



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

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To: **Heads of Provincial Education Departments**
cc: **Heads of Provincial Institutional Management and Governance**
Chief Financial Officers
District and Circuit Managers
School Principals and School Governing Bodies

CIRCULAR M2 OF 2019

INVESTIGATIONS INTO MISCONDUCT OF REGISTERED AUDITORS AND ACCOUNTING OFFICERS IN SCHOOLS RELATING TO SECTION 43 OF THE SOUTH AFRICAN SCHOOLS ACT BY PROFESSIONAL BODIES

The South African Schools Act (SASA) No. 84 of 1996 regulates the governance and accountability of schools which is under the purview of the Minister of Basic Education. The Minister of Basic Education is required under Section 3 (4) (b) of the National Education Policy Act, No 27 of 1996 to determine national policy for the planning, provision, financing, co-ordination, management, governance, programmes, monitoring, evaluation and well-being of the education system and may determine national policy for the organisation, management and governance of the national education system.

Section 43 (1) of the South African Schools Act, No. 84 of 1996 further requires that the governing body of a public school must appoint a person registered as an auditor in terms of the Auditing Profession Act, 2005 (Act No. 26 of 2005), to **audit** the records and financial statements referred to in Section 42. Section 43 (2) states that “if the audit referred to in subsection (1) is not reasonably practicable, the governing body of a public school must appoint a person to **examine** and report on the records and financial statements referred to in Section 42, who:

- (a) is qualified to perform the duties of an accounting officer in terms of Section 60 of the Close Corporations Act, 1984 (Act No. 69 of 1984); or
- (b) is approved by the Member of the Executive Council for this purpose.”

In light of the number of cases referred to the Department relating to allegations of misconduct by members of professional bodies and in accordance with Circular M3 of 2017, the Minister of Basic Education formally furnished all professional bodies with a mandate to investigate allegations of misconduct by their members who participate in work within the education sector. The Department of Basic Education (DBE) developed Circular M2 of 2019 with a purpose to investigate professional misconduct of registered auditors and accounting officers in schools in accordance to Section 42 and 43 of SASA relating to the management of school finances.

The following discrepancies have been continuously identified by relevant stakeholders on the work performed in the education sector by the members and firms of these professional bodies:

- (a) The Accounting Officers performed dual duties, such as an Auditor and Accountant/Bookkeeper who are not qualified to perform these functions;
- (b) Accounting Officers and Auditors not registered with professional bodies and claim to be members of Section 60 of the Close Corporations Act;
- (c) The presentation of Financial Statements were not in accordance with the accounting principles (e.g. Generally Accepted Auditing Standards (GAAS), International Standards on Auditing (ISA), Generally Recognised Accounting Practice (GRAP), etc.); and
- (d) Inaccurate and misstatements included in the financial statements.

All professional bodies responded formally to the Department acknowledging receipt and that stringent measures will be instituted against their members.

Provinces are hereby requested to submit to the National Department of Basic Education (Directorate: Sector Audit) cases of professional misconduct for further handling/referral to the professional bodies. All cases will be reported through the Directorate: Sector Audit to the Professional bodies through the "lodging of complaints" links for investigations. A case number will be allocated per case. A formal letter will thereafter be submitted by the Professional body to the Directorate: Sector Audit on the outcome of the investigations. Communication will be submitted to the relevant Provincial Education Department on the outcome of the investigations. The individual if found guilty, will be charged with a penalty in accordance with the relevant professional body and removed from the database of auditors/ accountants. Provinces will thereafter not be permitted to utilise these services of the individual.

You are kindly requested to bring Circular M2 of 2019 to the attention of all District Directors, Heads of Provincial Institutional Management and Governance, Chief Financial Officers, School Principals and School Governing Bodies.

All enquiries related Circular M2 of 2019 should be directed to the contact details as indicated above. Circular M2 of 2019 is effective immediately upon the date of signature by the Director-General of the Department of Basic Education.

Yours sincerely



MR HM MWELI
DIRECTOR-GENERAL

DATE: 25/03/2019