

SCHOOL MANAGEMENT WORKSHOP

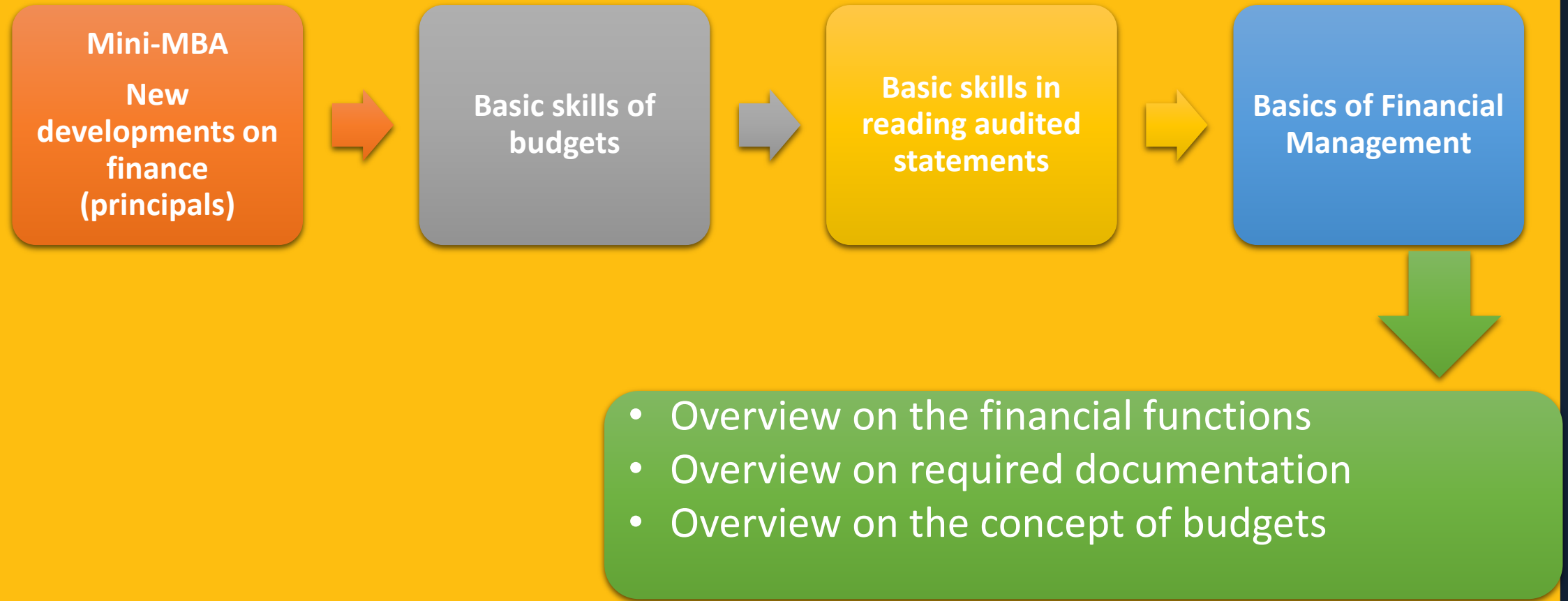
FINANCIAL MANAGEMENT

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7 SEPTEMBER 2021



DIE VERANDERING IN ONDERWYS
THE CHANGE IN EDUCATION

SERIES OF PRESENTATIONS



**WHAT IS FINANCIAL
MANAGEMENT?**

**DOCUMENTATION
NEEDED?**

**DIFFERENT
FUNCTIONS?**

BUDGET OF A SCHOOL?

WHAT IS FINANCIAL MANAGEMENT?



SAOU

WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?

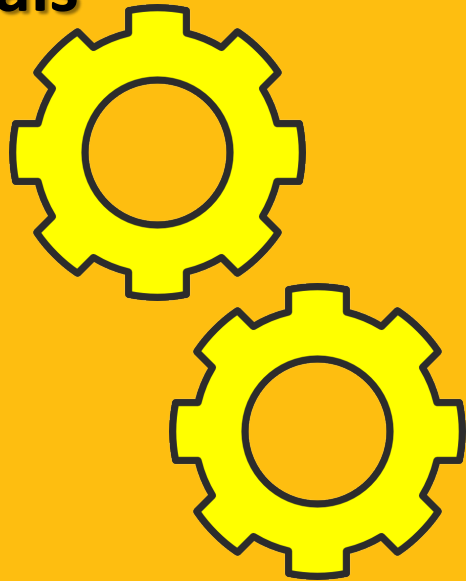
Effective financial management ensures:

- All financial regulations and procedures are complied with
- All financial transactions are recorded accurately
- Adequate controls are in place to ensure that expenditure does not exceed income
- Only authorised expenditures are incurred

PARADIGM FOR FINANCIAL MANAGEMENT



**School
development
goals**



FINANCIAL MANAGEMENT

Financial Management can be defined as seeing to it that the school has the funds it requires to meet its goals and that such funds are used for the purposes for which they were meant. Accountability in the management of these funds are necessary and can only be guaranteed through proper recording and reporting activities.

Areas which are covered:

- The procurement of funds
- Allocation of funds
- Monitoring the use of funds in the interest of accountability and producing financial reports for the relevant stakeholders.

FINANCIAL MANAGEMENT

REPORTING

Financial reporting refers to the following procedures:

1. Daily reporting
2. Monthly recording, analysis and reconciliation

FINANCIAL MANAGEMENT

Proper recording systems should include:

1. Cash book / Cash journal
2. Petty cash book
3. Procurement plan
4. Deposit register
5. Commitment register
6. Audited financial statements

FINANCIAL MANAGEMENT

RECORDING AND REPORTING

Schools are required by legislation to have relevant supporting financial documents:

- ❑ SASA (Section 42 a) Schools are mandated to institute proper financial records which reflect the school assets, liabilities and all financial transactions that the school has entered into.

FINANCIAL MANAGEMENT

SASA: The Treasurer shall directly, with the Finance committee, be responsible for the preparation of the following annual reports-

- i. Balance Sheet
- ii. Revenue and Expenditure Statement
- iii. Budget Report (Revenue and Expenditure Variance Report
- iv. Provide guidance for the maintenance of accounts and their closure.
- v. Draw up a detailed annual timetable for final accounts preparation, approval and audit.

THE BUDGET OF THE SCHOOL



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CASE STUDY

EXPENDITURE	
Water and electricity	R900,00 pm
Transport costs	R800,00 pm
Stationery	R700,00 pm
Staff development	R250,00 pm
Sports	R500,00 pm
Audit fees	R1200 per year
Bank charges	R1200 per year
SGB Meetings	R1200 per year
Repairs	R4800 per year
TOTAL PER YEAR	

**INCOME =
R24 000,00**

Assist Mr M to
compile a
budget for this
school

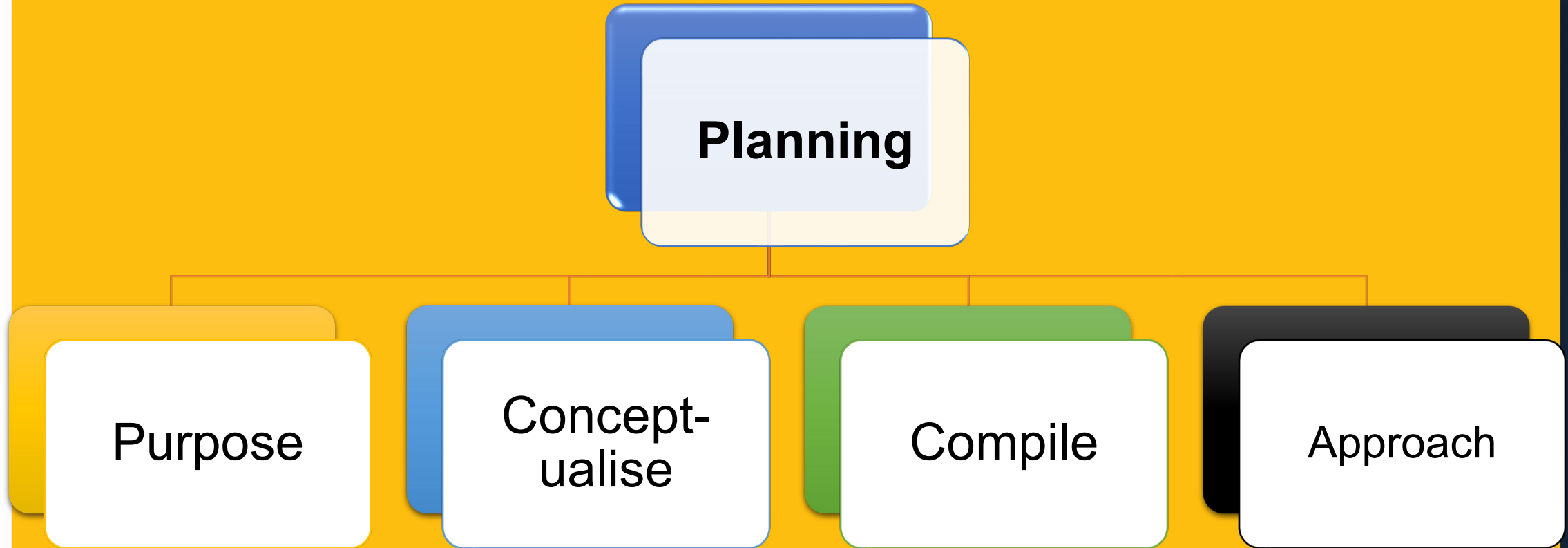
CASE STUDY

1. What is the total income for the year?
2. What is the total expenditure for the year?
3. What can Mr M do to balance his budget?

**Increase
income**

**Decrease
expenditure**

BUDGET PLANNING



PURPOSE OF A BUDGET

Good financial practice means:

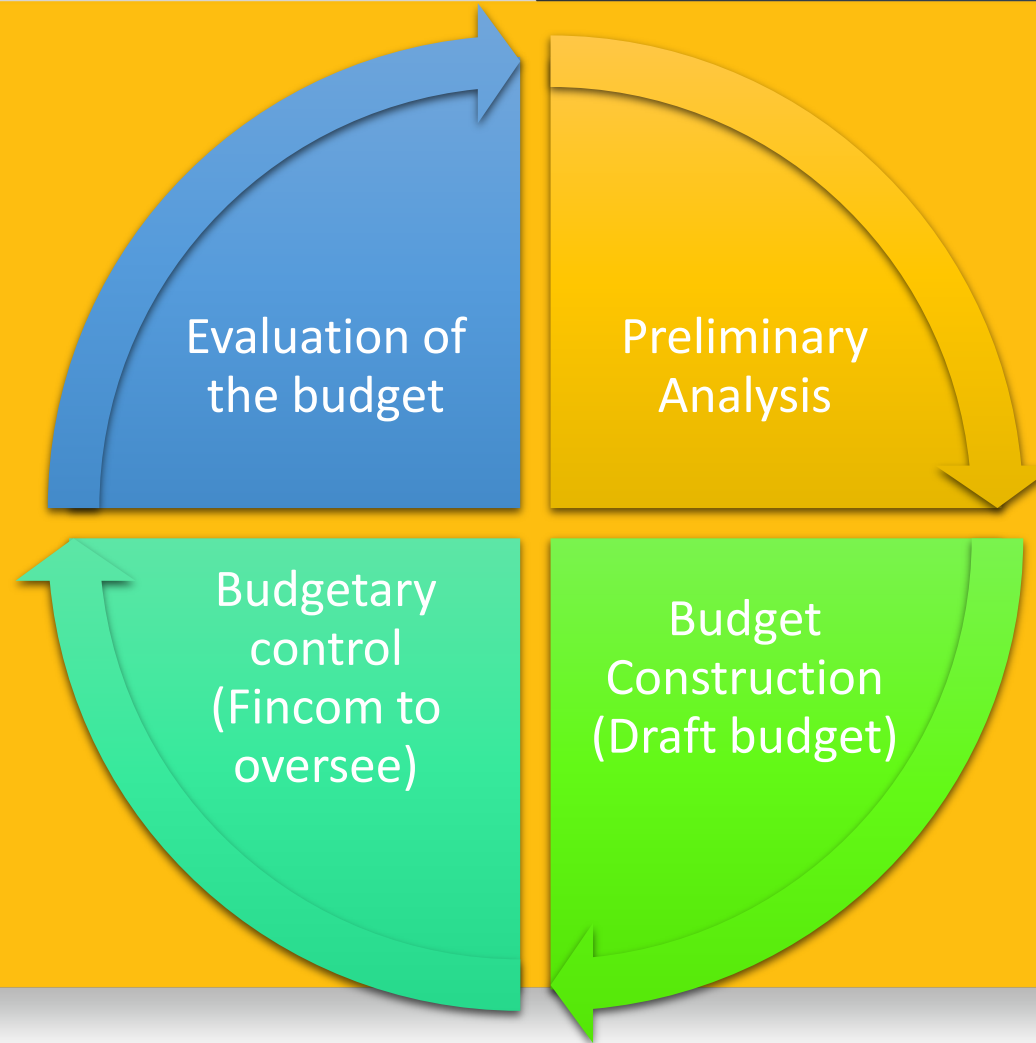
- managing money and
- money processes
- so the budget is aligned with the school's strategic plan.
- Budgeting is an important process that allows for some delegation of financial tasks and responsibility in larger schools.

<http://www.educationalleaders.govt.nz/Managing-your-school/Guides-for-managing-your-school/Understanding-school-finances>

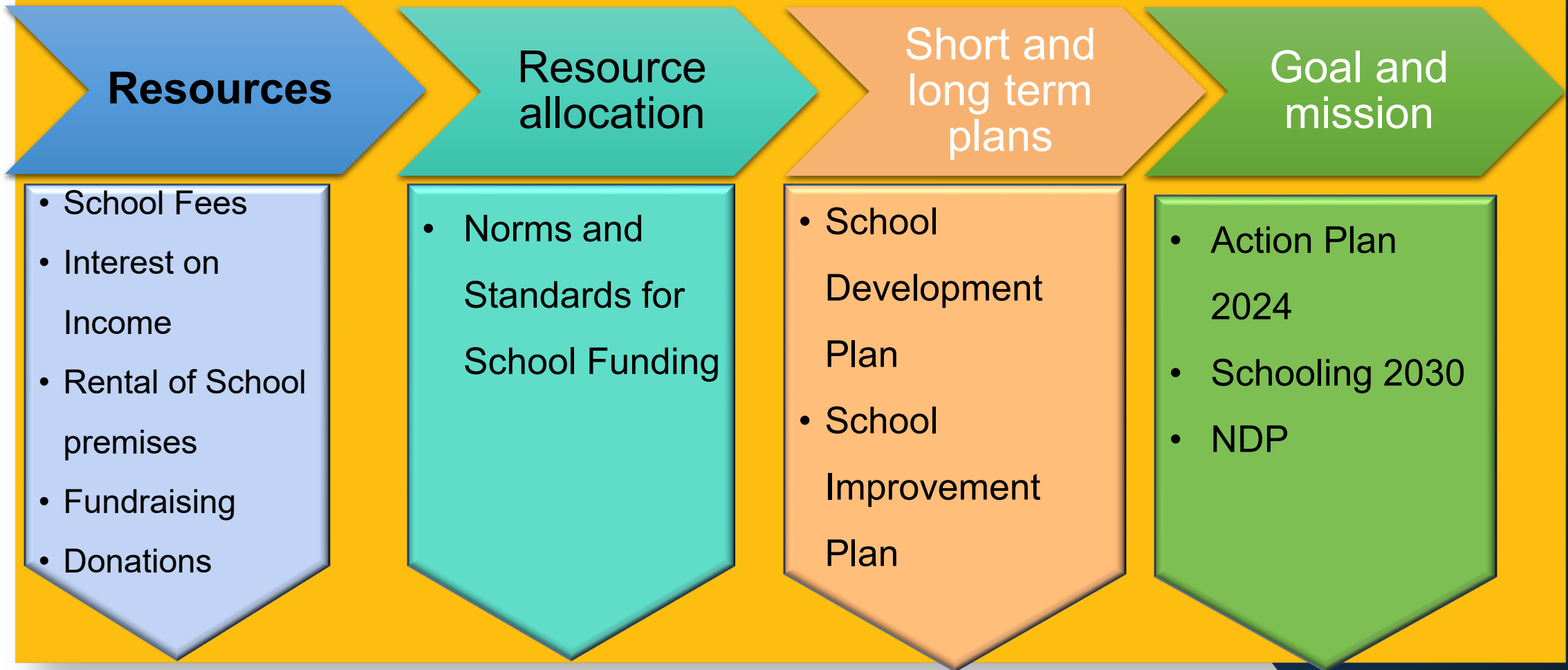
PURPOSE OF A BUDGET

- All income and expenditure must be properly budgeted for (including 38A provisions)
- The budget must take account of the historical situation in respect of bad debts and exemptions
- The budget must be a balanced budget – you may not budget for either a surplus or deficit
- The budget may allow for reasonable reserves

CONCEPTUALISING THE BUDGET



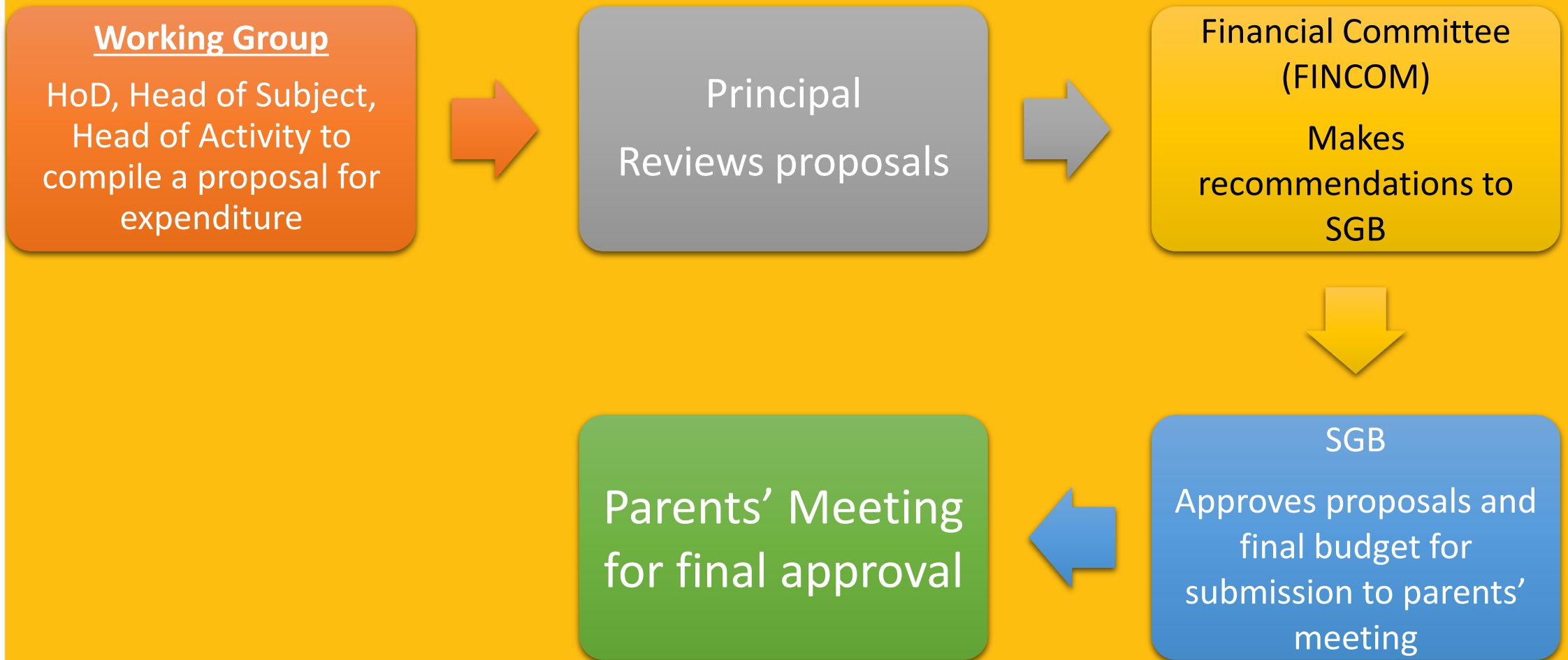
CONCEPTUALISING THE BUDGET



CONCEPTUALISING THE BUDGET

INCOME	EXPENDITURE (Where applicable)
State Funding for non-personnel costs	Audit Fees
School fees	Bank charges
Interest on Income	Cleaning and sanitation
Rental of School Premises	Electricity and water
Fundraising	Printing
Donations	Stationery
	Repairs and Maintenance
	Salaries and wages
	Security services
	Sport and Extra curricular activities
	Telephone and fax
	Textbooks, transportation
	Leases

COMPILATION OF THE BUDGET



COMPILATION OF THE BUDGET

Preparation of the budget

- Inputs from various departments
- Fincom compiles the draft
- Draft submitted to SGB

Submission of budget to parents

- Meeting notice (30 days)
- Draft budget available
- Approval of budget at meeting

Acceptance of budget

- Procedures of meeting
- Parents' vote and approval of budget
- Approved budget guides expenditure

Monitoring of budget

- Budget is managed by Fincom
- Fincom consults with SGB
- Deviations subject to approval from SGB

COMPILATION OF THE BUDGET

The Budget Process:

- Compiling a budget ensures good financial management
- The figures must be realistic and data on previous periods are vital
- Broad guidelines of the budget should be established

COMPILATION OF THE BUDGET

Number of
learners in
school

Personnel
planning
(Where
applicable)

State
funding

School Fees
(Where
applicable)

Other
sources of
Income

Expected
expenditure

Budget

COMPILATION OF THE BUDGET

Possible criteria to consider:

- Equitable allocation to the needs of different subjects
- Taking cognisance of the school's priorities
- Facilitation of long term planning
- Ability to react to environmental change
- Ability to spend wisely
- The budget should be easy to understand and widely accepted.

SCHOOL FEES AND FEE EXEMPTION

Types of
Public Schools

Fee paying

Non Fee
paying

Legislation requires
“No Fee Schools” to
provide a budget

APPROACHES TO BUDGETING

Incremental

- Previous budget is adjusted with increments for any anticipated increases in income and expenditure. These are normally inflation linked percentages

APPROACHES TO BUDGETING

Pragmatic

- Based on previous budget but attempts to improve on the previous year based on savings

APPROACHES TO BUDGETING

Base

- The schools' planned priorities is the starting point. The budget allocation is "ring fenced" and most of the money cannot be used for anything other than core school activities

Type of School

Section 21
School

Autonomous
(Apply for additional
functions)

- Full Financial responsibility
- Prepare budget
- Procurement
- Maintain / Improve school property
- Manage expenditure

Non-section 21
School

Management by
Department

- Budget is provided
- Dept administer funds
- Procurement

SGB / School administer
and manage

- Expenses
- Submit documentation
- Maintain accounting records
- Prepare financial statements

Preparation of the budget

PROCESS
Effective
Efficient
Transparent
Compliance with policies and procedures

Approval of budget

PROCESS
Effective
Efficient
Transparent
Compliance with policies and procedures

Variance

Variance report
Minutes approving variance report
Minutes approving changes

SOME ASPECTS OF A BUDGET

All income and expenditure must be properly budgeted for (38A)

Takes account of historical situation (bad debts and exemptions)

A balanced budget
(not a surplus or deficit)

May allow for reasonable reserves

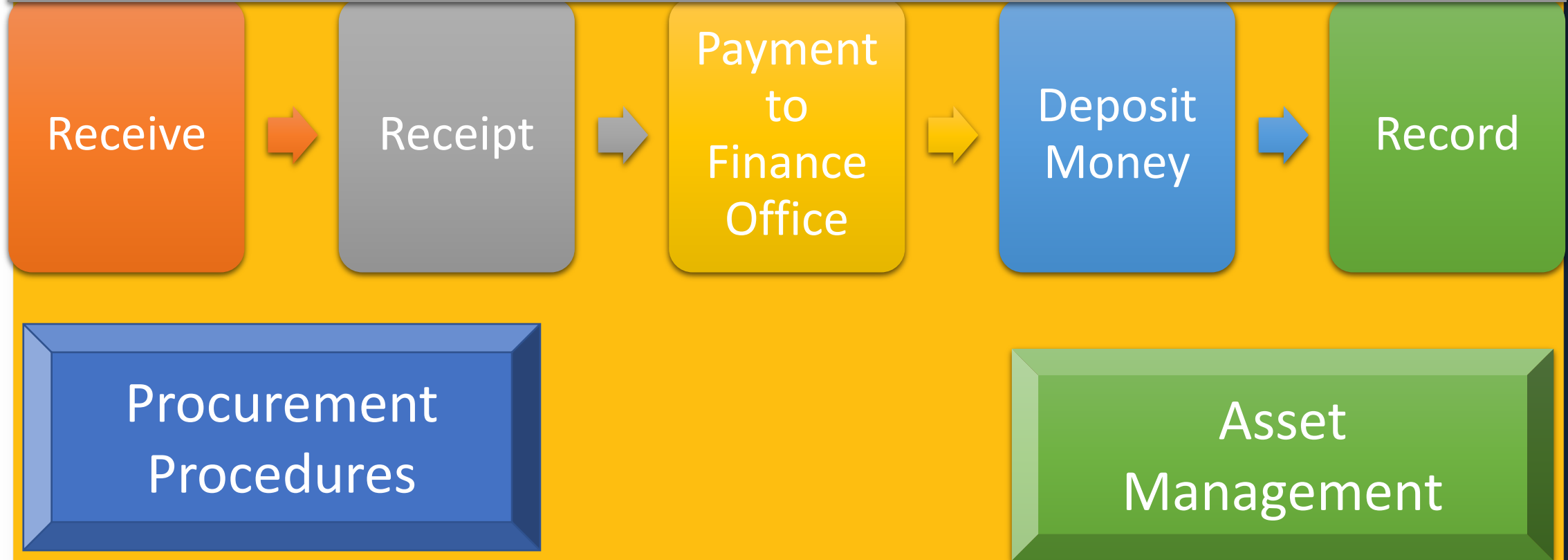
ACCOUNTING AND FINANCIAL POLICY



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THE PRINCIPAL

Draws up a Financial Policy



FINANCIAL POLICY

❑ Minimum requirements for a financial policy

- ✓ Monthly budget variance
- ✓ Monthly Income and Expenditure
- ✓ Quarterly Income and Expenditure
- ✓ Budget Variance
- ✓ Audited Annual Financial Statement
- ✓ Virement

Clarke (2008), Mestry (2006)

FINANCIAL POLICY

- The Financial Policy will indicate the areas of principle
- The Accounting Policy deals with the practice of implementing the principles.

ACCOUNTING POLICY

Bank

Petty Cash

Cash receipt

Cash Disburse

EFT

Asset
Management

Capital
Repairs

Account
Reconciliation

Trusts

Tax

Loans

Procurement
Policy

Travel

Training

Fundraising
Activities

ACCOUNTING POLICY

A. Bank Accounts and Reconciliation

- All school receipts and disbursements should flow through one interest bearing cheque account. A petty cash fund may be used for minor expenditures.
- There should be at least two signatories on all school accounts. It is advisable that the bookkeeper should not be an authorised signer on the account. A Trustee or Finance Committee member may also be designated as an authorized signer.
- A copy of the bank statement should be maintained and the original sent to the proper person for reconciliation.
- Bank accounts should be reconciled on a monthly basis by a person independent of the handling and recording of cash.

ACCOUNTING POLICY

1.All money received must be recorded as income and must be deposited into one school account. This refers to:

- School fees; Government subsidy; Proceeds from Tuck shop; Donations; Asset disposal; Fundraising; Interest from investments

2.A receipt should be issued for all money received

3.Receipts should adhere to the following

- Date of receipt
- Name of the payee
- Differentiation between type of payment: cheque, cash, direct deposit, EFT.

4.Money received should be recorded in a Receipt Cash book

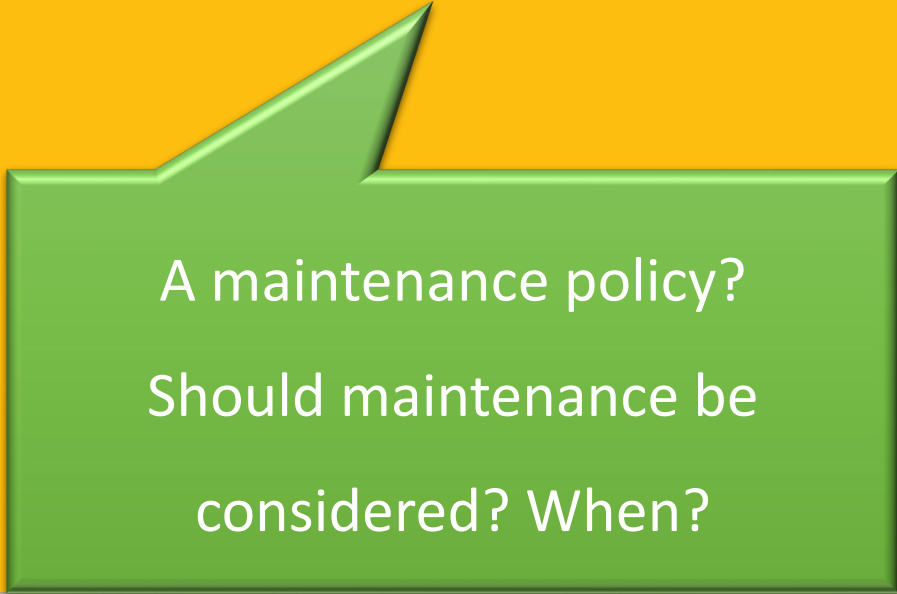
5.All the money should be deposited into the school account

6.Deposit slips should be recorded

ACCOUNTING POLICY

It is advisable that:

1. An inventory register be kept
2. Annual stock takes should be conducted
3. Depreciation of assets to be taken into account



A maintenance policy?
Should maintenance be
considered? When?

ACCOUNTING POLICY

Personnel appointed and paid by the SGB. In some instances schools appoint personnel through the SGB. It is necessary to ensure that:

- Documents be provided to the Financial Administration on the remuneration and the benefits which these appointees will receive
- A service level contract which states remuneration and benefits
- These employees should be in possession of UIF cards
- These employees have to be registered with SARS and have a SARS number available.
- The school's PAYE reference number will be needed to complete the transactions
- Skills levies have to be paid for these employees.

Does the SGB
employ staff?
If so 38A

ACCOUNTING POLICY

LOANS

School makes a
loan

School takes a
loan

ACCOUNTING POLICY

LOANS

Schools are prohibited from entering into loan agreements.

- Section 60 was added to SASA. This states that the
 - State will be required to cover the debt if a school defaults
 - Except in case of SGB salaries
- Therefore schools need permission of MEC to:
 - Take out loans
 - Repayable loans – building a school hall which will become a resource.
 - Purchase fixed assets per lease/ suspensive sale / hire purchase agreement
- Schools **may not make loans to staff** or any other entity

ACCOUNTING POLICY

Irregularities

All suspected irregularities with regard to the management of school funds must be reported without delay to the Department and the South African Police Service, when appropriate.

Misappropriation?

Mismanagement?

Fruitless expenditure?

FINANCIAL AND ACCOUNTING POLICY

Financial planning refers to the following processes:

1. Drafting of the School Development Plan as well as the School Improvement Plan and approval by the SGB thereof
2. Drafting the school budget and presentation to parents for approval
3. Determination of school fees by the SGB (where applicable)
4. Allocation of budget per cost item according to prescriptions from Department
5. Drafting of the procurement plan
6. Drafting of budget implementation plan

DIFFERENT FINANCIAL FUNCTIONS?



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FINANCIAL FUNCTIONS

TEST YOUR KNOWLEDGE

Here are a few financial management functions. Allocate these functions to the person responsible. Refer to the relevant policies for the answers

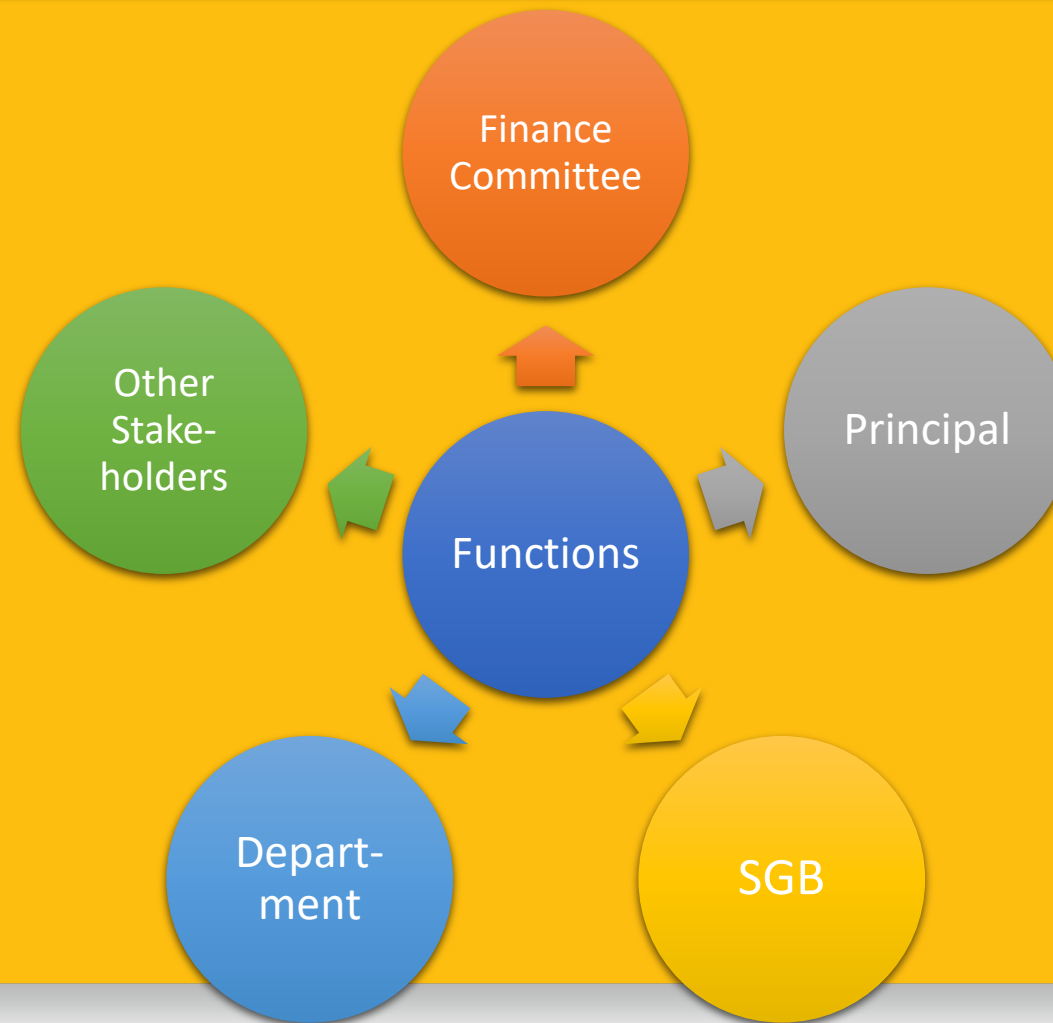
Function	SGB	PRINCIPAL
Assist the SGB with their functions in terms of SASA		
Start and administer a school fund (Section 37(1) SASA)		
Keep the financial records of the school (Section 42a SASA)		
Administer the process of budgeting for costs and manage the budget (C3.3 (1.21) PAM)		
Manage the compilation and finalisation of the annual financial statements (4.2(e) (v) PAM)		
Monitor compliance		

FINANCIAL FUNCTIONS

- The first and most important function managing a school's finances is to be quite clear **who is responsible for what**. Overlapping responsibilities need to be minimised because the areas of overlap are likely to be areas of conflict. The lines of responsibility need to be clearly drawn.

Clarke (2008)

FINANCIAL FUNCTIONS



FINANCIAL FUNCTIONS

- P
R
I
N
C
I
P
A
L**
- Assist SGB with Management of school funds
 - The role of the principal is to advise the SGB on:
 - Information related to conditions or directions imposed by Minister, MEC or HoD
 - Financial implications of financial decisions
 - On reasonable steps to prevent financial maladministration
 - The role of the principal is to
 - Be a member of Fincom and any finance delegation
 - Report any maladministration to the HoD

FINANCIAL FUNCTIONS

P R I N C I P A L

Obligations of the principal

1. The principal must **maintain a complete record of statutory provisions, regulations and departmental instructions** relating to the financial management of the school, and the finances of the governing body.
2. The principal must ensure that he/she and staff under his/her control, appointed to assist the governing body in the execution of its duties, are **acquainted with all statutory provisions, regulations and departmental instructions** of which he or she must bear knowledge to enable him/her to assist the governing body in the execution of its functions.

FINANCIAL FUNCTIONS

P R I N C I P A L

Obligations of the principal

3. The principal must ensure that all statutory provisions, regulations and departmental **instructions are observed** by him/her and by employees under his/her control.

FINANCIAL FUNCTIONS

S G B

- Office bearers –

At its first meeting, the SGB shall, from amongst its members, elect office bearers, who shall include at least the following:

- (i) Chairperson;
- (ii) Treasurer; and
- (iii) Secretary.

FINANCIAL FUNCTIONS

S G B

Responsibilities of office bearers in financial management –

SGB Chairperson shall be the Accounting Officer of the finance accounting authority (SGB) of a public school; The Treasurer shall –

- (i) oversee all financial matters of the school as directed by the SGB;
- (ii) serve as a chairperson of the finance committee;
- (iii) advise the SGB on financial matters;

FINANCIAL FUNCTIONS

FINCOM

Constituting the Finance Committee –

- (i) There shall be at least six and at most eight members in the Finance Committee – of which three of them shall be parents.
- (ii) The principal, chairperson of the Governing Body and Treasurer must form part of the Finance Committee.
- (iii) Treasurer is the chairperson of the Finance Committee.

FINANCIAL FUNCTIONS

**F
I
N
C
O
M**

Planning the budget

- Financial Resource allocation, distribution and spending.
- Efficiency; Effectiveness; Economy

Implementing the budget

- Actual spending of the funds allocated

Monitoring the budget

- Develop of a control system. (Budget variance reporting)
- Monthly reporting of actual expenditure.

Evaluating the budget

- Examines if money allocated managed to achieve school outcomes

S

FINANCIAL FUNCTIONS

F I N C O M

Responsibility of the Finance Committee –

Finance Committee shall –

- (i) prepare and present financial reports to the SGB;
- (ii) be responsible for controlling and monitoring all financial matters at the school;
- (iii) co-ordinate and prepare the school's annual budget;

FINANCIAL ACCOUNTABILITY



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RECORDING AND REPORTING

The following reports are important:

- i. Balance Sheet
- ii. Revenue and Expenditure Statement
- iii. Budget Report (Revenue and Expenditure Variance Report)
- iv. Provide guidance for the maintenance of accounts and their closure.
- v. Draw up a detailed annual timetable for final accounts preparation, approval and audit.

RECORDING AND REPORTING

Complete

Accurate

Magtiging

Validity

Existence of transaction

Errors in handling

Delegation of functions

Presentation



WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?

- Education laws lay down certain requirements for principals of schools
- Remember
- A principal acting in his / her capacity as a principal is a public official, not a private person
- A public official may do ONLY what a law permits when acting in his / her official capacity
- A private citizen may undertake any actions which law does not prohibit
- The principal MUST do what the law requires when acting in his / her official capacity

WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?

What happens if the principal does not do what he / she has to do with regard to Financial Management?

Employment of Educators Act, Act 76 of 1998

Section 18 Misconduct

18 (1) (b) Wilfully or negligently mismanages the finances of the State, a school or adult learning centre

There are other provisions as well and if found guilty after due process, one of the sanctions that is possible is dismissal (18 (3) (h)) and also 18 (5)

WHAT IS EFFECTIVE FINANCIAL MANAGEMENT?

What we learn is that the management of finances is part of the principal's duty as laid out in law.

What we also learn is that if this duty is not properly carried out, it could lead to disciplinary action and even loss of employment.

Therefore, Financial Management matters a lot and that is why we are here – to make sure we do the right things in the correct way and that we avoid some common pitfalls.

Legislation

NATIONAL LEGISLATION

- Audit and Accounting Act
- Regulations
- Policies
- Prescripts (Circulars)

PROVINCIAL LEGISLATION

- Regulations
- Policies
- Prescripts (Circulars)

SCHOOL LEVEL

- Financial Policy
- Accounting Policy
- Governing Body Mandates

Documents relevant to financial management

SASA

NEPA;

EEA

PFMA

ELAA

The Division of
Revenue Act,
2013,

Public Service
Act, 1994;

PAM

Norms and
Standards for
Funding of Public
Schools

King III / IV
Report

Additional
Reading

South African Schools' Act

RELEVANT SECTIONS TO FINANCIAL MANAGEMENT

16 A

20

34 (1)

37

38

42

43

South African Schools' Act

16 A

20

34 (1)

37

38

42

43

South African Schools' Act

Section 16 A

Functions and responsibilities of principal of public school.

(1) (a) The principal of a public school represents the Head of Department in the governing body when acting in an official capacity

(2) The principal must—

(g) provide the governing body with a report about the professional management relating to the public school; inform the governing body about policy and legislation; [Para. (f) amended by s. 9 of Act No. 15 of 2011.] Wording of Sections

provide accurate data to the Head of Department when requested to do so; and;

South African Schools' Act

SECTION 16 A

- assist the governing body with the management of the school's funds;; and
- the giving of advice to the governing body on the financial implications of decisions relating to the financial matters of the school;
- take all reasonable steps to prevent any financial maladministration or mismanagement by any staff member or by the governing body of the school;
- be a member of a finance committee or delegation of the governing body in order to manage any matter that has financial implications for the school; and
- report any maladministration or mismanagement of financial matters to the governing body of the school and to the Head of Department.

South African Schools' Act

Section 42

Financial records and statements of public schools.

The governing body of a public school must:

- keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions; and
- as soon as practicable, but not later than three months after the end of each financial year, draw up annual financial statements in accordance with the guidelines determined by the Member of the Executive Council.⁷²

PUBLIC FINANCE MANAGEMENT ACT

- Financial management entails not only management skills, but it also necessitates knowledge of Accounting and Finance to be able to manage a school's finances.
- The principal is the accounting officer for the department in the school, but the overall management of the school's finances is the primary function of the school's governing body.

PUBLIC FINANCE MANAGEMENT ACT

APPLICATION OF PFMA FOR SCHOOLS

- The HOD as accounting officer for the provincial department prescribes through circular to principals and SGBs how the State's resource allocation for schools should be spent.
- Schools are obliged to spend State funds for:
 - ☐ Resources
 - ☐ Services
 - ☐ Repairs
 - ☐ Maintenance of Schools
- The spending of these funds is ring-fenced.



Virement?

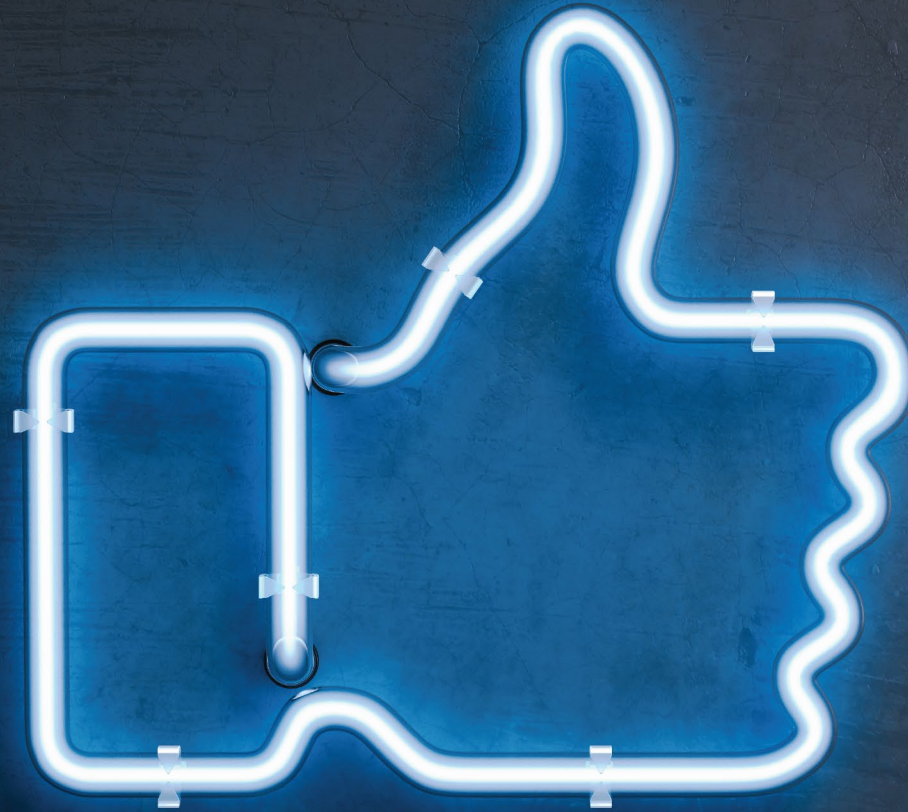
Mestry, 2013

IN CONCLUSION

A Principal must ensure, that

- He / she is not solely responsible for financial processes at school
- He / she has the necessary approval from the SGB before transacting
- The necessary budget cycle is in place at school
- The necessary policy has been developed in accordance to the national and provincial legislation and regulations, and that said policy is implemented.
- He / she is accountable for the Financial Management of the school.

SAOU



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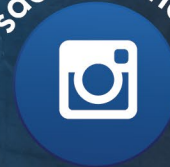
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SAOU National



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