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Wes-Kaap Onderwysdepartement

Western Cape Education Department

ISebe leMfundo leNtshona Koloni

Circular 0027/2001

TO:

CHIEF DIRECTORS, DIRECTORS, AREA AND CIRCUIT MANAGERS, PRINCIPALS AND GOVERNING BODIES ATTACHED TO ORDINARY PUBLIC AND LSEN SCHOOLS

AUDITORS OF SCHOOLS APPOINTED IN TERMS OF SECTION 43 OF THE SOUTH AFRICAN SCHOOLS ACT, 1996 (ACT 84 OF 1996)

1. The financial statements for 1999 provide evidence of a need for guidelines concerning the appointment and functions of auditors appointed in accordance with Section 43 of the Schools Act.
2. Subsection 3 of Section 43 stipulates that the auditor of a school may not have a financial interest in the affairs of that school. This means, among other things, that the auditor may not receive a direct or indirect income or allowance or advance from the school. No member of a school's staff (whether appointed by the state or by the governing body) may, for example be appointed as the auditor of the financial affairs of that school, nor may any member of the family of a member of the school's staff. A person who trades with a school in any manner may also not be appointed as its auditor, nor may any member of his or her family.
3. Section 43(3) stipulates that auditors must be able to do their work independently, with no personal financial considerations influencing their judgement. If there is any reason to believe that the auditor's judgement may be influenced by personal gain, such a person should not be appointed.
4. The auditor acts on behalf of the parent community. Although appointed and paid by the governing body, he or she does not take orders from the governing body or the principal. The auditor's report, which forms part of the school's financial statement, is a report to the parents and to the education department, just as the report of the auditor of a company is meant for its shareholders. In the first place the auditor must give his or her opinion as to whether the financial statements give a reasonable reflection of the financial state of affairs. To form an opinion the auditor must ascertain whether
 - the school's accounting and checking have been properly done.
 - all income is reflected in the financial statements.
 - all the expenditures reflected in the statements have been authorised.

- all the school's assets and liabilities are reflected in the statements.
 - the classification of the items in the statements are reasonable.
5. If there are defects in the annual financial statements, the auditor must point them out in the auditor's report. If, for example, income which is payable to the school has been paid into a trust, or if assets have been misused, the report must indicate this.
6. If an auditor discovers a substantial irregularity in the school's financial management, it must be reported at once to the Director: Accounting Services at the Western Cape Education Department (WCED). Substantial irregularities occur when there is negligence, incompetence or dishonesty in the management of the school's affairs and these can result in a large financial loss for the school (i.e. a loss that is large in proportion to the school's financial capacity).
7. Section 43 stipulates that the auditor should preferably be a registered auditor. The WCED view is that there should be no deviation from this rule, except in exceptional circumstances. All persons who qualify as accounting officers of close corporations and who are registered with one of the institutions listed below, are considered to be registered accountants.
- i) The South African Institute of Chartered Accountants.
 - ii) Accountants and auditors registered in terms of the provisions of the Public Accountants and Auditors Act, 1991 (Act 80 of 1991).
 - iii) The South African Institute of Chartered Secretaries and Administrators.
 - iv) The Institute of Cost and Management Accountants.
 - v) The Association of Commercial and Financial Technicians of South Africa.
 - vi) The Institute of Administration and Commerce in Southern Africa (In the case of this institution only those members who are company secretaries or who have obtained the Diploma in Accountancy or the Diploma in Cost and Management Accountancy are regarded as registered accountants.)
 - vii) Senior members of the South African Institute for Business Accountants.
8. Auditors must be familiar with the manual issued by the WCED which prescribes how the finances of schools must be administered. Governing bodies are requested to make this manual available to the auditor on appointment.
9. Each school is requested to obtain the following particulars from its appointed auditor(s) and submit these to the Director: Accounting Services by no later than 12 April 2001.
- Name of auditor
 - Address(es)
 - Telephone number(s)
 - Fax number(s)
 - Qualifications and/or professional body with which registered
 - Any form of involvement with the school which might influence the auditor's independence
 - Whether the auditor requires advice, guidance or training from the WCED

10. When a school's auditor is appointed, the governing body must give him or her a copy of this circular.
11. Any comments on the contents of this circular will be appreciated. These comments can be sent to:

THE HEAD: EDUCATION

For Attention : Director: Accounting Services

Western Cape Education Department

Private Bag X9114

CAPE TOWN

8000

Fax No. (021) 461 3656

12. Your co-operation will be appreciated.


for HEAD: EDUCATION

DATE: 12 March 2001