

## ISLAMIC EDUCATIONAL CENTRE

### Draft School Financial Policy

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#### **Section 1 Principles**

##### **1.1 Financial Responsibilities of the Shura.**

In keeping with the South African Schools Act, it is the responsibility of the Shura to:

- 1.1.1 collect school funds to supplement resources and funds made available by the State to cover operating expenses of the school;
- 1.1.2 manage school funds, subject to requirements of the provincial department of education, and in consultation with the broad membership of the school community;
- 1.1.3 keep records of all money received or spent by the school and of the assets, liabilities and financial transactions of the school;
- 1.1.4 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;
- 1.1.5 have the annual financial statements and other financial records of the school audited by a suitably qualified person who is duly registered in terms of the Public Accountant Auditors' Act of 1991 or duly appointed as such by the Head of Education;
- 1.1.6 Send a copy of the audited annual financial statement to the provincial department of education as soon as possible or within six months after the end of the school year, and make copies available to the parents at the Annual General Meeting of the Shura; and
- 1.1.7 prepare an annual school budget in which the amount of fees to be paid 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 Shura.

#### **Section 2 : Receiving and recording money**

##### **2.1 Introduction**

1. The Shura is ultimately responsible for the receipt and recording of all money received and spent by the school. For the purpose of this policy, "money" refers to cheques, bills, postal orders, credit card vouchers and travellers' cheques;
2. The Shura will appoint, in writing, a Finance Officer to look after the day-to-day receipt and recording of money. This person may be a member of the staff of the school;
3. All monies received by the school will be recorded immediately through the issue of a written pre numbered receipt. The same number should be recorded 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;
4. The responsibility for the collection of school fees, from learners or 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 or the Principal every morning and return them at the end of each school day, together with all money received;
5. All monies must be placed in the school safe together with the receipt book soon after payment. The receipt book/s should, under no circumstances, be taken away from the school premises; and
6. All monies received by the school should be deposited in the school bank account at Nedbank Ladysmith, account no. 1330080033 **and** If possible, money should be banked daily.

## **2.2 Issuing of Receipts**

2.2.1 The school should make use of pre-primed receipts and fix the school stamp on all receipts issued for all payments to the school.

2.2.2 A receipt should be issued for every amount of money received, and for all cash surpluses;

2.2.3 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

2.2.4 In the case of a post-dated cheque, a receipt should be issued only on the date on which the cheque can be deposited. Such cheques must be stored in the school safe or an equivalent secure place until they are deposited into the school's bank account.

## **2.3 Manner of issuing Receipts**

2.3.1 Receipts should be issued in numerical order,

2.3.2 Receipts should be completed in duplicate through the use of carbon paper manual written receipts);

2.3.3 The details should be completed in blue or black non-erasable ink in clearly legible handwriting; and

2.3.4 All duplicate or carbon copies must be clearly legible.

## **2.4 Details to be included in Receipts**

2.4.1 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;

2.4.2 The amount of payment must be written in words and figures;

2.4.3 The nature of the money being tendered (e.g., cash, cheque, postal order, etc) must be clearly indicated;

2.4.4. The receipt must be dated;

2.4.5 The reason for the payment (e.g., school fees or donation) must be completed in detail.

2.4.6 The name and signature of the person receiving the money and issuing the receipt must be clearly indicated in the receipt;

2.4.7. The person issuing the receipt should ensure that only one receipt issued for each amount of money received;

2.4.8 No alterations may be made on-any receipt: If a mistake is made; the receipt should be cancelled by writing the word "CANCELLED" in clear large letters in ink across the original receipt as well as its duplicate copy. The cancelled original should be pinned back in the receipt book; and

2.4.9 The receipt book should be ruled off (in red ink) at the point 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.

## **2.5 Safekeeping and transport of money**

2.5.1 Money payable to the school will be received only during school hours by the Administrative Officer, the Principal or class educators;

2.5.2 In order to reduce the risk of loss through theft or robbery, a minimum amount of money should be kept in the safe.

## **2.6 Depositing Money**

2.6.1 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;

2.6.2 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

2.6.3 Arrangements for depositing money must be varied to reduce the risk of loss through robbery. The Administrative Officer or Principal must transport money to be banked accompanied by a different member of staff on each occasion.

## **2.7 Issuing of debtors statements**

2.7.1 Annual debtors statements should be issued within 10 days of the commencement of the academic school year; and

2.7.2 Quarterly debtors' statements should be issued within 10 days of the commencement of each school term.

## **2.8 Control and supervision**

2.8.1 Any person so authorized by the Shura or by the provincial Department of Basic Education has the right to access the safe, money, deposit books, receipt and payment cash books at any time, in the presence of the Administrative Officer, the Principal or both for control and supervision purposes;

2.8.2 All income should be recorded daily in the receipt cash book, and expenses in the payments cash book;

2.8.3 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; and

2.8.4 The bank reconciliation statement should be given to the Shura or the person/s nominated by it for checking and control at least three days prior to the Shura's monthly meeting. The person/s checking must sign the reconciliation to indicate that s/he has checked it.

## **Section 3 : Payments**

### **3.1 Payments by cheque**

3.1.1 All payments made by the school, except petty cash reimbursement cheques should be with a crossed cheque,

3.1.2 No cash received (e.g. as school fees) may be used to make payments; and

3.1.3 Where it is not practical to pay a supplier by cheque (e.g., when buying postal stamps), such purchases should be paid by using the petty cash.

### **3.2 Procedures for issuing cheques**

3.2.1 There must three signatories to the school bank account, and they will include the Administrative Officer and the Principal;

3.2.2 All cheques should be crossed "Not transferable" and signed by two of the three signatories authorised by the Shura. No Cash cheques may be issued under any circumstances:

3.2.3 Any alteration on a cheque should be counter-signed by both cheque signatories;

3.2.4 Where a cheques are cancelled, the word "Cancelled" should be written in ink across the cheque and on the cheque stub. The cancelled cheques should be attached to the cheque requisition form, and filed in sequence - together with the cheques

which the bank returns after payment has been made and

3.2.5 Only one cheque book may be in use at any one time.

### **3.3 Authorization of Payments**

3.3.1 Payments should be made only when supported by properly authorized cheque requisition forms;

3.3.2 Only the Shura may authorize payments more than R500 for any item, including items in the budget;

3.3.3 All payments must be maintained within the limits of the budget if the amount exceeds the budget prior approval of the Shura must be obtained;

3.3.4 Requisition forms must be accompanied by source documents (order form, invoice), and signed as evidence of the receipt of the goods or services being paid for;

3.3.5 The signatories must check supporting documents before approving the requisition form or signing the cheque used for the payment for goods/services;

3.3.6 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;

3.3.7 All tenders or quotations must be approved by the Shura;

3.3.8 A short list of possible suppliers should be compiled and appropriate enquiries made regarding their ability to provide the goods/services required; and

3.3.9 Unless there are valid reasons, the lowest tender or quotation will usually be accepted.

3.3.10 All payments vouchers, cheques requisitions, bank statements and paid cheques should be properly filed for audit and reference purposes;

#### **3.4 Safekeeping of vouchers**

3.3.11 Cheque requisitions and payment vouchers should be filed in sequence according to cheque numbers, together with their respective paid cheques.

### **3.4 Order Forms**

3.4.1 Order forms should be printed in triplicate, and be pre-numbered,

3.4.2 Order books should be recorded in the controlled stationery register. When order books are required, they must be signed out by the Administrative Officer, Principal or any other person/s authorized by the Shura;

3.4.3 The school stamp must appear on both the original and duplicate copies of the order book and

3.4.4 Maximum value for orders is R500. Only the Shura will have powers to authorize order forms in excess of R500.

## **Section 4 : Petty Cash**

### **4.1 Amount of Petty Cash**

4.1.1 An initial amount of R200 will be made available for petty cash. The Shura will determine the maximum amount of monthly petty cash float from time to time. The amount should be sufficient to cover the normal daily petty cash requirements of the school; and

4.1.2 The original petty cash-advance should be made in the form of an uncrossed cheque made out in the name of the Principal. Thereafter, the petty cash should be reimbursed by cheque upon the presentation of appropriately authorized petty cash vouchers.

### **4.2 Procedures for Controlling Petty Cash**

4.2.1 No advances ("IOUs") may be made out of petty cash, except where an amount is authorized or 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;

4.2.2 The petty cash box should be kept in the safe or equivalent secure place

- when not in use;
- 4.2.3 Only the Administrative Officer, Principal or other person/s duly authorized by the Shura may have access to the petty cash box\ and
- 4.2.4 The petty cash should be balanced and reconciled monthly.

## **Section 5: Budget procedures**

### **5.1 Responsibility**

The annual budget should be drawn up by the Shura or person/s duly appointed by the Shura to perform this task, and should be tabled at the Annual General Meeting for approval by parents.

### **5.2 Objectives of Budget Preparation**

5.2.1 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 during the next year.

5.2.2 The budget should also be used as a control mechanism to monitor whether or not the school is meeting its financial goals and objectives; and

5.2.3 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.

### **5.3 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;

### **5.4 Principles in the Preparation of the Budget**

5.4.1 The budget should be realistic,

5.4.2 All available sources of income should be considered;

5.4.3 All possible expenses, capital, maintenance and revenue, should be considered;

5.4.4 Proper motivations should- be prepared and presented to the Governing Body for all cost-centres;

5.4.5 A separate budget preparation form must be completed for each item of income or expenditure;

5.4.6 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;

5.4.7 All interested parties, particularly parents of learners enrolled in the school, should be allowed to discuss and suggest changes in the budgeting process; and

5.4.8 The budget should recognize the need to build up reserves for major school improvement initiatives such as major maintenance.

### **5.5 Budgetary Control**

5.5.1 The responsibility for budgetary control rests with the Shura. On a day-to-day basis, the responsibility rests with the Administrative Officer, the Principal, Heads of Departments and class educators;

5.5.2 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 Shura or person/s appointed by it to check the statements monthly;

5.5.3 All excesses in budget should be approved by the Shura. The Shura 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

5.5.4 Payments requiring urgent authorization between Shura meetings should be discussed with the Chairperson or Treasurer of the Shura. or the member of Shura responsible for that particular cost centre or activity.

## **6.1 Financial Year**

### **Section 6: Financial reporting**

The financial year of the school runs from 1 January to 31 December.

## **6.2 Monthly Reporting**

6.2.1 Financial statements should be prepared monthly for submission to the Shura or person/s appointed by it for reporting purposes. The statements should be distributed at least three days before the monthly meetings of the Shura;

6.2.2 Monthly statements should provide Information on the following:

- income and expenditure for the month and for the year to date;
- comparisons of income and expenditure statement 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 the school;
- status of all projects
- details of money in the bank and funds invested

## **6.3 Annual Financial Statements**

6.3.1 Unaudited Annual Financial Statements should be presented to the Shura for consideration within 1 month after the end of each financial year;

6.3.2 Audited Annual Financial Statements should be presented to the Governing Body within 2 months after the end of each financial year;

6.3.3 The audited Annual Financial Statement should be tabled for noting at the Annual General meeting of the Shura within 3 months after the end of each financial year, and

6.3.4 The audited Financial Statements should be submitted to the KwaZulu-Natal Department of Education within 6 months of the end of the financial year (June 30) as required by the Schools Act.

## **6.4. Audit**

8.1 The Annual Financial Statements should be audited by a person appointed by the Shura, who is registered as a public accountant and auditor in terms of the Public Accountants' Auditors Act of 1991 or authorized by the Head of the Education Department to act as such; and

8.2 The auditor may not be a member of the Shura.

## **SCHEDULE 1 SUPPLY CHAIN MANAGEMENT POLICY**

### **A. Asset Management**

1. The school as a public entity will maintain an asset register in line with GRAP 17. This Standard of Generally Recognized Accounting Practice (GRAP) is drawn primarily from the International Public Sector Accounting Standard (IPSAS) on *Property, Plant and Equipment* issued by the International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB).
2. All items/good purchased through the school fund must be recorded in the master asset register of the institution;
3. Subject areas would maintain their individual asset registers of all items/goods procured;
4. All items/goods donated or sponsored must be recorded in the Donation Register;
5. The Finance Committee shall assess the condition and quality of the items/goods on a periodic basis, and such monitoring and evaluation must be reported to the Shura.

#### **B. Procurement**

1. All purchases of items/goods above R2 000 must be approved by the Shura Finance Committee following the supply chain management policy as enshrined in both the Public Finance Management Act (1 of 2001) and the South African Schools Act, 84 of 1996.
2. All item/goods to be purchased must follow the route of specifications, evaluation and adjudication prior to purchase;
3. All purchases and expenditure must be reported by the Finance Committee to the monthly Shura Meeting;
4. The Ameer as the Accounting Officer enjoys the right to procurement any item/goods under exceptional circumstances outside the supply chain management policy, subject to such purchase is ratified at the next Shura Meeting.

#### **C. Disposal**

1. No item/goods on the asset register must be disposed of until the Shura has determined that such item/goods is obsolete and redundant;
2. All lost, broken and damaged items/goods must be recorded, and reported to the Finance Committee for ratification;
3. The Finance Committee would appoint a Board of Disposal to examine and determine whether the item/goods can be written off;
4. All written off items/goods must be struck from the asset register, and duly disposed of at the municipal refuse site.