

6. FINANCIAL MATTERS

EXAMPLE OF A SCHOOL FINANCIAL POLICY

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(a) *Principles*

- Financial responsibilities of the School Governing Body (SGB)
It is the responsibility of the SGB, in keeping with the South African Schools Act, to
 - Collect school funds to supplement resources and funds made available by the State to cover operating expenses of the school;
 - Manage school funds, subject to requirements of the Head of Education and in consultation with the broad membership of the school community;
 - Keep record of all money received or spent by the school and of the assets, liabilities and financial transactions of the school;
 - Prepare a financial statement annually which reflects income and expenditure as well as assets and liabilities of the school as at the end of the school year;
 - Have the annual financial statements and other financial records of the school audited by a suitable qualified person who is duly registered in terms of the Public Accountants' and Auditors' Act of 1991 or duly appointed as such by the Head of Education;
 - Send a copy of the audited annual financial statement to the Head of education as soon as possible or within six months after the end of the school year, and make copies of the same audited statements available to the parents at the Annual General Meeting of the Governing Body;
 - Prepare an annual school budget in which the amount of fees to be made by each learner will be stipulated. The budget will be tabled and approved through a majority vote by the parent body at the Annual General Meeting of the Governing Body.
- Delegation of Responsibilities
The Governing Body accepts responsibility for the execution of these responsibilities. Where appropriate, certain of these responsibilities may be delegated to individual or collective adult members of the school community who are not members of the Governing Body.
- Amendment of Policies and Procedures
The policies and procedures indicated in this document may be amended only in a specially convened meeting of the Governing body, and by a majority vote of members of the Governing Body.

(b) *Receipt and Recording of Money*

- Introduction
 - The School Governing Body (SGB) will be responsible for the receipt and recording of all money received and spent by the school. For the purpose of this policy, money will include cheques, bills postal orders, credit card vouchers and travellers' cheques;

- The SGB will appoint, in writing, a person to act as the School Finance Officer and to look after the day-to-day receipt and recording of money;
 - All monies received by the school will be recorded immediately through the issue of a written pre-numbered receipt. The same numeric sequence should be used in the receipt cash book. The completed original receipt should be handed to the person making the payment. /the duplicate of the receipt will remain with the person issuing the receipt on behalf of the school;
 - The responsibility for the collection of school fees, from learners and their parents, will be delegated to class educators all of whom will be issued with their own duplicate receipt books. Educators will collect the receipt books from the Finance Officer every morning and return them at the end of each school day, or
 - Parents and learners will be encouraged not to hand over any money to educators but to pay it to the dedicated Financial Officer before school starts or in the afternoons immediately after the end of the school day. Learners should not be sent out of classrooms to pay school fees. The ideal should be that parents pay all monies directly to the Financial Officer.
 - All monies must be placed in the school safe or an equivalent secure place together with the receipt book soon after payment. The receipt book/s should, under no circumstances, be removed from the school premises; and
 - All monies received by the school should be deposited in the school bank at _____ Bank, Account Number _____.
- Issuing of Receipts
 - The school should make use of pre-printed receipts and affix the school stamp on all receipts issued for all payments to the school;
 - A receipt should be issued for every amount of money received, and for all cash surpluses;
 - A new receipt should also be issued where a previously dishonoured cheque is settled by the drawer. The original cheque entry should be reversed in the cash book; and
 - In the case of a post-dated cheque, a receipt should be issued only on the date on which the cheque can be deposited. A separate register should be maintained for post-dated cheques received. Such cheques must be stored in the school safe or an equivalent secure place until they are deposited into the school's bank account.
- Manner of Issuing Receipts
 - Receipts should be issued in numerical order;
 - Receipts should be completed in duplicate through the use of carbon paper (manual written receipts);
 - The details should be completed in blue or black non-erasable ink in clearly legible handwriting; and
 - All duplicate or carbon copies must be clearly legible.
- Detail to be included in Receipts
 - The full initials and surname of the payer, or the full name of a company or firm making payment. If another person makes payment on behalf of a payer, the receipt should still be made out in the name of the payer, and the name of the person physically making payment should be written clearly in brackets after the payer's name;
 - The amount of payment must be written in words and figures;
 - The nature of the money being tendered (e.g. cash, cheque, postal order, etc.) must be clearly indicated;
 - The receipt must be dated;
 - The reason for the payment (e.g. school fees or donation) must be completed in detail;
 - The name and signature of the person receiving the money and issuing the receipt must be clearly indicated in the receipt;
 - The person issuing the receipt should ensure that only one receipt is issued for each amount of money received;
 - No alterations are to be made on any receipt. If a mistake is made, the receipt should be cancelled by writing the word "CANCELLED" in clear letters in ink across the original receipt as well as the duplicate copy. The cancelled original and duplicate receipts should not be removed from the receipt book; and
 - The receipt book should be ruled off (in red ink) at the moment when money is banked. The date, series of receipt numbers and amount being banked should be clearly indicated. Similar balancing should be done in the accounting records, specifically the Receipt Cash Book before the money is banked.
- Safekeeping and Transport of Money in Hand

- Immediately after receipt. Money should be locked in the safe together with the receipt book.
 - In order to reduce the risk of loss through theft or robbery, a minimum amount of money should be kept in the safe.
- Depositing Money
 - Deposit slips should be properly completed, and the deposit slip totals should be balanced with the receipt cash book totals prior to the banking of the money;
 - Where a person other than the Finance Officer or Principal accepts responsibility to deposit money at the bank, that person should check the money to be deposited against the deposit slip details, and should co-sign the deposit slip as evidence thereof; and
 - Arrangements for depositing money must be varied to reduce the risk of loss through robbery. The Finance Officer or Principal must transport money to be banked accompanied by a different member of staff on each occasion.
- Issuing of Debtors Statements
 - Annual debtors statements should be issued within 10 days of the commencement of the academic school year; and
 - Quarterly debtor's statements should be issued within 10 days of the commencement of each school term.
- Control and supervision
 - Any person so authorised by the SGB or the Head of Education has the right to access the safe, money, deposit books, receipt and payment cash books at any time in the presence of the Finance Officer, the Principal or both for control and supervision purposes.
 - All income should be recorded in the receipt cash book, and expenses in the payment cash book daily;
 - Arrangements should be made to obtain bank statements on the last day of each calendar month. The cash books should be balanced and reconciled to the bank statements monthly;
 - The bank reconciliation should be given to the SGB or the person/s nominated by it for checking and control at least three days prior to the SGB's monthly meetings. The person/s checking must sign the reconciliation to indicate that they have checked it.

(c) Payments

- Payments by Cheque
 - All payments made by the school, except petty cash reimbursement cheques, should be made with a crossed cheque;
 - No money held for receipts may be used to make payments; and
 - Where it is not practical to pay a supplier by cheque (e.g. when buying postal stamps), such purchases should be paid for using the petty cash.
- Procedures for Issuing cheques
 - There must be three signatories to the school bank account, and they will include the Finance Officer and the Principal;
 - All cheques should be crossed "NOT TRANSFERABLE" and signed by two of the three signatories authorised by the SGB. Cash cheques may not be issued under any circumstances.
 - Any alteration on a cheque should be countersigned by both cheque signatories.
 - Where a cheque is cancelled, the "CANCELLED" should be written in ink across the cheque and on the cheque stub. The cancelled cheques should be filed in sequence together with the the bank returns after payment has been made.
 - In the event of the appropriate cheque signatories not being available, telephonic approval for deviating from the above requirements should be obtained from the Treasurer of the SGB; and
 - Only one cheque book may be in use at any one time.
- Authorisation of Payments
 - Payments should be made only when supported by properly authorised payment vouchers;
 - Only the SGB may authorise payments in excess of R_____ for any item.
 - Third party, personnel or school cheques may not be cashed in the petty cash;
 - Payments should not be made for items not included in the budget or where the budget will be exceeded unless prior approval of the SGB has been obtained.
 - Requests for payment must be made on a properly completed cheque requisition form;

- The requisition form will be approved only if accompanied by authorisation to purchase (where possible, in the form of an order form), and a detailed invoice, signed as evidence of the receipt of goods or services being paid for;
 - Two of the three signatories should check the invoice details prior to approving the requisition form or signing the cheque used for the payment for goods/services;
 - Tenders or quotations should be called for in the case of non-routine expenditure including capital expenditure. Tenders or quotations should be obtained from at least three independent suppliers;
 - All tenders or quotations must be considered and approved by the SGB or an appropriately constituted sub-committee of the SGB at a meeting specially convened for this purpose;
 - A short list of possible suppliers should be compiled and appropriate enquiries made regarding their ability to provide the goods/services required; and
 - Unless valid reasons or concerns exist, the lowest tender or quotation should be accepted.
- Safekeeping of Vouchers
 - All payment vouchers, cheque requisitions, bank statements and paid cheques should be properly filed for audit and reference purposes; and
 - Cheque requisitions and payment vouchers should be filed in sequence according to cheque numbers, together with their respective returned paid cheques.
- Order forms
 - Order forms should be printed in triplicate, and pre-numbered;
 - Order books should be recorded in the controlled stationery register. When order books are required, they must be signed out by the Finance Officer, Principal or any other person/s so authorised by the SGB;
 - The school stamp must be affixed on both the original and duplicate copies of the order books; and
 - Under no circumstances are individual persons to authorise order forms in excess of R_____. Only the SGB will have powers to authorise order forms in excess of R_____.

(d) Petty Cash

- Amount of Petty Cash
 - An initial amount of R_____ will be made available for petty cash. The SGB will determine the maximum amount of petty cash float from time to time. The amount should be sufficient to cover the normal daily petty cash requirements of the school; and
 - The original petty cash advance should be made in the form of an uncrossed cheque made out to the Finance Officer or Principal. Thereafter, the petty cash should be reimbursed by cheque upon the presentation of appropriately authorised petty cash vouchers.
- Procedures for Controlling Petty Cash
 - No Advances ("IOU's") may be made out of petty cash, except where an amount is authorised, for example, to be given to a person to purchase stamps or pay entrance fees for a class outing. Wherever possible, the amount due should be determined in advance and payments made by cheque;
 - The petty cash box should be kept in the safe or equivalent secure place when not in use;
 - Only the Finance Officer, Principal or other person/s duly authorised by the SGB may have access to the petty cash box; and
 - The petty cash should be balanced and reconciled monthly.

(e) Surpluses and shortages

- Should a cash surplus be found, the amount should immediately be accounted for through the issue of a receipt, and the reason for the surplus be thoroughly investigated;
- Should a cash surplus result from under-spending or the generation of greater income than required (for example through fundraising), such a surplus may be invested in accordance with Section (f) or be used to off-set partially or completely anticipated increases in school fees during the following year;
- Should a cash shortage be found, the responsible person (SGB Treasurer, Finance Officer, Principal, Class Teacher or duly designated person), should pay the amount and make an appropriately described entry in the receipt cash book; and
- In the event of a shortage, the SGB may permit the responsible person to provide it with all relevant facts and, if the SGB is satisfied that the responsible person should not be held liable for the shortage, it may authorise the writing off of the shortage.

(f) *Investment Policy*

- No investments of a speculative nature may be made using school funds or resources;
- Unless otherwise authorised by the SGB, investments should be made only at a registered commercial bank;
- No agents should be used when placing deposits in an investment account, and no commissions should be received by anyone for the placing of deposits;
- Unless otherwise authorised by the Head of Education, investments will be in one or more of the following forms;
 - Current or Cheque account;
 - Transmission or Savings account;
 - Call Account;
 - Notice Deposit Account; and/or
 - Fixed Deposit Account
- Deposits can be moved between banks or types of investment based only on factors such as the interest rates offered and the cash flow requirements of the school; and
- The composition of the school's investment portfolio will be reviewed monthly by the SGB.

(g) *Budget Procedures*

- Responsibility
The annual budget should be drawn up by the SGB or person/s duly appointed by the SGB to perform this task, and should be tabled at the Annual General Meeting for approval by the parents.
- Objectives of Budget Preparation
 - An annual budget should contain a detailed financial plan of activities which are scheduled to take place during the school year. It should provide information about expected income and anticipated expenditure;
 - An annual budget should be used as a measure according to which income and expenditure can be compared with each other;
 - The budget should also be used as a control mechanism to monitor whether or not the school is meeting its goals and objectives as outlined in the budget and vision and mission statements; and
 - The budget should be used as an instrument to determine corrective measures, on a monthly basis, which may need to be made to the school's financial plan.
- Basis for Budgeting
 - There should be a clear link between the mission statement and the budget of the school;
 - All activities of the school should be related to one or more goals of the school indicated in the mission statement. The budget should be drawn up only after the goals of the school for the relevant year have been determined;
 - A combination of three budgeting methods, namely: incremental, zero-based and activity-based budgeting will be used to determine allocations to different items in the budget; and
 - Incremental budgeting will be used to allocate resources to stable cost-structures such as established extra-curricular activities. Zero-based budgeting will be used to make allocations to new items, and activity-based budgeting will be used to determine which items should receive priority during budgetary processes.
- Principles in the Preparation of the Budget
 - The budget should be realistic;
 - All available sources of income should be considered;
 - All possible expenses, capital, maintenance and revenue, should be considered;
 - Proper motivations should be prepared and presented to the SGB for all cost-centres;
 - A separate budget preparation form must be completed for each item of income or expenditure;
 - The budget should take into account aspects such as changes in legislation, price increases and changes in interest rates, as well as the short-, medium- and long-term goals of the school;
 - All interested parties, particularly parents of learners enrolled in the school, should be allowed to make inputs into the budgeting process; and
 - The budget should recognise the need to build up reserves for major school improvement initiatives such as major maintenance.
- Budgetary Control
 - The responsibility for budgetary control rests with the Governing Body. On a day-to-day basis, the responsibility rests with the Finance Officer, the Principal, Activity Heads and Class Teachers;

- The reporting of compliance with the budget will be achieved through the submission of monthly reconciliation statements (of bank statements and cash books) to the SGB or person/s appointed by it to check the statements monthly;
- All excesses in budget should be approved by the SGB. The SGB will consider all relevant facts when deciding whether or not to approve any excess expenditure. Where possible, excess expenditure should be balanced with reduced expenditure in other cost centres, but without adversely affecting the school's ability to meet its goals; and
- Payments requiring urgent authorisation between SGB meetings should be discussed with the Chairperson or Treasurer of the SGB, or the member of the SGB responsible for that particular cost centre or activity.

(h) Financial Reporting

- The financial year of the school runs from 1 January to 31 December.
- Monthly Reporting
 - Financial statements should be prepared monthly for submission to the SGB or person/s appointed by it for reporting purposes. The statements should be distributed at least three days before the monthly meetings of the SGB;
 - Monthly statements should provide information on the following:
 - Income and expenditure for the month and for the year to date;
 - Comparisons of amounts with budgeted amounts and an analysis of any variance;
 - Projected income and expenditure for the year;
 - Total amount of fees outstanding;
 - Analysis of debtors and debts owed to the school;
 - Status of all projects (both major and minor); and
 - Details of money in the bank and funds invested.
- Annual Financial Statements
 - Unaudited Financial Statements should be presented to the SGB for consideration within 1 month after the end of each financial year;
 - Audited Annual Financial Statements should be presented to the SGB within 2 months after the end of each financial year;
 - The audited Annual Financial Statements should be tabled for noting at the AGM of the SGB within 3 months after the end of each financial year; and
 - The audited Annual Financial Statements should be submitted to the Head of Education within 6 months after the end of each financial year, as required by the South African Schools Act.
- Audit
 - The Annual Financial Statements should be audited by a person appointed by the Governing Body, who is registered as a public accountant and auditor in terms of the Public Accountants' and Auditors' Act of 1991 or authorised by the Head of Education to act as such; and
 - The auditor may not be a member of the SGB.

(i) Procedures for Hand-over of Financial Responsibilities

The SGB will determine procedures for the handing over of financial responsibilities from one person to another from time to time. Such hand-overs will be formalised with the completion of a Delegation of Responsibilities Form. (See below)

DELEGATION OF FINANCIAL RESPONSIBILITIES

Mr/Mrs _____ (full names), you are hereby appointed, on this date _____ (day, month, and year) by the School Governing Body to act as the _____ on behalf of the Governing Body.

In your capacity as the _____, you will be expected to fulfil the following functions:

- i.
- ii.
- iii.
- iv.
- v.

As one of the persons responsible for the finances of the school, you will be given access to the school safe. You are hereby handed the safe key number _____ for which you will remain responsible until you are recused from such responsibility in writing by the SGB. When this occurs, the said key should be handed back to the Treasurer of the SGB immediately.

You will carry out your duties in accordance with the School Financial Policy, a copy of which has been given to you.

You are required to perform the specific tasks delegated to you according to Section/s _____, _____, _____, _____ and _____ of the School Financial Policy.

SIGNED: _____
Treasurer: SGB

SIGNED: _____
Person Responsible

SIGNED: _____
Chairperson SGB

SIGNED: _____
Principal