitor actual income and expenditure against the approved budget
  - The treasurer should not be the person responsible for handling money matters on a daily basis. This is the responsibility of the finance officer appointed by the GB (refer to A6).

## **A5. ESTABLISHMENT OF FINANCE COMMITTEE**

In terms of Sect 30 of SASA, the GB may establish committees such as an executive committee, finance committee, a committee for fundraising, etc., depending on the needs of the school.

- The finance committee may be composed as follows:
  - Treasurer (Chairperson – who must be a member of the GB);
  - Principal;
  - Educators;
  - Parents; and
  - Co-opted members.
- The possible duties of the finance committee will be the following:
  - Support the treasurer in administering his duties;
  - Draw up the budget each year;
  - Advise on fundraising;
  - Advise on ways to invest surplus money;
  - Advise the GB on amount of school fees to be charged;
  - Advise the GB on exemptions from school fees;
  - Assist the financial officer in drawing up annual financial statements; and
  - Suggest who should be appointed as auditor.



**The Finance Committee may not take final decisions on any financial aspect. This is the sole prerogative of the GB.**

## **A6. APPOINTMENTS BY GB**

The following appointments should be made by the GB:

### **• Finance Officer**

- The GB could delegate the function of administering financial matters to a person who will be able to do the job on a day-to-day basis. The principal and the treasurer may be too busy to attend to the money affairs on a daily basis. We recommend the appointment of a finance officer.
- The finance officer may be an administrator (non-educator at the school) or an educator (teacher) or a parent or a co-opted member on the GB. The finance officer records all financial transactions and keeps the principal, the treasurer, and the finance committee fully informed of financial matters. This delegation of responsibility to the finance officer should be made in writing and should clearly indicate his/her duties and these duties should be reviewed on a regular basis.
- Examples of duties of the Finance Officer:
  - Receipting of income (refer to Chapter D);
  - Maintaining the cash book of the school (refer to Chapter K);
  - Doing the monthly bank reconciliation statement (refer to Chapter K);
  - Ensuring the completion of monthly and quarterly reports (refer to A8);
  - Monitoring the budget against actual income and expenses (refer to Chapter B);
  - Maintaining the various registers (refer to Chapter M);
  - Compiling the annual financial statements (refer to Chapter I); and
  - Any other delegated and other related tasks required by the Finance Committee.

### **• Other financial delegates**

- There may be other delegated (written) tasks. The segregation of duties in assigning these tasks is of the utmost importance.
  - The person(s) who handle(s) all income and issues receipts;
  - Petty Cash Officer;
  - Inventory Controllers);
  - Person(s) responsible for maintaining the asset registers);
  - Procurement official(s);
  - Person(s) issuing receipt books and controlling receipt books;
  - Tuck shop coordinators);
  - Tour co-ordinator(s); and
  - Person(s) who manage(s) the keys of the safe in which the cash and financial records are housed, where it is not only the school principal, e.g. FINCOM committee members



**These tasks must be delegated in writing. Duties should be clearly spelt out and reviewed on a regular basis!**

#### **A7. An Auditor or person to examine and report on financial documents**

In terms of Sect 43(1) of SASA, the GB must appoint a person registered as an accountant and auditor in terms of the Public Accountants' and Auditors' Act, 1991 (Act 80/1991) – CA (SA).

If this is not practical, it must appoint a person who is qualified to act as an accounting officer of Close Corporations (Sect 43(2) (a) of SASA). The list of organisations with which accounting officers can be associated is as follows:

- Institute of Administration and Commerce of South Africa (IAC)
- The Chartered Association of Certified Accountants (CACA)
- The Chartered Institute of Management Accountants (CIMA)
- The Institute of Commercial and Financial Accountants of South Africa (CFA(SA))
- The South African Institute for Business Accountants (SAIBA)
- The South African Institute of Chartered Accountants (SAICA)
- The South African Institute of Chartered Secretaries and Administrators (CIS)

If this is not practical, the governing body must appoint a competent person, but the approval of the Member of the Executive Council (MEC) is needed for such an appointment (Section 43(2) (b) of SASA) (Refer to Chapter I). An application form (Annexure AA) must be filled in and be sent, together with the applicable information, directly to the relevant EMDC.

We recommend that the auditor should not do the bookkeeping of the school, other than the year-end journals and adjustments.

#### **A8. FINANCIAL REPORTING**

In terms of Section 43(5) of SASA, the GB must submit to the WCED, by 30 June of each year, a copy of the annual audited financial statements of the school. Note the school's financial year, for all purposes, is 1 January to 31 December.

- In terms of Treasury Regulation 8.4 of the regulations promulgated in terms of the Public Finance Management Act (PFMA), all institutions must submit a quarterly Income and Expenditure Report (WCED 043) to their relevant EMDC every quarter. The WCED 043 [Annexure AB] report must be submitted to the EMDC within 30 days after the end of each quarter. The GB Chairperson and GB treasurer must sign the WCED 043.
- The treasurer must submit a report of the financial activities of the institution to the GB at their quarterly meeting.
- The WCED may request other financial data from the institution, subject to the policy stipulations made from time to time.

## **A9. DRAWING UP A FINANCIAL POLICY**

Each GB should draw up a financial policy. This document should indicate clearly what the procedures and rules are for handling money in the school. It should provide a clear understanding of the responsibilities of the treasurer, the finance officer, the principal, and other persons to whom specific tasks are delegated. The tasks delegated to certain people by the GB must be clearly stipulated in writing. An example of a finance policy appears at Annexure AC.

## **A10. EXEMPTION FROM SCHOOL FEES**

The GB is legally responsible for drawing up a draft budget. The budget only becomes binding once the majority of parents voting at a General Meeting of Parents have approved it. The parents at the meeting must approve the decision on the amount of school fees for the next year.

It is not compulsory to pay school fees, but once a majority of parents present at the meeting have voted to charge school fees, and agreed on the amount, then paying school fees is compulsory by parents of all learners at the school (Section 41 of SASA).

Parents who *cannot afford* to pay school fees can apply to the GB for exemption from paying school fees and these applications must be dealt with in accordance with Circular 34 of 1999, in which the Exemption of Parents from the Payment of School Fees Regulations, 1998, is stipulated. Note - WCED Circular 34 of 1999 is currently under review.

It is recommended that the school establish a School Fee Committee to help and advise the GB on matters relating to school fees. It is important to choose people who are highly responsible and respected in the school community, who will abide by strict confidentiality.

## **A11. ESTABLISHMENT OF A SCHOOL FEE COMMITTEE**

The GB should establish a School Fee Committee comprising of no more than three persons. The chairperson of this committee must be a member of the GB.

### **• Duties of the School Fee Committee**

- Compile a written School Fee Policy that must be made available when a learner is first admitted to the school or on request at a later date
- Inform all parents of the school in writing of the amount of school fees to be paid, the terms of payment and the parent's right to apply for exemption from school fees
- Follow up on outstanding school fees with parents
- Facilitate applications for exemptions (hold special meetings to consider each application and inform parents of the outcome)
- Assist the Head of the Department if appeals are lodged against the GB's decision for exemption



## SOME POINTERS WHEN DETERMINING AND COLLECTING SCHOOL FEES

Do's	Don'ts
<ul style="list-style-type: none"> <li>❖ Set a specific amount</li> <li>❖ Set equitable criteria and procedures for the total, partial or conditional exemption from the payment of school fees</li> <li>❖ GBs can, by process of law, enforce the payment of school fees by parents who are liable to pay</li> <li>❖ Establish a School Fee Committee to help advise the GB on matters relating to school fees</li> <li>❖ Compile a school fee policy which must be made available when a learner is first admitted to the school or on request at a later stage</li> <li>❖ Only make use of institutions and persons registered with the Council for Debt Collectors (<a href="http://www.debtcol-council.co.za/">www.debtcol-council.co.za/</a> Tel:</li> </ul>	<ul style="list-style-type: none"> <li>❖ No public school may charge any registration, administration or other fee except school fees</li> <li>❖ A public school may not charge a parent of a learner different school fees based on curriculum or extra-mural curriculum within the same grade</li> <li>❖ A public school may not suspend learners from classes, cultural, sporting, social or other events or programmes due to the non-payment of school fees by their parents</li> <li>❖ A public school may not subject learners to verbal and non-verbal abuse due to the non-payment of school fees by their parents</li> <li>❖ A public school may not deny a school report or transfer certificate</li> <li>❖ A public school may not attach the dwelling in which a parent resides in order to recover school fees</li> </ul>

### A12. NON-MONETARY CONTRIBUTION FOR SCHOOL FEES

In terms of the amendment of Section 1 (c) of the South African Schools Act, 1996 (Act 84 of 1996)

“ ***School fees***’ means *school fees* contemplated in Section 39 and includes any form of contribution, of a monetary or a non-monetary nature, made or paid by a person or body in relation to the attendance or participation of a *learner* of or in any programme of a *public school*;

- Non-monetary items include items in kind (e.g. tables, grass, paint, etc.) and also services rendered towards the school (e.g. painting, cutting grass, etc).

- The school can decide what value to place to the specific item.
- The school can contact the Donation Tax Department at (021) 417 1491 for any information regarding the value to be added to a specific item in kind.

### **A13. APPLICATION FOR SECTION 21 STATUS**

Applications to change from Non-Section 21 status to Section 21 status must be submitted before 31 January of a particular year on the application form which appears at Annexure AD.

Successful schools will only receive Section 21 status from the following financial year, e.g. if an application is submitted before 31 January 2006 status will be given with effect from 1 April 2006.

Schools that apply for Section 21 status must ensure that

- they have and maintain a favourable bank balance;
- their audited annual financial statements, WCED 043 forms and budget are submitted on time;
- they have an approved budget that balances and is managed throughout the year; and
- their current municipal account is not in arrears.

### **A14. APPLICATION TO REVERT BACK TO NON-SECTION 21 STATUS**

- If a school should find that it cannot manage the Section 21 status given to it, it should submit a request to revert to non-Section 21 status to the relevant EMDC with a full motivation and necessary proof that they cannot manage the Section 21 functions.

## Budgeting

# B

### B1. OBJECTIVE

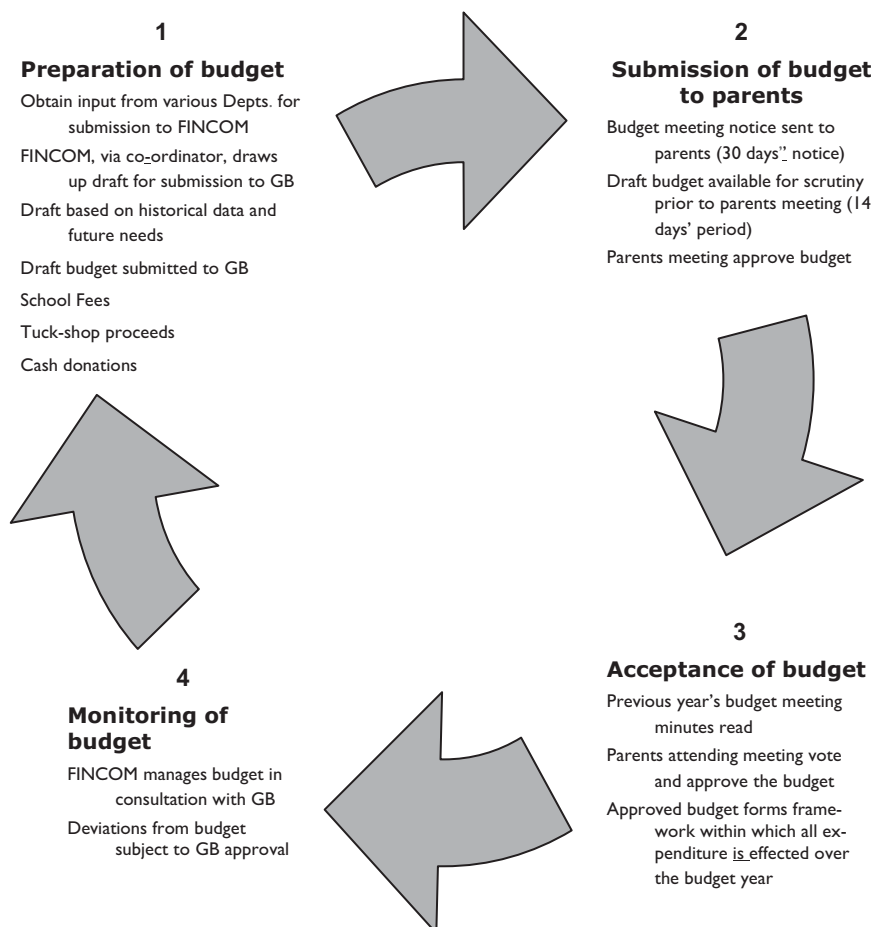
- To give effect to the legislative requirements of the South African Schools Act, 1996, (Act 84 of 1996)
- To ensure that the institution is aware of the processes to be followed when drawing up a budget

### B2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- The South African Schools Act, 1996 (Act 84 of 1996), Section 38
- PGWC Provincial Gazette 6103/2004
- WCED Circular: 008 of 2004: Budget Prescriptions for Public Schools
- WCED Circular: 039 of 2004: The Payment of Additional Remuneration



### B3. DIAGRAMMATIC REPRESENTATION OF BUDGETARY PROCESS



#### **B4. BENEFITS OF BUDGETING**

- A budget serves as a control measure to monitor current expenditure against projections.
- A budget can help you meet savings goals.
- Realistic budgets improve cash flows.
- A budget can help the entire staff focus on common goals.
- Contingencies can be built into the budget to prevent unexpected expenses.
- Regular budget monitoring reveals areas of over or under-expenditure.

#### **B5. BUDGETING PROCEDURE – PHASE 1- DRAFTING OF THE BUDGET**

- The school's development and strategic plan must be used as the basis for the budget.
- The appointment of a person who must co-ordinate the preparation of the budget from the inputs of the different departments must be minuted at a governing body meeting.
- The budget [Annexure BA] must show the following:
  - The institution's budget must balance, i.e. total income must equal total expenditure;
    - Cannot budget for a surplus or a deficit for e.g. carrying last year's surplus over to the budget;
  - The actual income and expenditure of the previous financial year;
  - Projected income and expenditure for the full current financial year;
  - Estimated income and expenditure for the following year (the budget year);
  - Percentage variance (%) between the actual expenses of the previous year and the projected expenses for the current year for each line item; and
  - Percentage variance (%) between the projected expenses for the current year and the budgeted expenses for each line item.
- The following items must be included as income and expenses:
  - School fees
  - Gross school fees
  - Exemptions in respect of school fees
  - Bad debt in respect of school fees
- Other income (non-N&S transfer payments from WCED)
  - State allocation for Safe Schools (if any)
  - State allocation for Norms and Standards (all schools)
  - State allocation for unscheduled maintenance
  - State allocation for municipal services
  - State allocation for other expenses
- Other expenses
  - Municipal services
  - Textbooks
  - Maintenance
  - Personnel expenditure: e.g. governing body appointments (Indicate number of appointments)
  - Capital expenditure, e.g. equipment, building extensions

- Telephone (internet)
- Schedules, with details of current figures in respect of the following items:
  - Capital expenditure
  - Investments
  - Other assets
  - Liabilities
  - Trusts – refer to Section 38 of SASA
- A separate budget for hostel income and expenses must be drafted in the same manner as the school’s budget.

## **B6. BUDGETING PROCEDURE – PHASE 2 - APPROVAL BY GB**

- Approval by the school governing body
  - The treasurer of the school governing body must evaluate the budget for completeness and accuracy and sign it as indication of approval.
  - The budget, together with the supporting documents and schedules, must be presented and explained to the governing body by the treasurer.
  - The school governing body must consider the budget and minute the adoption thereof before presenting it at the general meeting of parents for their approval.
  - A general meeting must be convened with parents for the presentation and approval of the budget.
- The general meeting of parents to approve the budget
  - A notice and agenda must be sent to the parents at least 30 days before the meeting, detailing the particulars and purpose of the meeting to be held.
  - The notice must contain the following:
    - Notification that the budget will be available for inspection at the school at least 14 days prior to the meeting;
    - A schedule for current and proposed school fees;
    - Notification that the criteria and procedures to be followed for fee exemptions may be obtained from the school;
    - An invitation, which contains the agenda of the meeting and invites parents to attend the meeting; and
    - An explanation that a resolution will be proposed at the meeting, to be approved by the majority of parents present and voting, to approve the budget and the proposed school fees, and that this decision will be binding on all parents.
- The Budget meeting: Requirements
  - An attendance register must be kept [Annexure BB].
  - The minutes of the previous parent budget meeting must be read.
  - The proceedings and the decisions taken at the meeting must be minuted.
  - The detailed budget, as described above, must be presented to the parents, e.g. PowerPoint presentation or overhead projector.
  - Approval of the budget requires that the majority of parents present vote in favour of the budget.

- The following must be voted on individually:
  - The amount of the fees to be charged per phase, e.g. Grade R, Foundation Phase, Intermediate Phase, Senior Phase or GETC or FETC; and
  - Equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay school fees, e.g. the exemption table should be reviewed annually, based on the new school fees structure proposed.

## **B7. BUDGETING PROCEDURE – PHASE 3 - SUBMISSION TO MEETING OF PARENTS**

- Approval of the budget
  - Should the majority of parents not adopt the budget, the adjustments as proposed by the majority of parents present and voting, must be implemented by the school governing body.
  - The school governing body must ratify the budget as approved by the parents. The principal, treasurer and chairperson of the governing body must sign the budget.
- Implementation of the budget
  - The governing body must ensure that full details regarding the school fees for the New Financial Year, with a notification that the criteria and procedures for exemption are available at the school, are published in the next parent newsletter.
  - A copy of the signed budget and minutes of the parents' budget meeting must be submitted to the relevant EMDC Director by no later than 1 December of each year.

## **B8. BUDGETING PROCEDURE – PHASE 4 – MONITORING OF BUDGET**

The FINCOM manages the budget in consultation with the GB.

Deviations from the approved budget are subject to GB approval.

## **B9. PROHIBITION OF PAYMENT OF UNAUTHORIZED REMUNERATION OR GIVING OF FINANCIAL BENEFITS OR BENEFIT IN KIND TO CERTAIN EMPLOYEES**

Governing bodies may not remunerate any state employees attached to the institution without adhering to the protocols listed in Circular 39 of 2004 and Section 38a, as quoted below, of the South African Schools Act, 1996 (Act 84 of 1996).

- “(1) Subject to subsection (2), a 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
- (a) remuneration;
  - (b) other financial benefit; or
  - (c) benefit in kind.
- (2) A governing body may apply to the employer for approval to pay a state

- employee any payment contemplated in subsection (1).
- (3) Such application must be lodged in writing in the office of the employer and must state—
    - (a) full details of the nature and extent of the payment;
    - (b) the process and resources that will be used to compensate or remunerate the state employee; and
    - (c) the extent of compliance with Section 20(5) to (9).
  - (4) The governing body must make the application contemplated in subsection (2) at least four months prior to the finalisation of the school's budget.
  - (5) Despite subsection (1), a governing body may pay travel and subsistence expenses relating to official school activities, but such expenses may not be greater than those that would be payable to a public servant in similar circumstances.
  - (6) An employer must not unreasonably refuse an application contemplated in subsection (2).
  - (7) In considering the application, the employer must take into account—
    - (a) the implications for the employer in terms of the employment contract and labour law;
    - (b) whether the service concerned in the application will interfere with the normal service delivery of the employee;
    - (c) whether the service concerned in the application has already been paid for by the employer; and
    - (d) whether the additional remuneration, other benefits or benefits in kind support the core activities and functions of the school.
  - (8) **The payment contemplated in subsection (1) must be reflected in the school's budget, as presented to the general meeting of parents as contemplated in Section 38(2).**
  - (9) If a governing body pays remuneration or gives any financial benefit or benefit in kind contemplated in subsection (1) to an employee without prior approval of the employer, the amount of money paid or benefit given must be recovered by the employer on behalf of the school from members of the governing body who took that decision, excluding a member of the governing body who is a minor.
  - (10) A governing body may appeal to the Member of the Executive Council against—
    - (a) the refusal by the employer of an application contemplated in subsection (2); or
    - (b) the failure of the employer to provide a decision on an application contemplated in subsection (2) within three months after the lodging of the application in the office of the employer".



**Should the WCED approve additional fringe benefits, no direct payments should be made on behalf of staff receiving fringe benefits to third parties, e.g. life insurance policies taken out in the name of an educator, and paid by the school directly to the Life Insurance Company. Such fringe benefits must be added to the salary of the affected person and declared for tax purposes.**



## Opening of bank account(s)

### Bank deposits

### Credit facilities, Banking instruments and Investments

#### C1. OBJECTIVE

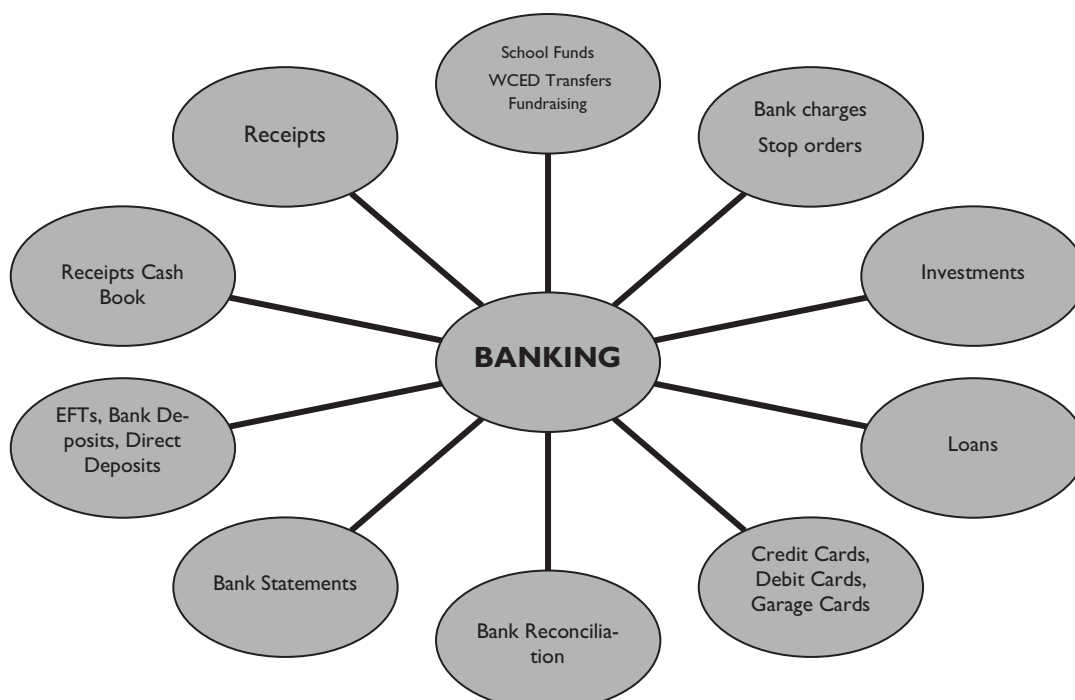
- To give effect to the legislative requirements of the South African Schools Act, 1996 (Act 84 of 1996), as amended
- To ensure that all income and expenses are channelled via an approved bank account
- To ensure all deposits are properly classified and recorded
- To explain the process of accessing banking services, e.g. credit facilities, investments and other banking instruments

#### C2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- Financial Intelligence Centre Act, 2001 (Act 38 of 2001)
- The South African Schools Act, 1996 (Act 84 of 1996), Sections 36 and 37
- WCED Circular: 078 of 2002: Amendments to SASA
- WCED Circular: 030 of 2005: The Issuing of Official Receipts
- WCED BM Minute: 004 of 2004: Submission of Financial Reports and Applications
- WCED BM Minute: 002 of 2005: Standard Application Forms



#### C3. DIAGRAMMATIC REPRESENTATION OF ELEMENTS IN THE BANKING PROCESS





#### **C4. FACTORS TO BE CONSIDERED BEFORE OPENING OR CHANGING A BANK ACCOUNT**

- The banking institution must be a registered bank within the Republic of South Africa.
- The School can only open one bank account. Any additional accounts may only be opened subject to formal approval from the Member of the Executive Council (MEC) for Education. Application form (Annexure CA) must be filled in, together with the applicable information, and be sent directly to the relevant EMDC.
- The bank account (cheque/current account recommended) must be opened in the name of the school.
- The banking institution chosen must be decided on in a formal school Governing body meeting.
- The proximity of the banking institution to the school must be taken into account.
- The bank charges charged by the prospective institution to operate the account must also be taken into consideration.
- All schools can receive better rates as they have Public Benefit Organisation (PBO) status.
- Where accounts are shifted from one bank to another, the GB must formally approve the shift, bearing in mind the costs and related bank charges.



**Current/cheque accounts opened must be without an e-card facility that allows withdrawals from ATMs. Where the banking institution issues an e-card, this facility must be cancelled.**

#### **C5. SIGNATORIES**

Once the GB has made the decision to open a bank account, the signatories approved by the GB must formally approach the banking institution chosen and complete the required mandates. Note that the GB constitution must be forwarded as part of the application to the relevant banking institution.

The minutes of the GB meeting approving the authorised signatories must be attached to the application to the financial institution.

A minimum of three signatories should be put in place, with the instruction that any two of the approved signatories may sign cheques. It is recommended that one of the signatories must be a management member (SMT) of the school, preferably the principal.

#### **C6. DEPOSITING OF INCOME**

- In terms of the South African Schools Act, a school must operate a banking account. (Preferably a cheque/current account)
- All money received by the institution must be paid into this account.
- Income can be deposited in a number of ways:
  - Via direct bank deposits, e.g. school fees paid directly into the school's account by a parent (recommended);

- Via debit orders (Automated Clearing Bureau);
  - Via stop orders (recommended);
  - Via electronic fund transfers, e.g. WCED allocations;
  - Via an Automated Teller Machine (ATM) [this practice is not recommended because of the inherent security risk and the time delay before the deposited funds become available]; or
  - Via over-the-counter deposits (recommended).
- All income must be banked on a daily basis into the school's account. If this is not possible, the school must get written approval from the EMDC concerned for other arrangements.

## C7. COMPLETION OF THE DEPOSIT SLIP

- It is important that the deposit slip(s) is/are correctly completed when depositing income.
- With specific reference to the duplicate deposit slip as contained in the pre-printed deposit book provided by the banking institution, the flip-side of the duplicate deposit slip must contain the following referencing:
  - A breakdown of the nature of the income deposited with the respective amounts
  - The receipt series from which the deposited income was sourced

### An example of the flip-side of a duplicate deposit slip

<b>Receipt Nrs / Kwitansie Nos:</b> ** – **	<b>Date / Datum:</b>
<b>Deposit Reference Nrs / Deposito Verwysings Nos:</b>	
<b>Amount Deposited / Bedrag Gedeponeer:</b> R	
<b>Breakdown of Deposits:</b> Receipts / Kwitansies ** – **: School fees / Skoolfooie: R	
<b>Verdeling van Deposito's:</b> Receipts / Kwitansies ** – **: Donations / Donasies: R	
Receipts / Kwitansies ** - **: Fundraising / Fondsinsameling: R	

## C8. SAFETY AND CONTROL MEASURES W.R.T. DEPOSITING

- Management must ensure that all possible risks surrounding banking are minimised by putting control measures in place.
- The person making the deposit should verify the deposit and sign the deposit slip.
- Do not establish a fixed banking procedure pattern, e.g. banking at the same time each day, or the same day in the week.
- 
- Ensure segregation of duties when compiling the deposit, i.e. the person compiling the deposit should not be verifying the correctness thereof.

## **C9. PROCESS TO BE FOLLOWED WHEN APPLYING FOR CREDIT FACILITIES, E.G. OVERDRAFTS, ASSET FINANCE LOANS, CREDIT CARDS, GARAGE CARDS**

- The governing body must formally decide, in a constituted meeting, to make such an application, taking into consideration the effect that such an application can have on the cash flow position of the school, and the term of office of the GB.
- The Western Cape Education Department, via the School Based Management Unit of the relevant EMDC, must receive the following documentation:
  - Application forms to be used for Overdrafts (Annexure CB) and Loans (Annexure CC);
  - The governing body minute approving the application;
  - A copy of the letter sent to the general parent body outlining the intended application, as well as its purpose and the implications for the institution;
  - A motivation outlining the reason(s) for the application;
  - The audited financial statements of the institution of the most recent year preceding the application;
  - The current year's school budget, as approved by parents, as well as an indication of the implications to the school fees per learner;
  - A detailed, projected cash flow statement for the duration of the credit agreement's repayment schedule; and
  - An indication from the financial institution with which the application will be placed, of the interest rate attached to servicing the loan/ credit instrument, the term of the loan and the monthly repayments.
- Once the EMDC has received and reviewed the various documents mentioned above, a recommendation will be made by the local EMDC's Deputy Director: Administration, to the Director: Budget Management, at the WCED Head Office, whether or not to grant the institution permission to make application for credit facilities to the banking institution or third parties.
- The Director: Budget Management will in turn provide the school with a letter indicating whether approval has been granted to access the facility.
- This letter must be supplied to the financial institution.



**The letter provided by the Director: Budget Management does not constitute a form of guarantee, surety or any other form of financial security in the event of the school being unable to comply with its financial commitments to the bank or third parties.**

## **C10. BANKING INSTRUMENTS**

In an attempt to improve service delivery and access to banking services, many banking institutions is providing clients access to the following services:

- Telephone banking
- Internet banking
- Debit cards or ATM cards (Not recommended)

It is important that the school governing body approve the application for access to the above-mentioned instruments.

It is necessary to ensure that strict control measures are put in place, or are in place, before considering an application for access to the above-mentioned instruments. Examples of these control measures are the following:

- No cash may be withdrawn via an ATM or at speed points (in the case of debit cards).
- Only certain persons must be authorised to access the school's account.
- Institute the authorised funds level that can be accessed per day (minimum and maximum thresholds).
- Determine which authorised transactions can be effected.
- Institute multiple levels of access before any transactions can be effected (in the case of Internet banking), i.e. more than one password requirement to access the facility.
- Request transactional notification via telephone or e-mail whenever a transaction is effected.
- Implement a clearly defined reporting procedure for the person(s) authorised to use the facility. This procedure should be captured in the financial policy of the school.
- The financial officer, bursar or school governing body treasurer must monitor the use of the facility on an on-going basis.
- Put lost card protection insurance in place where a credit card, garage card or e-banking card is obtained.
- E-cards should be stored in the school's safe when not in use.

## **C11. INVESTMENTS**

Schools are afforded the opportunity to invest surplus funds in various investment vehicles operated by financial institutions.

As with the opening of additional bank accounts, approval needs to be obtained from the Member of the Executive Council (MEC) before surplus funds can be invested. (Section 37 of SASA)

This application for approval is done via the School Based Management Unit of the relevant EMDC. The application process involves the submission of the following documentation:

- A Certificate of Sound Financial Management for the current year
- A copy of the latest bank statement of the school's current account
- Details of all existing investments (if applicable)
- The nature of the investment, e.g., 32-day notice deposit
- The reasons for the need for an investment account to be opened
- A copy of the minutes of the school governing body meeting where the application was sanctioned

**The Western Cape Education Department strongly discourages applications for**



## **investing school funds in speculative and high-risk investments, e.g. shares, hedge funds, and certain types of unit trusts.**

- It is imperative that the investment account is held in the name of the school and is linked to the main school account if held at the same institution. All transfers into or out of the investment fund must be channelled via the main account of the school. Where the investment is held at another bank, transfers into or out of the investment account must be done via cheque or e-transfer, using the school's main account.
- The investment period may not exceed 12 months but may be renewable annually.
- No payments may be effected from the investment account.
- Investment accounts may not be held off shore (outside of the Republic of South Africa). Should such accounts already exist, mechanisms must be put in place to ensure their closure as soon as the investment/s reaches its maturity date.
- Once an application for the investment of school funds has been approved, the approval is valid for as long as the conditions under which the original approval was granted are not compromised.
- Be aware that the school may not, in terms of WCED Circular 78 of 2002, establish a Trust Fund with money from school funds.

## **C12. CONTROL MEASURES FOR EFFECTIVE BANKING**

### **C12.1 CHEQUES**

- How to write out a cheque
  - Use a non-erasable ballpoint pen and write clearly;
  - Use the full names of the payee, spelling them correctly;
  - Don't leave spaces between words. Draw a line through unused space;
  - Write the amount of the cheque immediately after "The sum of ";
  - Write the amount in figures as close to the "R" as possible;
  - Do not make any alterations to the cheque (not permissible);
  - Remember to fill in the date correctly; and
  - Remember to sign the cheque.
- Your responsibilities
  - Keep your cheque books, cancelled cheques and statements in a safe place;
  - Never sign a blank cheque;
  - Report lost stolen or missing cheques to your bank IMMEDIATELY to effect stop payments against the affected cheque series;
  - Make sure that your bank has up-to-date signatures of everyone who is entitled to sign cheques on the school's account;
  - Check your statements every month and do a proper reconciliation; and
  - Wherever possible, only delegated person/s should collect your new chequebooks.

There are number of ways of making a cheque payable, each has different benefits and protection if the cheque is lost or stolen.

- Cheques made out to a person or company
  - If a cheque is made out to a person or company, the words "Or Bearer" mean literally, the person holding the cheque. Anyone can present it at the branch and expect to be paid. The branch has no responsibility to ensure that the holder of the cheque is the same as the name of the cheque. Should the cheque be stolen, any person can present the cheque for payment
  - A cheque made out to a person or company with the words "Or Bearer" crossed out is safer. The branch may ask the person presenting the cheque for identification to prove that he/she is the person to whom the cheque is made out.
- How and when to cross a cheque
  - A cheque is crossed with two parallel lines and the words "not transferable" written between them. These words can be pre-printed by the bank or stamped onto the cheque with a pre-printed stamp.
  - A crossed cheque cannot be cashed over the counter, and must be deposited into a bank account. The crossing cannot be cancelled either.



**Cheques crossed "not transferable" must be paid into the account of the person or company whose exact name appears on the cheque and may not be transferred to another person.**

- Take extreme care when posting cheques
  - Make sure that cheques sent through the mail are always crossed, made payable to a specific person and clearly marked "not transferable".
  - If you must post a cheque (which is not advisable), then you should send it by registered mail and send it in plenty of time to allow for delivery delays.
  - Do not use staples or paperclips to attach the cheque to a letter – it is a good way of telling a thief there's a possibility of a cheque inside the envelope. Use good quality envelopes which are not transparent and which cannot be opened without tearing.
- Give yourself as much protection as possible when accepting payments by cheque. Make sure that
  - it isn't post-dated;
  - it hasn't been altered;
  - it is signed;
  - there are no dirty marks on the cheque;
  - the same pen has been used throughout;
  - the writing is the same for all parts of the cheque; and
  - that the cheque is not stale (older than 6 months).

## C12.2 CREDIT CARDS

- Advantages of a credit card
  - It is accepted at most merchants;
  - It can be used to pay for large and small purchases with both revolving credit and budget facilities;
  - It provides up to 55 days interest-free credit; and
  - There are no interest charges if account is paid in full.
  
- Security
  - Always sign your credit card on the back as soon as you receive it. Use a ballpoint pen;
  - Keep your card and your pin separate;
  - When using your card try not to let it out of your sight;
  - Take care of your card. Should the card be lost or misplaced, cancel it immediately;
  - Remember you may be held responsible for fraudulent transactions if you are negligent or do not report your card lost or stolen. Negotiate insurance cover with the bank to cover this eventuality;
  - You are not liable for transactions that take place after you report the loss of your card, so keep your reference number;
  - Keep your copy of transaction slips and check them against your statement; and
  - Query any unauthorised debits as soon as possible.
  
- Your rights
  - Under normal circumstances your account will be credited with disputed amounts within 24 hours.
  - You have the right to be present when a merchant swipes your card through a speed point. The speed point terminals produced by the big banks are clearly marked and produce sales vouchers. (Fraudsters can use small hand-held card reading devices to capture the electronic data encoded on your card. They can later use this information to produce a counterfeit card.)
  - You will not be held liable for any transaction processed on your card after you have cancelled it.

### **C12.3 INTERNET BANKING**

Internet banking is one of the safest and most convenient ways of doing your banking in private and at times that best suite you. However, as with ATMs, you should always remember to follow measures to protect your safety.

- Advantages of Internet Banking
  - It is very convenient. You can do your banking 24 hours a day, 7 days a week in the safety of your home office;
  - You can see right away whether transactions are successful; and
  - You can make payments immediately online without filling in forms or waiting in a queue.
  
- Security
  - Your online password is digitally encrypted. It is extremely difficult to intercept and decipher.



- Protect your password. Never write it down. Keep it in your head.
- Never share a password. If another person needs to access your accounts, contact your branch for a more secure and appropriate solution.
- If you ever feel that your password has been compromised, immediately change it online or call your bank to report it.
- Use a difficult-to-guess password, and change it occasionally.
- Check the security certificate of the site you are on. Ensure that the Web address of the site is the same as that which you requested.
- Remember to log off after doing your banking. Never leave your PC on with your password entered.
- Internet banking in public access areas, such as Internet cafes, is potentially hazardous and should be avoided if possible. Do not store your password or other personal details in the browser (or any other program). Do not click in the "yes" box if the browser gives you this option.
- If you use a dial-up modem to access the Internet, install a freely-available personal firewall on your PC. Ask your service provider for more information on how to do this,
- Ensure that you have an up-to-date version of a good anti-virus package.
- Never open attachments you are uncertain about.

#### **C12.4 DEBIT ORDERS**

The debit order system in South Africa is safely used by millions of bank customers every month. However, from time to time, a few unscrupulous companies and individuals abuse the system by making unauthorised debits.

- How debit orders work
  - A debit order is a contract between you and a supplier, giving them the right to withdraw funds from your account in return for goods or service;
  - A supplier applies to the bank for permission to debit the accounts of its customers and, after checking the supplier's credentials; the bank allows debit orders to take place; and
  - Although the bank processes the transactions, it does not have access to the details of the contract, which is between you and the supplier.
- Advantages of debit orders
  - It is a convenient method to pay regular accounts such as armed response, hygiene services and insurance premiums;
  - The amount is deducted on the day you specify;
  - All debits are listed on your monthly statement and there are no cheques to reconcile; and
  - You do not have to pay postage or worry about lost mail.
- Your responsibilities and rights
  - Only sign a debit order if you are sure the company is trustworthy.
  - Check your bank statement every month to ensure the correct amount is being debited on the correct day.



- If you believe you have been wrongly debited (i.e. without your authority or for the wrong amount) contact the Supplier Company to query the debit order.
- If you still feel you have been wrongly debited you can, within 40 days, sign a dispute form at your branch and instruct them to reverse the debit.
- If you dispute the debit order after 40 days, you must still sign a dispute form and the branch will take up the query on your behalf and ask the supplier to produce the contract you signed to prove the supplier has the right to debit your account.
- If no proper authority can be shown, the transaction must be cancelled and the funds returned to your account. If the authority can be shown, the transaction stands.
- Be very sure you are in the right; otherwise you could be in breach of your contract with the supplier. The bank may also charge you an administration fee.

### **C13. FRAUD**

While not all strictly bank-related, there are a number of other ways you can be tricked out your money or goods through fraud, scams and other means. By understanding how these work you can reduce the chances of becoming another victim of crime.

- Dye-stained money
  - Never accept payment or change in bank notes, which are stained with ink or dye.
  - They are almost always the proceeds of crime, and the banks will not accept these notes for deposit.
  
- Accepting payment for goods and services
 

A frequent form of fraud is when goods you are selling are paid for by cheque or bank deposit:

  - You should wait for the funds to be cleared before releasing goods. Check with your branch first. There are certain circumstances when bank-issued cheques will not be honoured and if you release goods in return for one of these cheques, you could be out of pocket;
  - You can ask for a special clearance to speed things up. There is a fee attached to this service; and
  - Don't accept a faxed bank deposit slip as proof of payment. Figures and details can easily be changed to reflect a higher value or that it is a cash deposit. Check with your bank first that the correct amount has been deposited, that the correct amount has been deposited and whether the deposit is cash or cheque.
  
- Paying deposits to contractors
  - Often, contractors want a deposit to be paid before they start work but it sometimes happens they are "fly-by-nights" and take your deposit before disappearing.
  - Check out their credentials before you pay a deposit. Ask for references.
  - If they claim to be a member of an industry body, don't take their word for it, find out if they are members in good standing.
  - Check out a contractor's credit rating if you don't know them. Your branch, for a fee, will run a credit check on your behalf.



# D

## Receipting of Income

### D1. OBJECTIVES

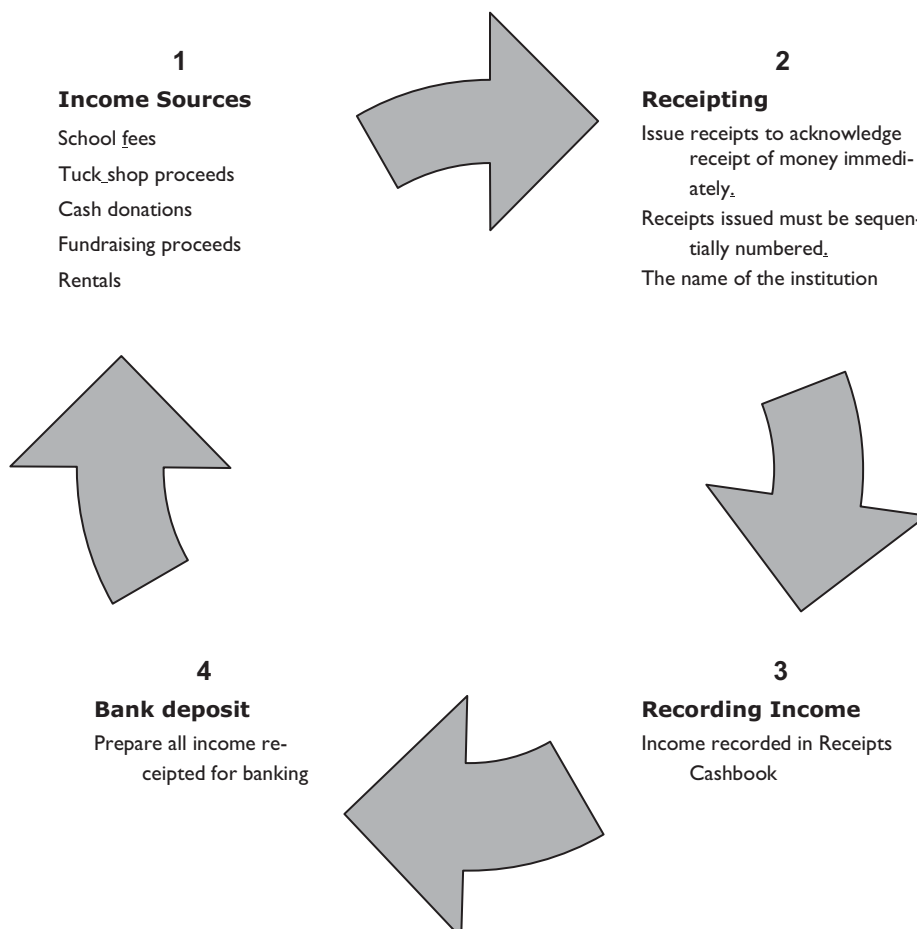
- To explain the accounting procedure when receiving income
- To explain the legislated procedure when receiving donations

### D2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- Section 18A(1)(a) of the Income Tax Act, 2000 (Act 30 of 2000)
- The Income Tax Amendment Act, 2002 (Act 30 of 2002), 9<sup>th</sup> schedule
- South African Schools Act, 1996 (Act 84 of 1996), Sections 39 - 41
- WCED Circular: 65 of 2004: Income Tax Exemptions for Public Schools
- WCED Circular: 30 of 2005: The Issuing of Official Receipts



### D3. DIAGRAMMATIC REPRESENTATION FOR RECEIPTING INCOME



#### D4. ACKNOWLEDGEMENT OF INCOME

- Most institutions of learning primarily generate income from the following sources:
  - School fees
  - The proceeds of tuck shop sales
  - Cash donations received
  - Asset disposals
  - Fundraising proceeds
  - Interest income from investments made
  - Rentals
- Formal acknowledgement, in the form of a receipt issued, must be made by the institution for all income received at institutional level.
- Where electronic fund transfers (EFT) or direct deposits are made, it is not necessary to issue a receipt, since such income will be reflected and referenced on the institution's bank statement. The depositor also has the cancelled cheque, duplicate deposit slip or e-receipt as proof of payment.

#### D5. COMPLETION OF RECEIPT

- Institutions must ensure, when issuing receipts, that the following minimum requirements are met:
  - All receipts must reflect the date.
  - All receipts must reflect the name of the person or institution from whom the money is received.
  - The nature of the income must be reflected.
  - The receipt must reflect the amount received in both words and figures.
  - The receipt issued must be sequentially and uniquely numbered. (Receipts must be pre-numbered.)
  - Receipt should differentiate between cheques or cash received.
  - The duplicate receipt must reflect all the details as indicated on the original receipt.
  - The name of the school must be stamped on the receipt if the receipt is not from a pre-printed receipt book.
  - The receipt must reflect the signature of the person who issued the receipt.
  - Should a receipt be incorrectly completed, such receipt must be cancelled and a new receipt issued.
  - If a receipt is cancelled, the original must be attached to the duplicate, either via stapling or glue.
  - Under no circumstances must information be altered, e.g. "tippex".



**Notwithstanding the aforementioned procedure, income derived from minor fundraising events, e.g. Civvies days, Valentine's Days, Computer classes, etc, can be recorded on class lists by the class teacher. The finance officer/bursar then issues a covering receipt for the money reflected on the class list. The receipt must be attached to the class list and kept on file. The covering receipt must be referenced.**

Completed receipt example [Annexure DA]

## **D6. RECORDING OF INFORMATION IN CASH BOOK**

- Once the income received is receipted, the nature of the income must be recorded in the receipts cash book with the receipt series.
- All direct deposits must also be reflected in the receipts cash book.

## **D7. DEPOSIT INFORMATION**

- Once income is recorded in the receipts cash book, the various income received must be prepared for banking purposes
- Banking time frames are prescribed in Chapter C of the Manual.

## **D8. RECEIPTING DONATION INCOME (INCOME TAX ACT – SECTION 18A)**

- All public schools have been granted Public Benefit Organisation Status (PBO)
- This status allows school donors to have such donations treated as tax-deductible items.
- The WCED has block registered all schools. The registration number is 9370000372.
- Schools that previously registered with SARS should discontinue using their individual registration number and reflect the WCED's block registration number.
- Note that school fees are not treated as a donation
- The school governing body (GB) must identify projects to which donations can be made.
- The applicable documents are the following:
  - Section 18A receipt books [ANNEXURE DB]
  - Tax Certificate, for the year 01 March to 28 February of each year [Annexure DC]
  - Annual Return [Annexure DD]

### **Section 18A Receipt Book**

- This receipt book is only available on request from the school's educational management and development centre (EMDC).
- The receipt book is in triplicate format.
  - The original is handed to the donor;
  - The school keeps the first copy in a safe place, to be audited by the auditor; and
  - The last copy remains in the receipt book.
- This documentation must be kept in a safe place.

### **Tax Certificate**

- This certificate is only available on request from the school's EMDC.
- The certificate is in triplicate format.
  - The original is handed to the donor;
  - The first copy is sent to the WCED Head Office, Directorate: Budget Management, **via the relevant EMDC**; and
  - The last copy must be filed at the school.
- The certificate must be compiled with all the donations received from a donor for a particular tax year.

### **Annual Return**

- The Annual Return must be completed by the school and handed to the relevant EMDC.
- The EMDC must check for completeness and correctness and send the documentation to the WCED Head Office.
- The WCED Head Office will administer the database and send the information, on an annual basis, to SARS.

# E

## Procurement, Payments and Petty Cash

### E1. OBJECTIVES

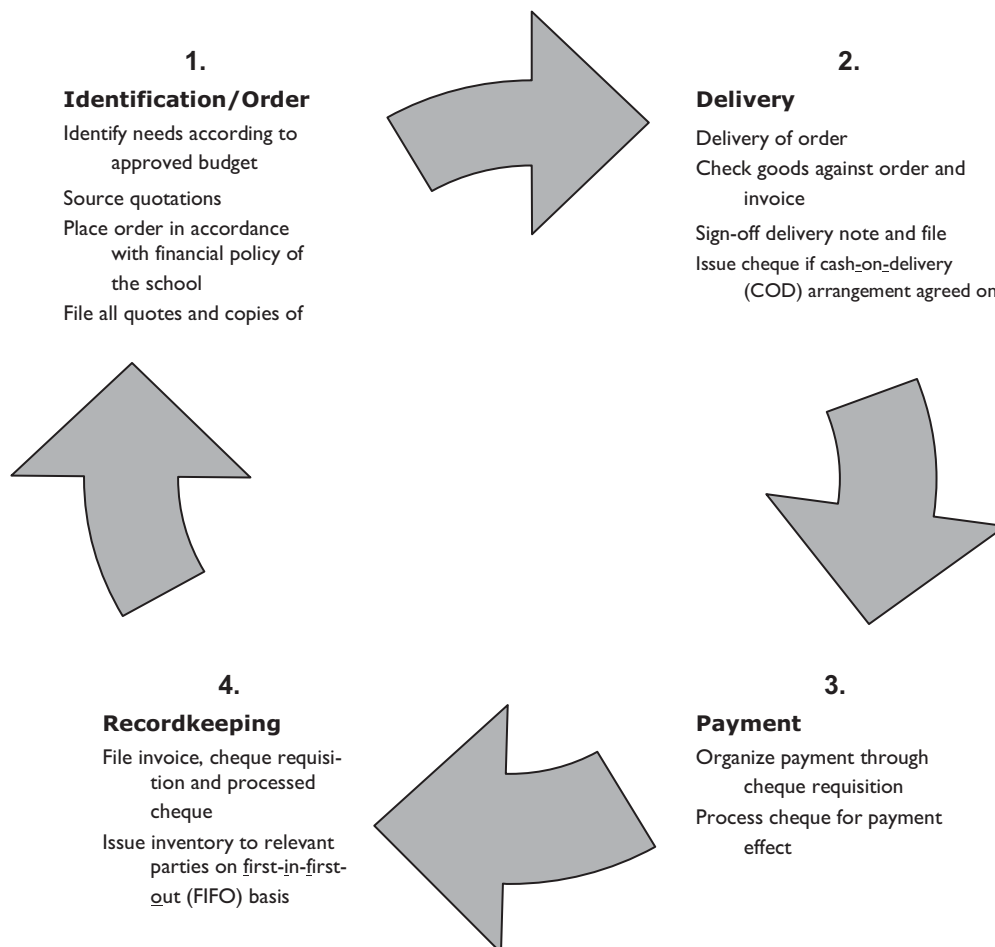
- To ensure that all procurements and payments occur within the approved framework of relevant legislation, WCED Circulars and the school's financial policy
- To provide guidelines for management of petty cash

### E2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- Various WCED Norms and Standards Circulars (<http://www.wced.wcape.gov.za>)
- Financial policy of the institution
- South African Schools Acts, 1996 (Act 84 of 1996)
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)



### E3. PROCUREMENT CYCLE - DIAGRAMMATIC REPRESENTATION



### E3.1 IDENTIFICATION/ORDER OF INVENTORY

- The governing body's elected inventory control officer should carefully monitor all inventory levels at the institution as maintained in the inventory, consumables and asset registers.
- Inventory is defined as all merchandise and consumable items, e.g. textbooks, stationery, items used in practical subjects, polish, etc.
- It is recommended that optimum inventory levels be determined by the governing body to ensure efficiency of use and timeous inventory replenishment.
- Once inventory levels reach the replenishment level, the inventory control officer must source quotations, in line with the approved budget and financial policy of the institution.
- The financial policy should clearly define the procedure for sourcing quotations.
- Once the quotations have been sourced, approval of the quotation that represents "best value" should be decided upon in accordance with the school's financial policy.
- After the necessary approval has been obtained, the order for the acquisition of goods or services can be processed or issued.
- File all quotations and copies of orders until delivery.



**WCED Non-Section 21 schools must procure inventory, w.r.t. the WCED Norms and Standards Allocation, as prescribed in the relevant Norms and Standards circulars.**

### E3.2 DELIVERY OF GOODS AND SERVICES

- On delivery of the procured goods/services, the inventory control officer must verify the order placed with the contents/services received as prescribed on the delivery note or invoice. This process might entail actual counting of the items of inventory or a physical inspection to verify that the service was delivered.
- Only once the inventory control officer is satisfied that the order as placed was delivered, must he/she "sign-off" the delivery note. In the case of a service delivered, the "sign-off" should only occur if the school is satisfied that all the agreed aspects of the service to be rendered, have been fulfilled.



**Agreement should first be reached between the parties concerned before any "sign-off" occurs. Under no circumstances should "sign-off" occur if a dispute exists between the order placed and the actual inventory delivered. This position also applies to services rendered as agreed upon or not rendered to the satisfaction of the school.**

- If the order delivered complies with the purchasing order, payment processes can be initiated. If "cash-on-delivery" terms were agreed upon, the necessary cheque requisition form [Annexure EA] should be in place and the cheque can be issued by the finance officer/bursar. Alternatively, the cash invoice, together with the delivery note, should be handed to the finance officer/bursar to effect immediate payment.
- On taking delivery of inventory, the inventory control officer should immediately record



the new acquisitions in the inventory register.[Annexure EB]

### **E3.3 PAYMENT PROCEDURE**

- The finance officer/bursar is responsible for completing a cheque requisition form to initiate payment.
- All original source documents must be attached, e.g. approved requisition, quotes, delivery note and invoice.
- Payments made should be done in accordance with the approved creditor payment schedule [Annexure EC] of the governing body as contained in the financial policy.
- Once the cheque requisition is approved and the cheque written out, the finance officer/bursar must ensure that the transaction is captured in the payments cash book of the school.
- Invoices may not be split in order to circumvent the procurement policy of the institution.

### **E3.4 RECORD KEEPING**

- The cheque requisition and all other supporting documentation, including the processed cheque (once received from the banking institution), must be filed in chronological order and kept for audit purposes.
- Where the banking institution does not return processed cheques, the cheque requisition form and support documentation will suffice.
- The inventory control officer should issue inventory on a first-in-first-out (FIFO) basis. The inventory control officer must also adhere to the internal control process as prescribed in the school's financial policy when issuing and recovering inventory.
- To ensure that optimum inventory levels are maintained, the inventory control officer must continuously monitor inventory levels.
- The inventory control officer must ensure that all inventories are updated on a regular basis and stocktaking is done annually.
- The original Certificate of Stocktaking (WCED 029) must be submitted to the relevant EMDC.

### **E3.5 ASSET PROCUREMENT PROCESS**

The procurement of assets by an institution is normally an expensive exercise. To give effect to a fair procurement process, it is recommended that the financial policy of the school make clear references to a tender process where the procurement will exceed the normal levels of expenditure at the institution.

#### **What is a tender?**

A tender is an offer to do work or supply goods at a fixed price. Getting goods or services is also known as 'procurement'. The tender or bid process is designed to ensure that the work to be done for the institution is contracted out in a fair way. Once a tender has been accepted, it is binding on both parties. This means that the person or company that won the

tender has to provide the goods or services in the manner agreed to and at the price offered, and the institution must pay the agreed price at the agreed time. In other words, once accepted, a tender is a binding contract.

### **Reasons for requesting tenders**

- It enhances competitiveness.
- It combats corruption.
- It enhances efficient and effective procurement practices and systems.
- It promotes the competitiveness of local business.
- It increases participation of small, medium and micro enterprises (SMMEs).

### **Details to be recorded of prospective tenderers**

- The legal and full name of the person/company/CC/firm drawing up the documents
- A contact person
- A contact telephone number
- A contact fax number
- A postal address
- An e-mail address (if available)

The details recorded must remain confidential for the duration of the tender period.

### **Closing of Tenders**

Tenders shall close on the date and at the time stipulated in the tender notice.

### **Late Tenders**

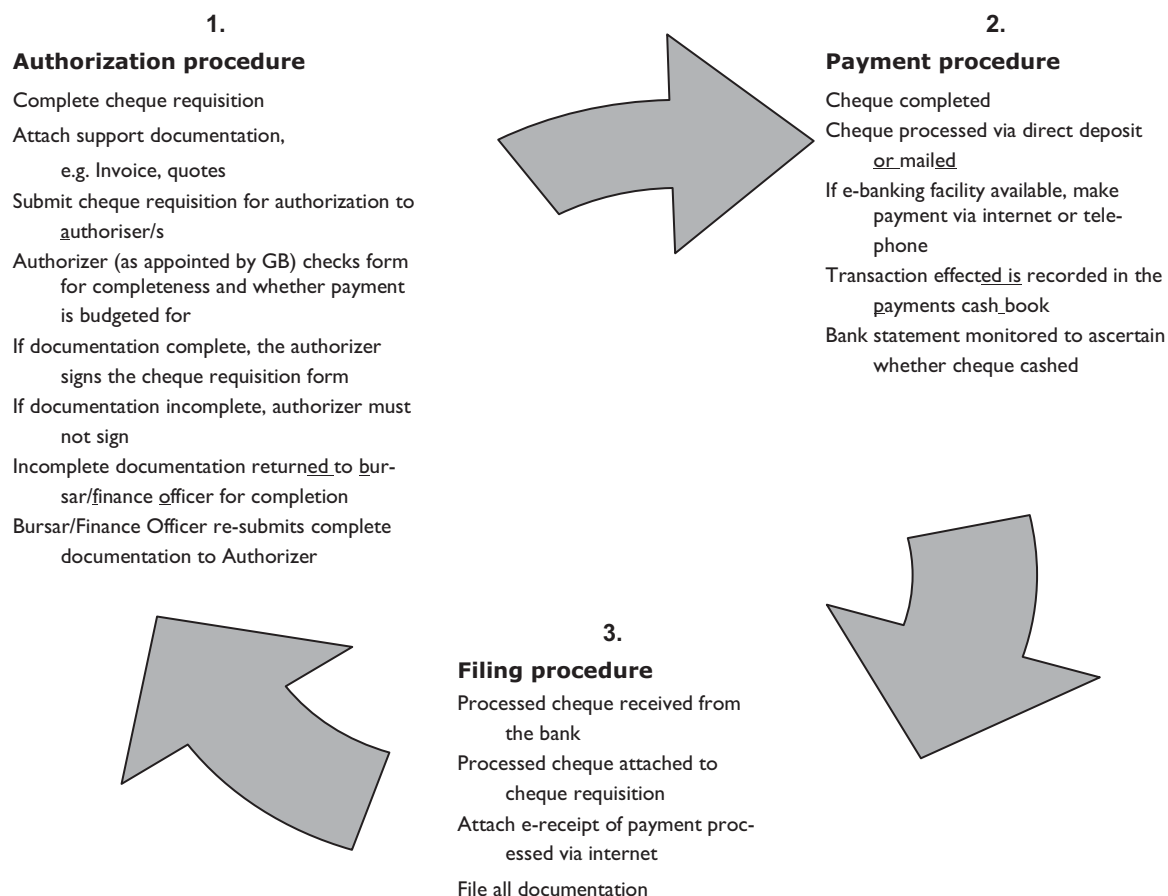
A late tenderer shall not be admitted for consideration and where feasible shall be returned unopened to the tenderer.

### **Acceptance of the Tender**

Every acceptance of a tender/award of a contract shall be in writing and shall

- be delivered by hand on the day that was signed and dated, or
- be faxed and posted to the address chosen by the tenderer /contractor on the day that it was signed and dated, and
- be acknowledged by the tenderer/contractor upon receipt and be recorded accordingly.

## E4. PAYMENTS CYCLE



### E4.1 AUTHORISATION PROCEDURE

- All payments effected must be preceded by the completion of a cheque requisition form/e-payment requisition. Note - Requisition forms must be sequentially numbered.
- Once the finance officer/bursar has completed the requisition form, it must be submitted to the payment authoriser/s with the support documentation (e.g. delivery note, invoice).
- Payment authorisers must check the requisition form for correctness and completeness.
- Any requisition form that is submitted for authorising that does not have support documentation attached, must not be authorised.
- Payments should only be made against invoices /statements. This will remove the possibility of "double payments". Invoices/statements must only be paid if issued in the name of the institution.
- Incomplete requisition forms and/or the absence of attached support documentation, must not be authorised and be referred back to the finance officer/bursar.

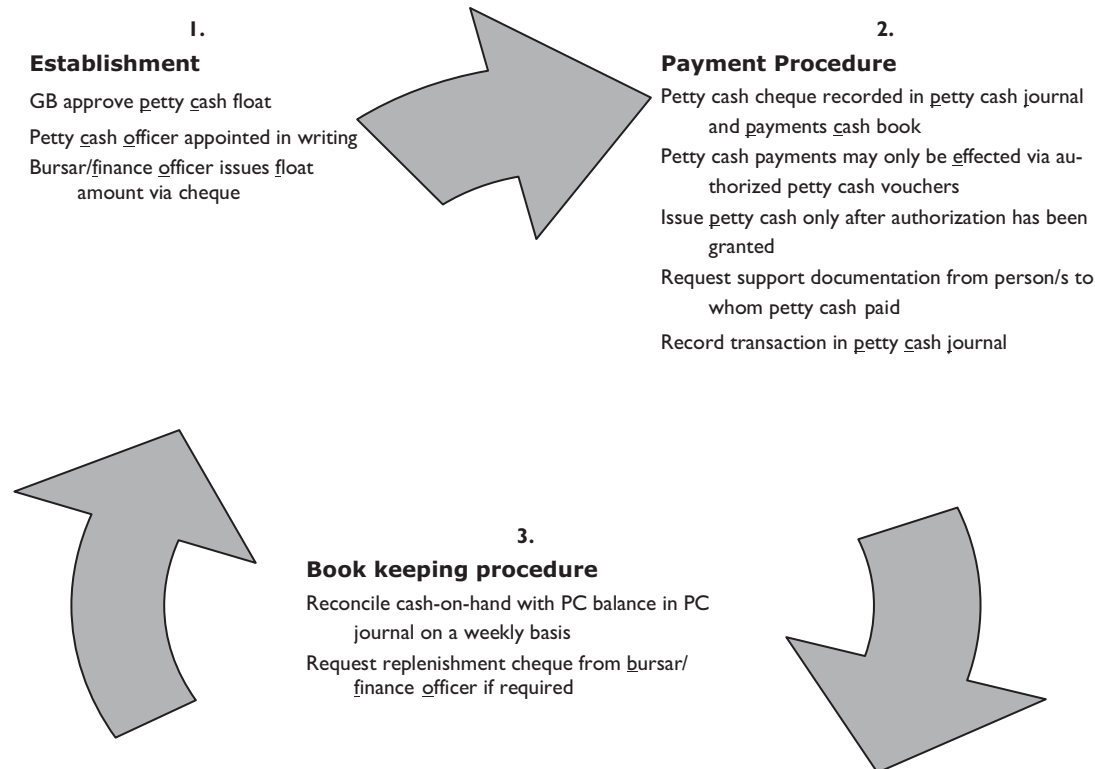
## **E4.2 PAYMENT PROCEDURE**

- When the cheque requisition form/e-payment requisition is “duly authorised”, the payment can be processed via direct bank deposit, mail, telephone banking or Internet banking. E-payments made must have multiple authorisation levels. E-payment receipts or transaction confirmations must be printed once the payments are made. All recurring debit orders for payment of school expenses must be authorised annually by the GB and minuted at a GB meeting.
- Ensure that the words “Goods received” and “Paid” stamps or markings appear on all paid invoices.
- When using photocopies of invoices as support for payments, ensure they are stamped or marked “Not previously paid”.
- Take advantage of discounts by paying accounts timeously.
- The payment must be recorded in the payments cash book and the bank statement monitored to ensure that the payment process was completed.
- School tours/excursions expenses should as far as possible be paid via cheque or e-banking. Tours/excursions should be well planned to ensure that the cash required is kept to the absolute minimum.

## **E4.3 FILING PROCEDURE**

- The processed cheque (if returned), the cheque requisition form/e-payment requisition form and supporting documentation (e.g. invoice) must be filed for auditing purposes.
- In the case of e-banking, the e-receipt/ transaction confirmation must be attached to the e-payment requisition form. Confirmation of payments made via telephone banking must be sent to the institution’s e-mail address.

## E5. OPERATING A PETTY CASH – DIAGRAMMATIC REPRESENTATION



### E5.1 ESTABLISHING PETTY CASH

- The governing body must formally approve the establishment of petty cash, as well as a reasonable funding level (and the maximum amount allowed per payment), given the operational requirements of the institution.
- Once formal approval has been received, a petty cash officer (PCO) must be appointed in writing. This person must formally accept responsibility for this function.
- The finance officer/bursar issues the initial petty cash advance, via cheque, to the petty cash officer.



**Encashment of cheques against cash-on-hand is only permissible when the approved petty cash is being replenished/ restored or float is put in place for a fundraiser or school tour/excursion. The GB should approve the level of the float. All support documentation must be kept to account for the cash spent via the provided float.**

### E5.2 PAYMENT PROCEDURE

- The petty cash officer (PCO) must record the cheque received to initiate the petty cash in

the petty cash journal. The finance officer/bursar will reflect the contra entry in the payments cash book

- Petty cash payments must only be processed once the petty cash request and petty cash voucher has been authorised by the person/s to whom this task has been delegated by the GB.
- The PCO must ensure that he/she receives the supporting documentation from the person (s) who received the cash in advance.
- Each transaction must be recorded in the petty cash journal by the PCO



**Where petty cash is utilised to cover transport costs to attend workshops or sport events, a copy of the letter identifying the workshop or sports fixture lists must be attached to the petty cash voucher.**

### **E5.3 BOOKKEEPING PROCEDURE**

- The petty cash officer must reconcile cash-on-hand with the balance of the petty cash journal on a weekly basis.
- As required, the petty cash officer requests replenishment cheques for the petty cash, up to the approved monthly funding level.
- The WCED advocates the use of the Imprest System for petty cash. This means that the petty cash funding level is restored to its approved level at the end of each month, by issuing a cheque for the total, actual expenses from petty cash in any given month, **e.g.** if the approved petty cash is R500.00 per month, and R486.25 was spent during the month, the petty cash will be replenished, via cheque, by R486.25, to restore the petty cash funding level to R500.00.

### **E6. PAYMENT OF TRAVELLING AND SUBSISTENCE ALLOWANCES**

The following procedures are the minimum requirements and must be part of the financial policy on travelling and subsistence reimbursement:

- The GB (Finance Committee) should annually review and determine the rates of advances and reimbursements. A combination of the Automobile Association's rates and/or rates issued by the National Department of Transport and/or rates based on local circumstances can be used.
- All travel and subsistence costs must be properly authorised in writing *before* they are incurred. Retrospective approvals must not be allowed, unless there are exceptional circumstances that must be explained and noted in detail.
- Claimants must clearly understand/have access to the travel policy and applicable rates. It is advised that the travel policy be circulated every time the document is updated.
- Reimbursements for subsistence expenses (e.g. for meals) must be clearly stipulated, e.g. daily flat rate, or exact claims for expenses actually and necessarily incurred.
- The person(s) responsible for authorising the travelling and subsistence expenses must be appointed in writing by the SGB.
- The SGB must ensure that there are effective internal control measures in place to

provide that only the official rates are paid for travel and subsistence expenses incurred on behalf of the school.

# **F** The School as Employer - Tax Obligations

## **F1. OBJECTIVE**

- To ensure that all schools who employ Governing Body (GB) staff meet the statutory obligations towards their employees

## **F2. BACKGROUND**



**The changing staffing landscape within schools over the last 10 years has necessitated institutions having to supplement their staff establishments by employing personnel via the school's budget. This dynamic has brought employer status to many institutions, consequently requiring institutions to meet statutory employer obligations.**

## **F3. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK**

- The South African Income Tax Act, 1962 (Act 58 of 1962)
- The Unemployment Insurance Act, 2001 (Act 63 of 2001)
- The Unemployment Insurance Contribution Act, 2002 (Act 4 of 2002)
- The Skills Development Act, 1998 (Act 97 of 1998)
- The Skills Development Levy Act, 1999 (Act 9 of 1999)
- The Skills Development Amendment Act, 2003 (Act 31 of 2003)
- The Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- The Basic Conditions of Employment Amendment Act, 2002
- Occupational Injuries and Diseases Amendment Act, 1997 (Act 61 of 1997)
- Regional Services Council Act, 1985 (Act No 109 of 1985)



## **F4. THE SCHOOL AS EMPLOYER - TAX OBLIGATIONS**

In terms of the legislation governing an employer's tax obligations towards the South African Government, it is important to be aware of the following prescripts:

- All employers are compelled to deduct pay-as-you-earn (PAYE) tax from the salaries of their employees who earn more than the tax exemption thresholds as issued annually by the South African Revenue Services (SARS). The tax exemption threshold currently stands at is R40 000 per annum (2006/7 tax year)
- Casual work deemed to be non-standard employment must be taxed at 25%



- All employers must deduct 1% of an employee's remuneration as his/her contribution towards the Unemployment Insurance Fund (UIF). The employer is compelled to make a similar contribution, i.e., 1%
- All employers must contribute towards the Workman's Compensation Fund (WCF). This contribution **may not** be deducted from the employee's remuneration. The employers contribution is determined by the Workman's Compensation Fund and is based on the employer's remuneration bill.
- Where the annual remuneration bill exceeds R250 000 (currently), all employers must contribute 1% of the remuneration bill towards skills development. As with the employers' contribution to the WCF, this contribution **cannot** be deducted from the employee's remuneration.
- Note that, should the annual remuneration bill be below R250 000, but the employer is deducting PAYE, the skills development levy (SDL) must still be paid.
- If PAYE and skills development levies are involved, all deductions and contributions made must be paid to SARS.
- Where PAYE and skills development levies are not applicable, UIF deductions are paid directly to the UIF Commissioner.
- An employer employing one or more workers within the municipal boundaries within which it operates, is required to register with the applicable district municipality for the purposes of the collection of Regional Services Council (RSC) levies. Should the employer be required to make such payments, the nature of the employer's contribution will be based on the remuneration bill, multiplied by a percentage (as determined by the municipality).

## **F5. THE REGISTRATION PROCESS - SKILLS DEVELOPMENT LEVIES (SDLs)**

### **Procedures:**

- If the employer is not required to pay over income tax to SARS, the employer must request the forms from the Department of Labour.
- Where an employer is liable to pay the levy, the employer must register, using form EMP 101 [Annexure FA], as an employer with SARS in the area in which the business is situated.
- The employer must also indicate the jurisdiction of the Sector Education Training Authority (SETA) within which the employer must be classified.

### **The Employer**

- will be subjected to a fine or imprisonment for a period not exceeding one year if he/she does not comply with the requirements;
- must keep a register of all the remuneration paid to every employee, together with the employee's tax deducted or withheld;
- must keep the records for a period of 5 years from the date of the last entry and must be available for inspections by the SARS and Department of Labour or other interested parties; and
- must show the deduction on the payroll.

### **Payments:**

- The employer must make monthly payments, using the EMP 201 form [available from the nearest SARS office].
- The use of the correct reference number is very important.

- Payments can be made via direct bank deposits or cheque payments.
- Payments can be made electronically by registering for e-filing with SARS.
- The due date for each payment is no later than 7 days after the end of the month.
- The EMP 201 form submitted as "Not received in time by employer", will not be accepted as an excuse for the late payment.
- Interest, at the prescribed rate, will be charged by SARS on outstanding taxes, duties and levies.

## **F.6 THE REGISTRATION PROCESS - THE UNEMPLOYMENT INSURANCE FUND (UIF)**

### **Procedures:**

- Request the forms from the Department of Labour.
- Registration with SARS, if applicable (EMP 101).
- Register with the UIF Commissioner (UIF 18 form) [Annexure FB], if applicable.
- Must, before the 7<sup>th</sup> of each month, submit detail of changes (termination or appointment of employees) to the UIF Commissioner on form UIF 19 [Annexure FC].

### **Payments:**

- The employers must make monthly payments, using the EMP 201 form (if applicable).
- The use of the correct reference number is very important.
- Payments can be made via direct bank deposits or cheque payments to the UIF Commissioner.
- The employer may not deduct amounts in excess of the amount due by the employee.
- The employer shall be liable for the payment if he or she fails to deduct the contribution.

## **F.7 THE REGISTRATION PROCESS - INCOME TAX (PAYE)**

### **Procedures:**

- The employer must register his or her employees whose remuneration exceeds the applicable tax thresholds by completing form EMP 101.

### **Payments:**

- The employer must make monthly payments, using the EMP 201 form.
- Employers must ensure that the correct reference number is indicated.
- Payments can be made via direct bank deposits or cheque payments.
- Payments can be made electronically by registering for e-filing. ([www.sarsefiling.co.za](http://www.sarsefiling.co.za) or call 0860 709 709).
- The due date for each payment is no later than 7 days after the end of the month.
- The EMP 201 form submitted as "Not received in time by employer", will not be accepted as an excuse for the late payment.
- A penalty and interest, at the prescribed rate, will be charged by SARS on outstanding taxes, duties and levies.
- The employer is required to complete an IRP 501 form [available at nearest SARS office] annually for reconciliation purposes.

- The employer is also required to issue each employee with an IRP5 certificate [available at nearest SARS office] at the end of each tax year.
- Where employees earned less than the PAYE tax threshold, an IT3 certificate (a) [Annexure FD] must be issued.



**NOTE: SARS provides tax software (SARSTAX2000) at no cost to facilitate the accurate calculation of income tax. This software also generates an IRP5 certificate for each employee.**

## **F.8 THE REGISTRATION PROCESS - WORKMAN'S COMPENSATION FUND (WCF)**

### **Procedures:**

- Request registration forms from the Department of Labour or via [www.labour.gov.za](http://www.labour.gov.za).
- Complete form WAS 2 [Annexure FE].

### **Payments**

- Payments must be made to the WCF Commissioner.
- Payments can be effected via electronic fund transfer (EFT) or mail.
- Payments are determined by WCF, based on the annual salary bill of the employer.
- The assessment due can be paid monthly or yearly.

## **F.9 THE REGISTRATION PROCESS - REGIONAL SERVICES COUNCIL (RSC)**

### **Procedures:**

- Complete the RSC1 form [Annexure FF] and send it to the nearest RSC office.
- Rural educational institutions must contact the local municipality for the required forms.

### **Payments:**

- The monthly payment and the form must reach the local government no later than 20 days after the end of the month.
- The employer can be fined up to R 5000,00 or imprisoned for up to 1 year if he/she refuses to pay the levy.
- If your levy is less than R 50,00, you can obtain permission to make an annual payment.
- Payments can be made online (must be registered), by mail or hand delivered.



## The School as Employer – Contracts of Employment

### G1. OBJECTIVES

- To explain the legal framework institutions need to conform to when drawing up contracts of employment for **GB appointments**
- To provide schools with a contract of employment template based on the legal prescripts

**NOTE: WCED-appointed staff are administrated by WCED Head Office.  
Consult the WCED Call Centre if you have queries about personnel matters.**

### G2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- Basic Conditions of Employment Act, 1997 (Act 75 of 1997) (BCEA)
- Basic Conditions of Employment Amendment Act, 2002
- Labour Relations Act, 1995 (Act 66 of 1995)
- Labour Relations Amendment Act, 1998 (Act 127 of 1998)
- The Unemployment Insurance Act, 2001 (Act 63 of 2001)
- The Unemployment Insurance Amendment Act, 2002 (Act 4 of 2002)
- The Compensation for Occupational Injuries and Diseases Act, 1993 (Act 85 of 1993)
- The South African Constitution, 1996 (Act 108 of 1996)



### G3. INCLUSIONS OF PROVISIONS IN CONTRACTS OF EMPLOYMENT

- A basic condition of employment constitutes a term of any contract of employment, except to the extent that
  - any other law provides a term more favourable to the employee;
  - the basic condition of employment has been replaced, varied, or excluded in accordance with provisions of the BCEA; and
  - a term of the contract of employment is more favourable to the employee than the basic condition of employment.

#### G3.1 REGULATION OF WORKING TIME

- Every employer must regulate the working time of each employee in accordance with
  - any act governing safety and occupational health;
  - due regard for the health and safety of employees;

- due regard for family responsibility of workers; and
- due regard for the code of good practice on the regulation of working time, i.e. impact on health, shift and night work, rest periods during work time.

### **G3.2 ORDINARY WORKING HOURS**

- An employer may not require or permit an employee to work more than
  - 45 hours a week;
  - 9 hours in any day, where the employee works a 5 day week or less; and
  - 8 hours a day, if the employee works more than 5 days a week.
- An employee's ordinary working hours may, by agreement, be extended by 15 minutes in a day, but not by more than 60 minutes in a week.
- Schedule 1[Annexure GA] establishes procedures for progressive reduction of working hours to 40 hours per week and 8 hours per day.

### **G3.3 OVERTIME**

- The employer may not require or permit an employee to work overtime, except in accordance with an agreement to work more than 3 hours' overtime a day and 10 hours' overtime a week.
- An employer must pay an employee at least 1,5 times his wage for overtime worked.
- Despite the above stipulation, an agreement may provide for an employer to
  - pay an employee less than the ordinary overtime wage and grant the employee at least 30 minutes' time off on full pay for every hour overtime worked; or
  - grant an employee at least 90 minutes' paid time off for each hour of overtime worked.
- An employee must be granted the above-mentioned time off within 1 month of entitlement, or, by written agreement, within 12 months.

### **G3.4 MEAL INTERVALS**

- An employer must give an employee who works continuously for more than 5 hours, a meal interval of at least 1 continuous hour.
- During a meal interval, the employee may be required to perform duties that cannot be left unattended or performed by another employee.
- A written agreement may reduce the interval to not less than 30 minutes, or dispense with a meal interval for an employee who works fewer than 6 hours a day.

### **G3.5 NIGHT WORK**

- "Night work" means worked performed after 18h00 and before 06h00 the next day.
- An employer may require or permit an employee to perform night work only if so agreed, and only if the employee is compensated by the payment of an allowance or by reduction of working hours, and transportation is available between the employee's place of residence and the workplace at the commencement and conclusion of working hours.

### **G3.6 ANNUAL LEAVE**

- An annual leave cycle means the period of 12 months' employment with the same employer immediately following the employee's commencement of duty or completion of the previous leave cycle.
- An employer must grant an employee at least 21 consecutive days annual leave i.r.o. the annual leave cycle or by agreement, 1 day of annual leave for every 17 days on which the employee worked or by agreement, 1 hour of annual leave for every 17 hours on which the employee worked.
- An employer must grant annual leave not later than 6 months after the end of the annual leave cycle.
- An employer must grant an employee an additional day's leave if a public holiday falls on a day during the leave period that would ordinarily have been a working day.
- An employer may not pay an employee instead of granting leave, except on termination of employment.

### **G3.7 SICK LEAVE**

- A "sick-leave cycle" means a period of 36 months employment with the same employer immediately following the employee commencement of employment or the completion of the previous sick leave cycle.
- During a sick leave cycle an employee is entitled to an amount of paid sick leave equal to the number of days he or she would have normally worked over 6 weeks.
- During the first 6 months of employment, an employee is entitled to 1 days' sick leave for every 26 days worked.

### **G3.8 PROOF OF INCAPACITY**

- An employer is not required to pay an employee if he or she has been absent from work for more than 2 consecutive days or on more than 2 occasions during an 8 week period and, on request, does not produce a medical certificate stating that the worker was unable to work for the duration of his or her absence owing to illness or injury.

### **G3.9 MATERNITY LEAVE**

- An employee is entitled to 4 consecutive months' maternity leave.
- An employee may commence maternity leave at any time from 4 weeks before THE EXPECTED DATE of BIRTH, unless otherwise agreed or for health reasons and certified by a medical practitioner.
- No employee may return to work before 6 weeks after DATE of BIRTH unless certified to do so by a medical practitioner.
- An employee who miscarries in the 3rd trimester of pregnancy or bears a stillborn child is entitled to maternity leave for 6 weeks after the event, whether or not she has commenced maternity leave at the time of the event.
- No employer may require or permit a pregnant employee to perform work that is hazardous to her health or that of her child.

### **G3.10 FAMILY RESPONSIBILITY LEAVE**

- This applies to all employees who have been employed for longer than 4 months and who works for a least 4 days a week.
- Each employee is entitled to 3 days' family responsibility leave, which the employee is entitled to take
  - when his or her child is sick;
  - when his or her child is born; or
  - in the event of death of a parent or spouse or partner or child.

### **G4. MINIMUM WRITTEN INFORMATION IN A CONTRACT OF EMPLOYMENT PROVIDED BY AN EMPLOYER TO AN EMPLOYEE**

- The full name and address of the employer
- The name and occupation of the employee, or a brief description of the work for which the employee is employed
- The place of work and an indication of the place or places where the employee is required or permitted to work
- The date on which the employment began
- The employee's ordinary hours of work and days of work
- The employee's wage or the rate and method of calculating wages
- The rate of pay for overtime work
- Any other cash payments that the employee is entitled to
- Any payment in kind that the employee is entitled to and the value of the payment in kind
- How frequently remuneration will be paid
- Any deductions to be made from the employee's remuneration
- The leave to which the employee is entitled
- The period of notice required to terminate employment or, if employment is for specified period, the date when employment is to terminate
- A description of any council or sectoral authority which covers the employer's business
- Any period of employment with a previous employer that counts towards the employee's period of employment
- A list of any other documents that form part of the contract of employment, indicating a place that is reasonably accessible to the employee and where a copy of each may be obtained

### **G5. KEEPING OF RECORDS**

Every employer must keep a record containing at least the following information:

- The employee's name and occupation.
- The time worked by each employee.
- The remuneration paid to each employee.
- The date of birth of any employee under 18 years of age.
- Any other prescribed information.

The employer must keep a record for a period of three years from the date of the last entry in the record. No person may make a false entry in a maintained record.

## **G6. PAYMENT OF REMUNERATION**

An employer must pay to an employee any remuneration that is paid in money

- in South African currency;
- daily, weekly, fortnightly or monthly; and
- in cash, by cheque or by direct deposit into an account designated by the employee.

Any remuneration paid in cash or by cheque must be given to each employee

- at the workplace or at a place agreed to by the employee;
- during the employee's working hours or within 15 minutes of the commencement or conclusion of those hours; and
- in a sealed envelope which becomes the property of the employee.

An employer must pay remuneration not later than seven days

- after the completion of the period for which the remuneration is payable; or
- after the termination of the contract of employment.

## **G7. NOTICE OF TERMINATION**

- One week, if the employee has been employed for four weeks or less.
- Two weeks, if the employee has been employed for more than four weeks but not more than one year.
- Four weeks, if the employee
  - has been employed for one year or more; or
  - is a farm worker or domestic worker who has been employed for more than four weeks.
- A collective agreement may permit a notice period shorter than that required.
- No agreement may require or permit an employee to give a period of notice longer than that required of the employer.
- Notice of termination of a contract of employment must be given in writing, except when it is given by an illiterate employee.

## **G8. CERTIFICATE OF SERVICE**

- On termination of employment an employee is entitled to a certificate of service stating
  - the employee's full name;
  - the name and address of the employer;
  - a description of any council or sectoral employment standard by which the employer's business is covered;
  - the date of commencement and date of termination of employment;



- the title of the job or a brief description of the work for which the employee was employed at date of termination;
- the remuneration at date of termination; and,
- if the employee so requests, the reason for termination of employment.

EMPLOYMENT CONTRACT TEMPLATE [Annexure GB]

# H

## Internal Control and Fraud Prevention

### The Role of School-based Management Units of the WCED

#### Making Governing Bodies Aware of the Necessity to Implement Internal Control Mechanisms at Institution Level

## H1. OBJECTIVES

- To explain the necessity for internal control systems in preventing fraud at institution level and to highlight fraudulent behaviour signals
- To highlight the role of the WCED in reducing the risk of fraud and corruption at institution level

## H2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- The South African Constitution, 1994 (Act 108 of 1996)
- The South African Schools Act, 1996 (Act 84 of 1996)
- Promotion of Access to Information Act, 2000 (Act 2 of 2000)
- The Public Finance Management Act, 1999 (Act 1 of 1999)
- WCED Circular: 068 of 2001: Prevention and Detection of Fraud
- WCED Circular: 079 of 2002: Fraud and Serious Transgressions
- WCED BM Minute: 005 of 2005: School Funds Fraud Schemes
- South African Audit Standard (SAAS) 400: Risk Assessments and Internal Controls



## H3. What is fraud?

- Fraud can be defined as the intention to commit an illegal or irregular act or to attain a goal which is not in harmony with the law, public policy or the policy of the institution.
- Fraudulent acts include the following:
  - Maladministration or financial misconduct in handling or reporting money, transactions or assets
  - Irregular behaviour in the allocation of funds
  - Disclosing confidential information
  - Manipulative conduct in awarding contracts
  - Invoicing for work not done
  - Theft of funds
  - Personal use of assets, e.g. equipment of the institution
  - Abuse of internet services of the institution
  - Deliberately refusing to report or act upon dishonest or suspicious conduct
  - Non completion of leave forms and non submission of leave forms



**Should the SMT or GB become aware or suspect any person of fraudulent behaviour, such concerns must be reported to the PAWC Forensic Unit's Fraud line on 080 122 6545 or fax 021 480 2096**

#### **H4. What is corruption?**

- Any person who directly or indirectly accepts or gives any gratification from or to any other person, whether for the benefit of himself or herself or for the benefit of another person in an illegal, dishonest or unauthorised manner.
  
- Common forms of corruption are as follows:
  - Performing favours for friends or relatives
  - Avoiding compliance with protocols
  - Manipulation of the outcome of procurement processes
  - Exercising preferential treatment in awarding contracts
  
- Rewards for corruption include the following:
  - Kickbacks, e.g. cash
  - Employment offers for family and friends, e.g. nepotism
  - Funding of personal expenses
  - Granting sexual favours
  - Gifts of any kind, special treatment or favours
  
- Examples of corrupt schemes include the following:
  - Fictitious invoicing
  - Over-billing
  - Slush funds
  - Rigging of procurement processes
  - Manipulation of specifications
  - Tampering with documents
  
- Warning signs (red flags) of procurement fraud:
  - Close relationships with service providers or suppliers
  - The buyer does not shop around for prices – sole suppliers
  - High cost inventory
  - Lines of authority or responsibility unclear or circumvented
  - Proper authorization procedures not followed
  - Inadequate record-keeping and documentation
  - Lack of segregation of duties
  - No reconciliation checks conducted or instruction for it not given
  - Operating outside the approved budget
  - Too much trust in key employees

- Management overriding controls
- Lack of attention to detail

## **H5. Internal control mechanisms to prevent fraud**

- Internal control is a process effected by the institution’s governing body, principals and other personnel, and designed to provide reasonable assurance regarding the achievement of objectives in the following three categories:
  - Economy, efficiency and effectiveness of operations
  - Internal financial control
  - Compliance with applicable laws and regulations
- To reduce the inherent risk of fraud within an institution’s procurement and payments processes, it is imperative that comprehensive internal controls are put in place.
- Internal control actions can be categorized as follows:
  - Preventative
  - Detective
  - Corrective

### **H5.1 Preventative controls (Characteristics of good internal control)**

- Control environment:
  - The governing body members and principals should by their actions and behaviour, promote an environment in which adherence to controls is regarded as very important.
  - If governing body members and principals set a bad example, ignoring controls and generally projecting a slack attitude, employees will soon adopt the same attitude.
- Competent, trustworthy personnel:
  - Personnel involved in the internal control system must be competent to fulfil their functions honestly and be reliable.
  - This can only be achieved through the implementation of proper recruitment, and proper personnel- and training policies.
- Segregation of duties:
  - Segregation of duties reduces the risk of intentional manipulation or error and increases the checking element.
  - Functions that should be separated:
    - Preparing and authorization (supporting documentation)
    - Execution (preparing the cheques requisition and cheque)
    - Custody (signing the cheques)
    - Recording (cash books).
  - In a perfect situation all four functions would be segregated, but, owing to cost constraints and lack of staff, it is not always possible.
  - The most important division is between custody and recording, which must always

- be segregated.
- The rotation of staff an/or duties
- Isolation of responsibilities:
  - The people involved at the institution must be fully aware of their responsibilities and must be accountable for their performance.
  - All transactions require authorisation or approval from the responsible person(s).
  - When a document is signed, it isolates a transfer of responsibility from one person to another (limitations on delegations of authority).
- Access/custody controls:
  - Establishing procedures and security measures ensuring limited access to assets (Refer to Chapter J on Assets)
  - Proper storage and treatment of assets to prevent damage and deterioration of assets
- Source document design
  - Properly designed documents to assist in achieving good internal control, particularly financial control. Documents should
    - be in a pre-printed format, with a minimum amount of information to be filled in;
    - be pre-numbered; and
    - have blank blocks or grids for authorising or approving.

## **H5.2 Detective controls**

- Must be done on a regular basis to detect any irregularities, by doing the following:
  - Checking that transactions are completely and correctly recorded, and accurately processed
  - Checking the arithmetic accuracy of records, e.g. reconciliations, account balances, documents
  - Supervision by responsible officials of day-to-day transactions and the recording thereof
  - Review of the management of accounts and budgetary control
  - Regular storing (backing-up) of computerized records on disks to ensure that a change, after monitoring, is picked up later
  - Inventory (books, classrooms, etc.) cycle counts
  - Counter-checking
  - Monitoring staff behaviour
  - Surprise inspections and audits
  - Transparency

## **H5.3 Corrective Action**

Corrective action means the rectifying of a detected irregularity, for example:

- Hold a meeting between the governing body and the suspect. Try to obtain an acknowledgement of guilt.

- Get the suspect to make a statement to the police.
- Relieve the suspect of his or her duties.
- Contact your relevant EMDC to arrange an inspection.
- Involve the PAWC Forensic Department.

## H6. The Role of the WCED's School Based Management Units (SBM)

- In terms of the above-mentioned information, the WCED is expected to ensure that adequate control measures are in place at institutional level to reduce or eliminate the possibility of fraud and corruption.
- This role has been specifically allocated to the school-based management (SBM) units within each of the district EMDCs of the WCED
- Note that accounting and internal control systems at institutional level cannot provide management with conclusive evidence that objectives are reached. Such limitations include the following:
  - Management's usual requirements that the cost of an internal control does not exceed the expected benefits to be derived
  - Most internal controls tend to be directed at routine transactions rather than non-routine transactions
  - The potential for human error owing to carelessness, distraction, errors of judgement and the misunderstanding of instructions
  - The possibility of circumvention of internal controls through the collusion of a member of management or an employee with parties inside or outside the entity
  - The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example, a member of management overriding an internal control
  - The possibility that procedures may become inadequate, owing to changes in conditions, and that compliance with procedures may deteriorate
- It is, therefore, the task of SBM units to assess the effectiveness and efficiency of the accounting and internal control systems within institutions of the WCED.
- This is especially necessary in circumstances where segregation of duties is limited and audit evidence of supervisory controls is lacking
- As a result of obtaining an understanding of the accounting and internal control systems and tests of control, SBM units may become aware of weaknesses in the systems of institutions.
- SBM units are required to make management aware, as soon as is practical and at an appropriate level of responsibility, of material weaknesses in the design or operation of the accounting and internal control systems that have come to their attention.
- In terms of South African Audit Standard 400, SBM units are expected to indicate in their communication, weaknesses that have come to their attention as a result of the audit, and that the examination has not been designed to determine the adequacy of internal control for management purposes.



**Be aware that the WCED, the Auditor-General's Office or the PAWC Forensic Unit may visit the school to investigate any acts of fraud or corruption, or to determine the compliance levels of an institution with the legislative and regulatory frameworks.**

## **H7. Procedure to be followed when the PAWC Forensic Unit confiscates an institution's records**

- Ask the members of the PAWC Forensic team for formal identification.
- Ask for a detailed inventory of records removed.
- Ensure duplicate copies of the following:
  - Cash books for the current year
  - Ledgers, if applicable
  - The most recent bank statements
  - The current receipt book(s) in use
  - If computerized, back-ups of the accounting records
  - Governing body meeting minutes affected by the investigation
- Continue to keep records.

# FINANCIAL STATEMENTS

## I1. OBJECTIVES

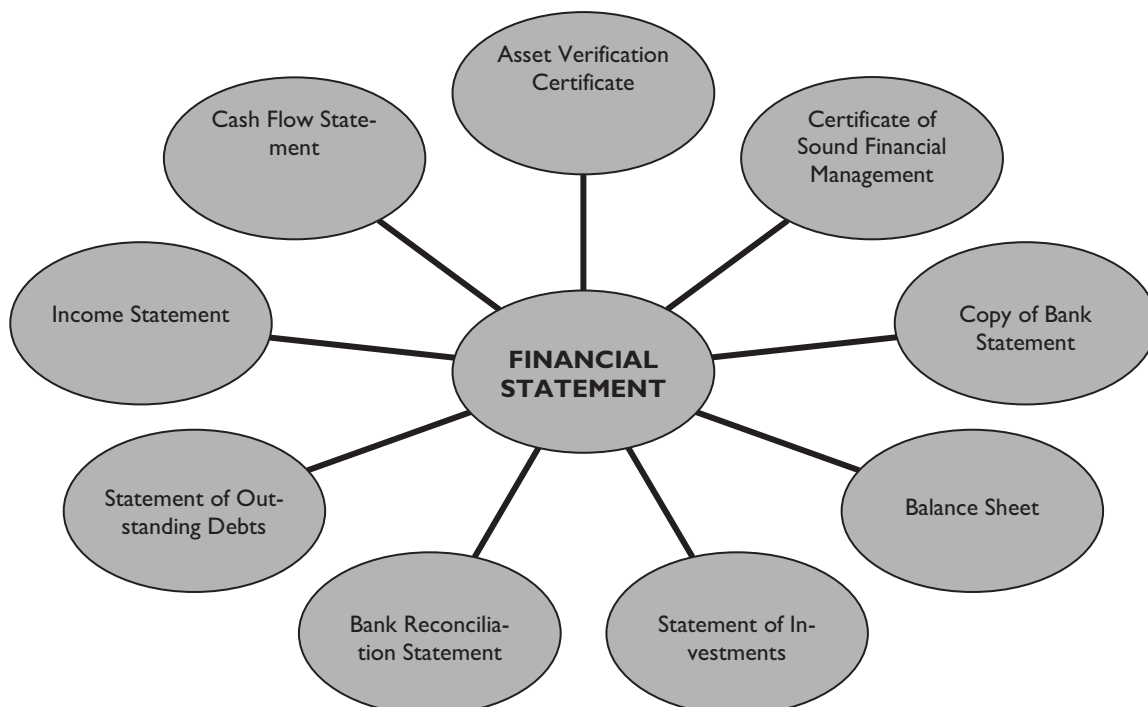
- To give effect to the legislative requirements of the South African Schools Act, No. 84 of 1996, as well as Section 38 of the Public Finance Management Act
- To provide guidelines to the finance committee in preparing a set of annual financial statements
- To provide information about the financial position, financial performance and cash flows of an institution which is useful to a wide range of users (GB, the public and the WCED)
- To show the results of management's stewardship of the **resources** entrusted to them

## I2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- Generally Accepted Accounting Practices (GAAP)
- The South African Schools Act, 1996 (Act 84 of 1996), Sections 43 (1) & (2)
- Public Finance Management Act, 1999 (Act 1 of 1999)
- WCED Circular: 027 of 2001: Auditors appointed under Section 43(2) (b) of SASA
- WCED Circular: 205 of 2003: Annual Audited Financial Statements



## I3. DIAGRAMMATIC REPRESENTATION OF A FINANCIAL STATEMENT





#### **I4. COMPONENTS OF A FINANCIAL STATEMENT**

- A statement of the financial position: Income statement [Annexure IA]
- A statement of financial performance: Balance sheet [Annexure IB]
- A cash flow statement [Annexure IC]
- Audit report [Annexure ID]
- Notes or schedules comprising a summary of significant accounting policies and other explanatory notes

#### **I5. SCHEDULES TO BE INCLUDED IN A FINANCIAL STATEMENT**

- Asset verification certificate [Annexure IE]
- Bank Reconciliation [Annexure IF]
- Statement of Investment/s or Note to Annual Financial Statements [Annexure IG]
- Statement of Outstanding Debts or Note to Annual Financial Statements [Annexure IH]
- Copy of Bank Statement
- Certificate of Sound Financial Management [Annexure II]
- Declaration of Other Accounts [Annexure IJ]
- Certificate of Verification of Computerised Receipting [Annexure IK]

#### **I6. INFORMATION TO BE PRESENTED ON THE FACE OF THE BALANCE SHEET**

- Non-current assets (fixed assets)
  - Equipment
  - Vehicles
- Current assets
  - Cash and cash equivalents
  - Investments
  - Inventory
  - Accounts receivable
- Non-current liabilities
  - Long-term loans
  - Interest-bearing borrowings
- Current liabilities
  - Accounts payable
  - Provisions
  - Bank overdraft
  - SARS - Tax

## **I7. INFORMATION TO BE PRESENTED ON THE FACE OF THE INCOME STATEMENT OR IN THE NOTES**

### **Revenue/income**

- School fees
  - Mainstream
  - Pre-primary
- Other operating income
  - Other fees (e.g. Music)
  - Fund-raising
  - Donations
- WCED allocations
  - Safe schools
  - Internet
  - N&S
  - Municipal services
  - Scheduled maintenance
- Other income
  - Interest received (Current Account and Investment Account)
  - Other income
  - Profit on disposal of fixed assets

### **Expenditure**

- Administration Expenses
  - Affiliations and subscriptions
  - Accounting fees
  - Auditing fees
  - Computer expenses
  - Depreciation
  - Interest paid
  - Other expenses
  - Municipal services
  - Textbooks and learning support material
  - Transport
  - Tax – SARS pay over
  - Repairs & maintenance
  - Printing and stationery
  - Rentals
  - Telephone & fax
- Personnel expenditure:
  - CS Educators
  - Non CS Educators

- Extra remuneration
- Surplus/Deficit for the year

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting Policies**

#### **1.1 Basis of presentation**

The annual financial statements are prepared on the historical cost basis and in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP). The following are the principal accounting policies used by the institution, which is consistent with those of the previous year.

#### **1.2 Fixed/ tangible assets and depreciation**

Depreciation of fixed assets is shown at book value (cost less accumulated depreciation). Depreciation is written off by a charge to income computed on a straight-line basis as to write-off cost over their expected useful lives. The depreciation rates applicable to each category of fixed/tangible asset are as follows:

- Furniture and fittings                      10% p.a.
- Office equipment                              20% p.a.
- Computer                                        33.33% p.a.
- Computer software                            50% p.a.

#### **1.3 Inventory**

Saleable items are stated at the cost or net realisable value, whichever is lower. Administrative items are stated at cost. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

#### **1.4 Revenue/income**

Revenue/income comprises school fees, fund-raising, WCED grants, donations and other income.

#### **1.5 Interest received**

Interest received is recognised in the period in which it occurs.

#### **1.6 Accounts receivable**

Accounts receivable is carried at expected realisable value. An estimate is made for doubtful accounts receivable based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

#### **1.7 Accounts payable**

Accounts payable is carried at expected payment values. An estimate is made for accruals based on a review of all outstanding amounts at year-end. Interest is written off in the year that they occur.

#### **1.8 Employee benefits (GB posts)**

Contributions to a defined contribution plan in respect of services in a particular period are recognised as an expense in that period.

### **2. Employee entitlements**

#### **2.1 Short-term employee benefits**

The cost of short-term employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements to annual leave are recognised when they accrue to employees.

### **3. Taxation**

No provision is made for taxation, as schools are exempt from income tax in terms of Section 10 (1)(d)(iv)(bb) of the Income Tax Act.



## ASSETS

### J1. OBJECTIVES

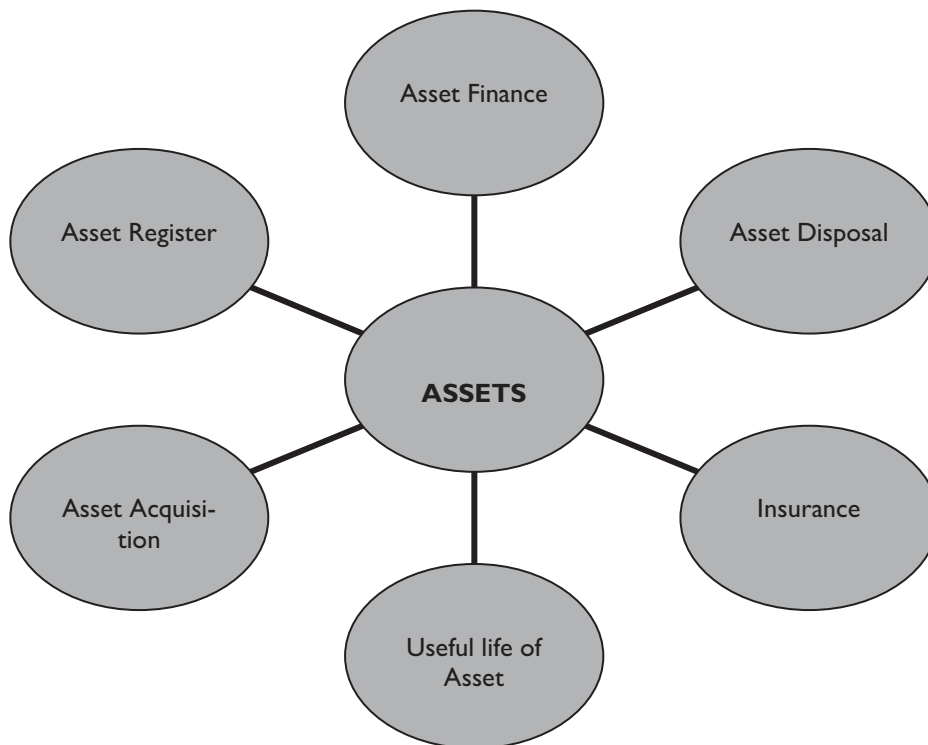
- To give effect to the legislative requirements of the South African Schools Act, No. 84 of 1996 and the PFMA
- To ensure that the institution's assets are managed effectively and efficiently.

### J2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- Generally Accepted Accounting Practices (GAAP)
- Public Finance Management Act, 1999 (Act 1 of 1999), Section 38
- The South African Schools Act, 1996 (Act 84 of 1996), Sections 20(1) and 37(1)



### J3. DIAGRAMMATIC REPRESENTATION OF ASSETS MANAGEMENT ASPECTS



#### **J4. APPOINTMENT AND DUTIES OF PERSON RESPONSIBLE FOR ASSETS**

- The GB must appoint a person at the institution in writing to be responsible for the custodianship of the institution's assets. (Asset Officer)
- This person should ensure the following:
  - Assets must be marked with permanent black ink.
  - Assets must be used only for the purpose intended.
  - Assets must be physically secured to prevent theft or misuse.
  - Insurance should be taken out for significant assets (e.g. computers).
  - A fixed assets register must be maintained, containing the following details:
    - Type and description of asset
    - Custodian of the asset
    - Date of purchase
    - Date of donation
    - Cost price/accumulated depreciation/ net book value
    - Useful life
    - Location of the asset
    - Asset number (internally generated for control purposes)
    - Serial numbers
    - Loss control registers
- The custodian must report regularly (at least once a quarter) to the GB with regard to losses, theft and record of assets (loss control registers).

#### **J5. ASSET LOAN/RETURN**

Assets removed from the institution premises for any period must have appropriate approvals signified by completion of a loan/return document.

##### **Procedures:**

- The borrower must complete an asset loan/return document.
- If someone other than the borrower initiates the asset loan/return document, he or she must secure the borrower's signature.
- When the asset is returned to the institution, an asset loan/return document must be completed to signify the equipment has been returned.
- The approval of the GB or delegated person is required.
- It must be understood that the borrower is fully liable in the event of damage or loss.
- Performing the physical inventory check of the asset.
- Keeping accurate inventory records of assets

##### **The borrower will be responsible for the following:**

- Timely return of asset and the completion of an asset/loan form to return the asset.
- If the asset remains on loan for more than the period mentioned, a return document must be submitted and approved. A new asset/loan document is then completed and

submitted to extend the loan.

- Obtaining proper approval for asset on loan.
- If the borrower takes the asset without proper authorisation and there is a loss, the borrower will be personally responsible for replacement of the equipment.

## **J6. DISPOSAL OF ASSETS**

- The institution should appoint a disposal board to implement the procedure and policy regarding the disposal of fixed assets.
- The disposal board should have a member of the GB as its chairperson.
- An effort should be made to share surplus assets and move unused items to a place where there is a need (other institutions).
- The disposal board is responsible for establishing the price and negotiates the disposal with other institutions.
- Once the asset has left the institution, the asset register must be updated.
- When an asset is disposed of, it must be removed from the financial records.

### **Procedures:**

- The GB must approve the recommendations of the disposal of assets by the disposal board.
- The individual's name or the institution that received the sale/donation must be recorded.
- The name of the purchasing institution or individual is recorded, as well as the selling price.
- All funds received must be banked (see Chapter C on banking).



# ACCOUNTING RECORDS

## K1. OBJECTIVES

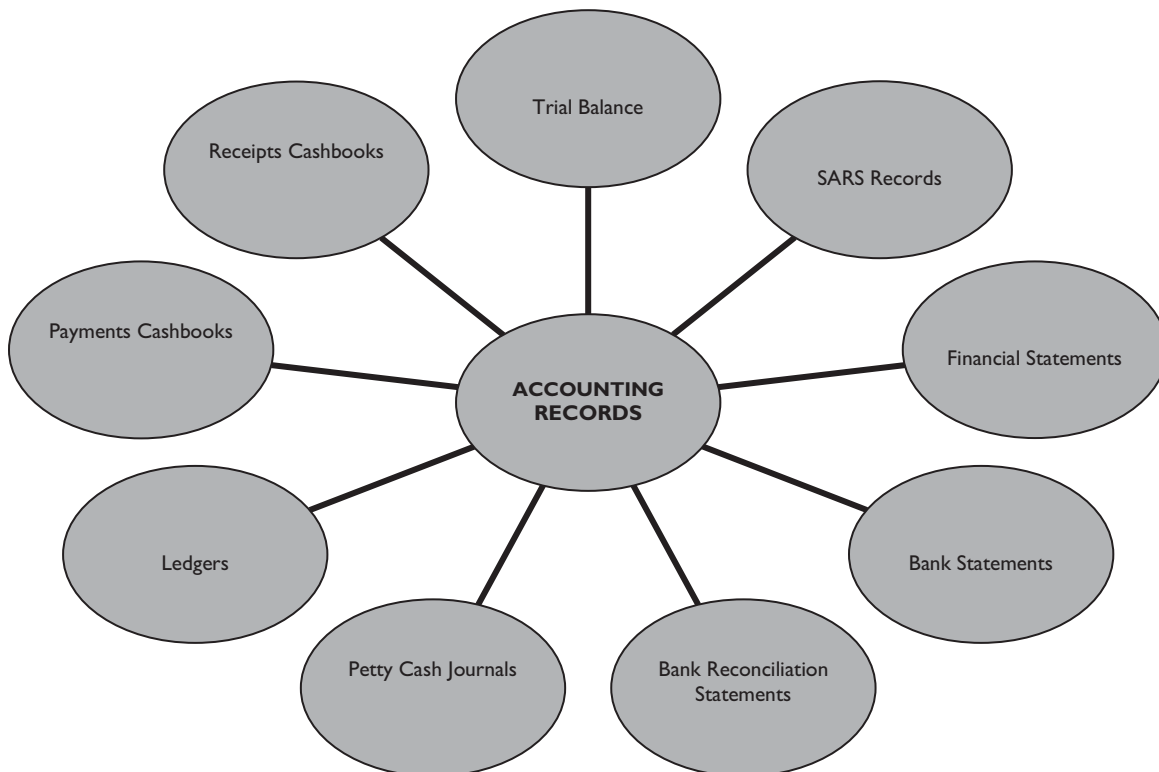
- To ensure an effective and efficient record of the day-to-day transactions of an institution
- Good controls in place for record keeping

## K2. LEGISLATIVE PRESCRIPTS AND REGULATORY FRAMEWORK

- South African Schools Act, 1996 (Act 84 of 1996), Section 42
- Public Finance Management Act, 1999 (Act 1 of 1999)



## K3. ACCOUNTING RECORDS ASPECTS – DIAGRAMMATIC REPRESENTATION





#### **K4. ACCOUNTING RECORDS PROCEDURE – APPOINTMENTS**

- A person is appointed, in writing, to record the day-to-day transactions.
- The appointment must be minuted at a governing body meeting.
- This delegated person (finance officer) will be accountable for accurate financial record-keeping.
- All the transactions must have supporting documents, i.e. cheque requisition form, delivery note, invoices, etc.
- The processed cheques, together with all the supporting documents, must be filed in chronological order (according to date).
- The monthly bank statement must be safely stored with all the afore-mentioned documentation.
- The accounting records must include the following:
  - Cash Receipt Journal
  - Cash Payments Journal
  - Bank Reconciliation
  - Trial Balance
  - Detailed Ledger, subject to accounting software in use
  - Petty Cash Journal, as applicable

#### **K5. ACCOUNTING RECORDS PROCEDURES – Completion of Requisition forms**

- The delegated person must complete the journals.
- Each transaction that has an effect on the school's bank account (current) must be recorded in the Receipts Cash Book or Payments Cash Book.
- The requisition forms must be ticked off after the transaction is added, to ensure that no double entries can be made.
- The amount on the requisition form, cheque and cheque counterfoil, must correspond with the amount in the Journals.
- The person who completes the requisition should not be the same as the person who writes out the cheque.
- The receipt book must reflect all income received during the period, since income received must be receipted.

#### **K6. ACCOUNTING PROCEDURES – Month-end procedures**

- At the end of every month the delegated person must balance the journals.
- The bank reconciliation statement must balance with the bank statement (received from the bank), and only then can the books for the month be closed.
- After reconciliation, the debit side of the trail balance must balance with the credit side.
- A copy / printout of the Cash Receipt Journal, Cash Payment Journal, Bank Statement, Bank Reconciliation Statement and the Trial Balance must be kept for inspections by the EMDC, Forensics, WCED Head Office and the school's external auditor.

All the accounting documentation must be kept secure for 5 years before any disposal can take place. A disposal certificate must be completed and handed to the school's governing body.

#### **K7. ACCOUNTING PACKAGE**

- The WCED, via its EMDC SBM Units, will provide an institution with computerized cash books should this facility be required. This is especially useful where an institution cannot afford a dedicated accounting software package.



## Other Income

### L1 FUND-RAISING

**Fund-raising can improve the physical and human resources of your school.**

### L2 Steps to a successful fund-raising event

- Form an effective committee
  - Usually drawn from the governing body, educator staff and the parent community of the school.
  - Learners and members of the community who have useful skills to contribute, may also be included on the committee.
- Planning the project(s)
  - Set your goals (targets) by keeping the school development plan in mind and choose or prioritise only those needs that fund-raising can realistically address. The target(s) must be achievable.
  - Select suitable fund-raising activities by involving parents, learners, past pupils and teachers.
  - Before starting the project, a projection must be prepared that shows the expected income and expenditure.
  - Draw up a plan of action for the project or event (when, who, where and how).
- Publicise the project widely
  - People generally regard education as a worthwhile cause, but you need good publicity to persuade the community that your school is worth supporting. Use pamphlets, posters, radio, internet, face-to-face communication, etc.
- Monitoring of the project or event
  - It is important to keep the individuals involved with the project or event focused.
  - Ensure that you involve everyone and give everyone a chance to be creative.
  - It is important that a person be appointed to keep a close eye on the budget.
- Post project/event analysis
  - Evaluate the planning, implementation and the results of the project or event.
  - Reconcile all income and expenditure (projected vs actual).
  - Ensure that comprehensive, written reports (financial and otherwise) are provided to the GB.

### L3. A school tuck shop with a formal arrangement:

- A formal tuck shop is when the school operates the tuck shop.
- The school procures the goods
- Parents, educators, volunteers or learners are appointed to run the tuck shop and all the profits go to the school.
- The GB must approve of each of the persons delegated to run the tuck shop and the volunteers needs to be well organised, with daily cash counts and regular inventory takings (preferably weekly).
- The tuck shop must be kept locked at all times and only authorised persons are allowed

behind the counter in order to operate the shop.

- A cash float (approved by the GB) must be kept at all times and each day's takings must be paid daily to the finance officer.
- The finance officer must keep a separate general ledger account for the tuck shop.

#### **L4. A school tuck shop with an informal arrangement:**

- An informal tuck shop is when the school allows outsiders to sell goods to the learners during school intervals, or when the tuck shop is rented out.
  - Entrepreneurs from the community pay the school a small amount (as applicable) to sell goods on the school grounds at break times.
  - Proper management must be in place to ensure that no irresponsible people are allowed to sell goods inside the school grounds.

#### **L5. Gross profit**

Gross profit (%) and the mark-up (%) on an item are different. Gross profit is calculated from the sale price, whereas the mark-up is calculated from the cost price.

If an item is marked up by  $33\frac{1}{3}$  per cent, the gross profit is 25 per cent. This is demonstrated in the following example.

If you buy an item for R75 and sell it for R100, the *mark-up* is  $33\frac{1}{3}\%$ .

However the gross profit would be:

Sales	R100
Cost of item	R75
Gross profit	R25

The *gross profit percentage* is:

$$\frac{\text{Profit (R25)}}{\text{Sales (R100)}} \times 100 = 25 \text{ per cent}$$

## L6. Calculating gross and net profit for a trading activity

The value of the gross profit for a period of sales is shown below.

Net sales income		R17 809.13
Less Cost of Goods Sold		
Opening stock	R5 000.00	
Plus Purchases	<u>R9 300.00</u>	R14 300.00
Less Closing stock		<u>R942.87</u>
Cost of Goods Sold		<u>R13 357.13</u>
Gross profit		R4 452.00

This trading activity has generated a gross profit of 25 per cent. The calculated profit being:

$$(R4\ 452.00 / R17\ 809.13) \times 100 = 25 \text{ per cent.}$$

You calculate net profit by deducting from gross profit the operating expenses, such as cleaning, wages, paper bags and other items that do not affect the cost of goods sold. See the example below.

Net sales income	R17 809.13
Less cost of goods sold	<u>R13 357.13</u>
Gross profit	R 4 452.00
Less operating expenses	<u>R 2 854.14</u>
Net profit	<u>R 1 597.86</u>

## L7. Tuck shop - Avoiding losses

Small and seemingly insignificant daily wastage can very easily result in losses for a tuck shop. Losses occur mainly through the following:

- Spoilage of perishables
- End pieces of small goods, for example ends of cheese or hams, are consumed by staff or voluntary helpers
- Over-ordering of foodstuffs, such as buns, bread or pies, which are then thrown out or given away
- High consumption of products by staff
- Pilfering

## **L8. Stock management**

Tuck shops that return good profits have strong management to ensure the following:

- Perishables such as milk are turned over regularly.
- There is no over-supply of daily foodstuffs or loss of end pieces of foods.
- Consumption of goods by staff is strictly regulated.

All stock needs to be rotated so that older stock is sold first.

## **L9. Rental Income**

- The GB may decide to rent out a hall, hostels, assets (not recommended) or classrooms to the community. If the GB agrees to follow this route, advertisements can be placed in local newspapers, announcing the facilities available and providing the contact details of the school.
- The GB must decide on a rental fee and draw up a standard service contract.
- It is advisable that a refundable deposit be charged.

RENTAL CONTRACT TEMPLATE [Annexure LA]

## **L10. Receipt and management of income from bequests**

- Where funds are donated from a will with special conditions, the funds must be deposited in the school account
- An additional bank account may be opened to ensure that the funds are kept separately and that spending is in compliance with the conditions set out in the will.
- No expenses must be paid from this account.
- When expenses from the bequest funds are due, the necessary funds must be transferred from the bequest account to the main school account.
- A separate ledger control account must also be opened for each bequest received.
- A register must be maintained for all donations – refer to Chapter N (w.i.p)

## **L11. Legal status of school**

Every public school is a juristic person with legal powers and responsibilities.

A public school is also a non-profit organization and a public benefit organization in terms of section 18A of the Income Tax Act, 1962 as amended.

## **L12. Management of Trusts**

"SASA (37) (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."

- Existing trusts:

If a trust was established from a school fund or if money from a school fund is being paid into the trust, such money (remaining in the trust) must be paid back into the school fund. In order to ensure that all trusts at public schools are in compliance with the provisions of Section 37(7) of SASA, the WCED will, during the regular audits performed at public schools, assess the existing trusts for such compliance.



## Ancillary Issues

### M1. SEGREGATION OF DUTIES

- No one person should do the following:
  - Initiate and approve a transaction
  - Record transactions and reconcile balances
  - Handle cash and verify deposits
  - Be both a procurement cardholder and a petty cash custodian
  - Handle assets and reconcile perpetual records to physical counts
  - Enter or approve a request for a cheque and have the cheque returned to him or her
  - Receive the segregation of duties report if he or she is able to both enter and approve transactions and thus have his or her transactions appear on the report.

### M2. APPROVALS

- Set limits on approval authority.
- Review supporting documentation.
- Question unusual items.
- Review for proper budget or object coding, especially of "unallowables" on grants.
- No "rubber stamps" or "blind" approvals.
- Segregate on-line transaction entry and approval.
- Do not share passwords.
- Do not split transactions to avoid higher approval levels.

An important control activity is the granting of approval.

- Approval of a transaction means that the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate, accurate, and complies with institution's policies and procedures.
- Before granting approval, approvers should review supporting documentation, verify the budget or object code accuracy, ensure that "unallowables" are not charged to grants or contracts, question unusual items (vendors or transactions), and ensure that necessary information is present to justify the transaction.
- The authority to grant approval should be linked to specific Rand levels.
- Transactions that exceed the specified Rand amount must require approval at a higher level.
- The authority to grant approval should be given only to individuals with sufficient authority and knowledge to recognize and challenge unusual transactions.
- Under no circumstances should an approver share his password with another person.
- Password security should be adjusted upon an employee's termination of service, transfer or change of responsibilities.
- To ensure proper separation of duties, the person initiating the transaction or the person



entering the transaction on-line should not be the person who approves the transaction.

- Should the latter occur, the finance officer or bursar will generate a segregation of duties report, identifying these transactions and send such reports once a month to the GB. This report must be signed and dated by another individual with approval authority indicating his or her review.
- The report should be maintained on file in the institution and be available for audit.

### **M3. REGISTERS**

#### **M3.1 Stock Registers**

- A stock controller should be appointed in writing by the GB to handle all aspects of stock management.
- A stock register is kept for items that are not 'consumables' (Annexure MA).
- Each item type of furniture and equipment, as well as each group of textbooks, should have its own sheet in the stock register.
- The stock register should accurately reflect all aspects attached to the various types of stock, e.g. date of purchase, number of items, description, value and disposal date.
- Where stock is disposed of, the disposal should be shown on the relevant sheet within the stock register

#### **M3.2 'Handing over' certificates**

- The issue of "handing over" in schools is extremely important (Annexure MB).
- A strict process of handing over ensures that responsibility and accountability are completely clear, and the school will avoid arguments and denials in the future.
- Where a new principal takes over a school, all aspects of school management and administration should be carefully and formally handed over.
- Handing over is especially important in stock control.
- The stock controller may be away from the school for a period of time, or he or she may for some reason decide to discontinue carrying doing the job. There needs to be a very clear handing-over time and process, otherwise there may be disagreements at the end of the year when items are discovered to be missing. Handing over must be done in the presence of a witness.

#### **M3.3 Remittance register**

- A remittance register is the register of all the money received by the school through the post (Annexure MC).
- This money may arrive in the post as one of the following:
  - Cheques
  - Postal orders
  - Money orders
  - Bank drafts

It is preferable that a person be delegated the task of handling all mail. This delegation

should be approved by the GB and done in writing. Mail should be opened in the presence of a witness to ensure that all money received is recorded in the remittance register. The presence of a witness also ensures the verification process.

### **M3.4 Distribution Registers**

- Some institutions delegate the receipting of school fees to class educators.
- Where the school employs this practice, a record of all receipt books issued must be kept, called a distribution register (Annexure MD).
- When a receipt book is issued, the person responsible must sign the register to acknowledge receipt of the book.
- Each receipt book must be returned to the finance officer when all receipts have been used. A new receipt book is then issued.
- Notwithstanding the above, all financial instruments, e.g. cheque books, deposit books, must also be issued via the distribution register to the persons responsible for handling the finances of the school.

### **M3.5 School Fund Registers**

- Where a computer software package catering or detailed ledgers is in use, a separate school fees register is not necessary.
- In the absence of a dedicated software package, it is imperative that the school keeps an accurate register of all school fees income to ensure that a precise indication of the amounts paid by learners as well as any outstanding amounts, are accurately recorded (Annexure ME).
- The register should also reflect any concessions or exceptions granted to learners by the GB.
- The finance officer should regularly reconcile this record with the primary source documents record.

### **M3.6 Postage Registers**

Schools must keep an accurate register of stamps bought and stamps used. A postage register, used to record all outgoing mail (post), should be in use. (Annexure MF).

The register should clearly indicate the following:

- Number of stamps on hand
- Date when mail was dispatched
- To whom mail was dispatched
- A column for the signature of the person responsible for the checking of the register

If the school uses a franking machine, the settings should be checked against the record of outgoing mail.

### **M3.7 Telephone Registers**

This is a record of all telephone calls made, and it shows whether the calls were for school

fund purposes or for private purposes (Annexure MG). Members of staff are asked to pay for their calls at the end of the month. The protocol for the use of telephones at schools is as follows:

- A register must be maintained in which details of all telephone calls will be recorded.
- The person who made the call must reimburse the cost of private calls to the school fund account. Itemized billing facilitates this process.
- A register must be kept of all fax usage. (Most fax machines can print this as a report.)
- The finance officer must take care that there is no abuse of telephone and fax services.

### **M3.8 Travel Logbooks**

- Where the institution contributes to the cost of travel by its staff, a travel record should be kept (Annexure MH).
- This record should reflect the following:
  - The date of the trip
  - The nature of the trip
  - The authoriser of the trip
  - The make and model of the vehicle
  - The kilometre reading of the vehicle before the commencement of the trip
  - The kilometre reading of the vehicle after the completion of the trip
  - The number of kilometres travelled
  - The rate of disbursement and the actual disbursement figure



**The WCED will be circulating the subsistence and travel guidelines to institutions in the near future (refer Circular 62/2004).**

### **M4. RECOMMENDED ADMINISTRATIVE PROCEDURES FOR THE HANDLING OF REQUESTS DIRECTED IN TERMS OF THE PROMOTION OF ACCESS TO INFORMATION ACT, 2000 (ACT 2 OF 2000) WITHIN THE INSTITUTION**



**The accompanying CD contains the WCED guidelines as well as**

THE PROMOTION OF ACCESS TO INFORMATION ACT, 2000(ACT 2 OF 2000). The guidelines are also available on WCED website at <http://wced.wcape.gov.za>

## **M5. WCED LEARNER TRANSPORT**

### **M5.1 Applying for learner transport**

The WCED's current requirements before such an application can be made by a school are as follows:

- There should be no school within a 5 km radius of the learners place of abode.
- There should be no hostel facilities at the school applying for bus transport for its learners.
- There should be no public transport available from the learners' place of abode.
- If there is/are (a) school(s) between the learners' place of abode and the school applying for the bus transport, it must first be confirmed that this/these school(s) cannot accommodate the learners concerned.
- There should be a minimum of 15 learners wishing to make use of the proposed transport service.
- The local municipality must be informed of the impending establishment of bus a bus service and the route to be followed.
- A there must exist a request and motivation for the service from the parent community.
- A description of the route must be drawn up, indicating the pick-up point(s) and the number of learners at each pick-up point, and an indication of the number of kilometres between pick-up points (from the point of departure to the point of arrival)
- The GB applies, via circuit manager, to the WCED
- The circuit manager will verify the application and submit it to the EMDC director, who will submit a recommendation to the Directorate: Physical Resources Planning at the WCED Head Office.
- Once Head Office approves, the Directorate: Logistical Services will advertise for the submission of tenders for the proposed route.

### **M5.2 Process after Approval of Bus Route**

- Once the learner transport scheme is approved by the WCED, the school must ensure that each learner who will be making use of this service completes a WCED 061 form. This form details the personal information of the learner being transported. The information required includes the following:
  - The name of the learner
  - The learner's address
  - The learner's school grade
- The above detail indicates whether the learner qualifies to be on the transport route. (Note that the e learner has to live a minimum of 5km away from the school). Each learner completes a WCED 061 form.
- The school manager must complete a WCED062 form each month, which accompanies the payment advice (invoice of service provider) sent to the relevant EMDC. The WCED 062 form is accompanied by the WCED 063 form (completed by the service provider and school manager) and represents a summary of the month's transport services rendered, i.e. total number of learners transported per day

- Copies of WCED 061 and WCED 062 forms must be kept on file at the school.

## **M6. TRANSPORT OF LEARNERS BY THE INSTITUTION**

The following guidelines are provided for institutions which set up their own learner transport schemes:

- The vehicle used for transport, i.e. bus, kombi, van, must be roadworthy.
- The bus company must have a public transport licence (PTL).
- Relevant insurance cover should be in place.
- Each driver of a vehicle must have a valid public drivers permit (PDP).
- Each vehicle must be certified to carry an approved number of passengers.
- Each vehicle must be registered with the Western Cape Transport Board.
- Each vehicle must be serviced regularly and the service record kept on file.



**The above-mentioned definitions are also applicable to transport secured via private contractors or parents for excursion purposes or transport schemes**



**Indemnity Forms must be issued for each excursion and checked for completeness. Expressions of 'reasonable measures' to safeguard the learners should be contained in the indemnity forms. Indemnity forms do not protect the school against criminal negligence, nor do they 'sign away' the legal rights of the learner.**



**Parents may amend or refuse to sign an indemnity form. Where parents refuse to sign, the learner may be excluded from the excursion, provided that the curriculum outcomes of the excursion are not denied the learner concerned.**



**Schools are advised to obtain insurance to cover any eventualities in this regard.**

## **M7. ACCESS TO INFORMATION**

In terms of Section 59 of SASA, schools have a duty to provide information:

- A school must make information available for inspection by any person, insofar as such information is required for the exercise and protection of such person's rights.
- Every school must provide such information about the school as is reasonably required by the Head of Department or the Director-General of the National Department of Education in consultation with the Head of Department. A copy of the relevant document must be available for scrutiny.

## **M8. NON-COMPLIANCE BY SCHOOLS WITH THE PROVISIONS OF THIS MANUAL**

- The WCED may, after a thorough investigation into the financial management and procedures of a school, decide to take appropriate action against any employee who has breached the employment relationship when dealing with school finances.
- At the request of the governing body, and after a thorough investigation into the financial management and procedures of a school, the WCED may assist the governing body to take appropriate action against any governing body member who has breached the fiduciary relationship between himself or herself and the school by mismanaging, stealing or being found to be involved in fraudulent activities when dealing with school finances.

## **ANNEXURES TO MANUAL**

- AA Application form for Auditors**
- AB WCED 043**
- AC Financial Policy**
- AD Application Form for Art 21 Status**
  
- BA Budget**
- BB Attendance Register**
  
- CA Application form for Investments**
- CB Application form for Overdrafts**
- CC Application form for Loans**
  
- DA Receipt**
- DB 18 A Receipt books**
- DC Tax Certificate**
- DD Annual Return**
  
- EA Cheque Requisition Form**
- EB Inventory Register**
- EC Creditor Payment Schedule**
  
- FA EMP 101**
- FB UIF 18**
- FC UIF 19**
- FD IT 3(a)**
- FE WAS 2**
- FF RSC 1**
  
- GA Schedule 1 Reduction of Working Hours**
- GB Employment Contract Template**
  
- IA Income Statement**
- IB Balance Sheet**
- IC Cash Flow**
- ID Audit Report**
- IE Asset Verification Certificate**
- IF Bank Reconciliation**
- IG Statement of Investment(s) or Note to Financial Statements**
- IH Statement of Outstanding Debts or Note to Financial Statements**
- IJ Certificate of Sound Financial Management**

**IK Certificate of Verification of Computer Receipting System**

**LA Rental Contract**

**MA Stock Register**

**MB Handing Over Certificate**

**MC Remittance Register**

**MD Distribution Register**

**ME School Fund Register**

**MF Postage Register**

**MG Telephone Register**

**MH Travel Logbooks**