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To: Deputy Directors-General, Chief Directors, Directors, Circuit Managers, Heads: Management and Governance, Deputy Directors, and Principals and Governing Body Chairpersons of public schools

Short summary: *This circular should be read in conjunction with the Manual: Basic Financial System for Schools as an additional guideline when applying for approval to enter into a binding agreement.*

Subject: Financial management at schools

1. This circular repeals and replaces Circular 0027/2019, dated 19 July 2019, in its entirety.
2. **Entering into financial agreements as prescribed by sections 36 and 37 of the South African Schools Act (SASA), 1996 (Act 84 of 1996), as amended by the Basic Education Laws Amendment Act, 2024 (Act 32 of 2024)**
 - 2.1 **Loans, leases and overdraft agreements**
 - 2.1.1 **Amendment of section 36**
 - (a) Section 36(2) states that a governing body may not, without the written approval of the Head of Department (HoD), enter into any loan, lease or overdraft agreement for any purpose.
 - (b) The amendment to section 36 prevents a school from entering into any type of lease agreement, financial or operational, without the written approval of the HoD.
 - 2.1.2 Section 1(1) of the SASA defines a "loan" as any financial obligation based on an agreement, which obligation renders a school liable for making payment, in one or more instalments, in favour of any person, but does not include the payment of employees appointed by the governing body in terms of section 20(4) or (5), or operational costs as determined in the annual budget contemplated in section 38.

- 2.1.3 This essentially means that operational expenses and staff payments are treated separately from financial agreements that place long-term financial liabilities on schools, such as loans, leases or overdraft agreements, which would require approval from the HoD in accordance with section 36(2) of the SASA.
- 2.1.4 Section 36(3) of the SASA goes further to state that if a person lends money or grants an overdraft to a public school without the written approval of the HoD, the State and the public school will not be bound by the contract of lending money or an overdraft agreement.
- 2.1.5 Compliance with section 36 of the SASA
- If a governing body wishes to enter into an agreement for a loan, lease or overdraft facility, the following documents must be submitted to the Deputy Director: Corporate Services at the relevant district office:
- (a) A duly completed application form (Annexure A).
Please note that the liability amount must indicate the actual liability and align with the supporting documentation provided.
 - (b) The latest audited Annual Financial Statements and annual school budget.
 - (c) A certificate of sound financial management (in terms of section 38(1)(j) of the Public Finance Management Act, 1999 (Act 1 of 1999)).
 - (d) A copy of the minutes (not older than six months) from the governing body meeting where the majority approved the decision to proceed with the agreement. These minutes must include the following:
 - (i) In the case of a loan/overdraft, details of the preferred financial institution.
 - (ii) In the case of a lease—
 - details of the preferred service provider;
 - the terms of the agreement (e.g., a 36-month term, monthly repayment amount, etc.), where applicable; and
 - a clear indication of the selected items, particularly where multiple options were considered.
 - (iii) The minutes for (i) and (ii) must be signed and dated by both the chairperson of the governing body and the principal.
 - (e) A copy of the complete loan, lease or overdraft agreement with terms and conditions clearly outlined.
 - (f) Should the loan or lease be of an **infrastructural** nature, a signed infrastructure approval letter from the Provincial Minister will be required. This signed letter can be requested via the Directorate: Physical Resource Planning at Head Office.
 - (g) For retrospective applications submitted:
 - (i) The district office must provide a copy of the non-compliance letter issued, addressed to the principal and the governing body.
 - (ii) New minutes must be provided to ratify the existing loan, lease or overdraft.
 - (iii) The liability amount must be updated in Annexure A.
 - (h) Sponsorship or donation letters must be included (if applicable).

2.1.6 Additional conditions

- (a) Overdraft facilities are approved for a year. Should you wish to renew, a new application must be submitted via the district office.
- (b) Proof must be available of the full disclosure of all loans, leases and/or overdraft facilities to parents in a school newsletter or communiqué.
- (c) Due diligence and internal controls must be taken into consideration when entering into a loan, lease or overdraft agreement using public funds.
- (d) All approved liabilities must be ratified by the governing body in their annual budget meeting and the meeting minutes must be available upon request.

2.2 Investments

2.2.1 Section 37(3) of the SASA states that:

The governing body of a public school must open and maintain one banking account, but a governing body of a public school may, with the approval of the Provincial Minister, invest surplus money in another account.

2.2.2 Compliance with section 37(3) of the SASA

If a governing body wishes to invest surplus money in an account, other than the bank account referred to in section 37(3), the following must be submitted to the Deputy Director: Corporate Services at the relevant district office:

- (a) A duly completed application form (Annexure B).
- (b) The latest audited Annual Financial Statements and the annual school budget.
- (c) A certificate of sound financial management (in terms of section 38(1)(j) of the Public Finance Management Act, 1999 (Act 1 of 1999)).
- (d) A copy of the minutes (not older than six months) from the governing body meeting where the majority approved the decision to proceed with the resolution to invest. These minutes must—
 - (i) specify the investment type and account number, if the application is for an existing account; and
 - (ii) be signed and dated by both the chairperson of the governing body and the principal.
- (e) Should this be an existing investment account, an investment statement must be provided.
- (f) A risk profile must accompany the investment application, such as highly speculative, conservative, etc. It must be noted that risky and speculative investments will not be considered.

2.2.3 Schools intending to enter into an investment agreement are strongly advised to settle any outstanding debts, such as municipal accounts, to avoid the financial risk of diverting funds needed for essential services.

2.2.4 Additional conditions

- (a) Investments must be held in the school's name to ensure transparency and accountability, reinforcing the school's financial integrity and compliance with legal standards.
- (b) The investment period must not exceed 12 months and may be renewed annually.
- (c) Investments may not be held offshore.
- (d) Investments must be held at a registered financial institution.
- (e) Newly elected governing bodies must ratify any existing investments.
- (f) Monies may not be disbursed from the investment account.
- (g) Interest must be directed back into the school's main bank account.
- (h) All investment accounts must be disclosed in the Annual Financial Statements.
- (i) Money from the school's funds may not be paid into a trust or used to establish a trust.
- (j) Due diligence and internal controls must be taken into consideration when investing school funds.

3. **Appointment of a person to examine and report on the financial records of public schools**

3.1 Section 43 of the SASA states that:

- (1) *The governing body of a public school must appoint a person registered as an auditor in terms of the Auditing Profession Act, 2005 (Act 26 of 2005), to audit the records and financial statements referred to in section 42.*
- (2) *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 69 of 1984); or*
 - (b) *is approved by the Member of the Executive Council for this purpose.*

3.2 **List of professional accounting bodies (et al)**

- (a) Association of Chartered Certified Accountants (ACCA)
- (b) Chartered Accountant South Africa (CA(SA))
- (c) Chartered Institute for Business Accountants (CIBA)
- (d) Chartered Institute of Business Management (CIBM)
- (e) Chartered Institute of Management Accountants (CIMA)
- (f) Chartered Secretaries Southern Africa (CSSA)
- (g) Independent Regulatory Board for Auditors (IRBA)
- (h) Institute of Accounting and Commerce (IAC)
- (i) Institute of Chartered Secretaries and Administrators (CGISA)
- (j) South African Institute for Business Accountants (SAIBA)
- (k) South African Institute of Chartered Accountants (SAICA)
- (l) South African Institute of Government Auditors (SAIGA)
- (m) South African Institute of Professional Accountants (SAIPA)

3.3 Definition of “reasonably practicable”

3.3.1 The phrase “reasonable practicability” is defined in Department of Basic Education Circular M1 of 2018, dated 04 September 2018, as follows:

Reasonable practicability referred to in section 43(2) of the SASA includes the financial resources of the school, the values of the assets of the school and all other relevant matters. Whether or not it is reasonably practicable to perform an audit through a registered auditor as contemplated in subsection (1) will be determined on the basis of the facts of each case. What is clear however is that subsection (2) makes provision for further two options in relation to the inspection of financial statements and records of schools, which may be followed should all factors considered be against the appointment of a registered auditor.

3.3.2 Reasonable practicability, therefore, depends on the circumstances of the school which may differ from one school to another.

3.3.3 The governing body must have proper measures in place to determine whether the appointment of a registered auditor is feasible and if not, the appointment of a person in terms of section 43(2) of the SASA will be the next alternative.

3.4 Compliance with sections 43(1) and 43(2) of the SASA

3.4.1 Application for auditor approval (sections 43(1) and 43(2)(a))

The governing body of a public school must submit the following documentation to apply for the approval of an auditor in terms of **section 43(1) and 43(2)(a)**:

- (a) Copy of the minutes (not older than six months) from the governing body meeting that documents the appointment of the specific auditor, signed and dated by the governing body chairperson and principal.
- (b) In terms of section 43(1)—
 - (i) proof that the auditor is a member of SAICA; and/or
 - (ii) proof that the auditor/firm is registered with IRBA.
- (c) In terms of section 43(2)(a)—
 - (i) proof that the auditor/firm is a member of one of the professional bodies as contained in paragraph 3.2; and
 - (ii) a letter of appointment if member details are provided on behalf of the firm.
- (d) Schools must nominate the firm or individual by their official trading name and provide applicant details that align with this name. A copy of the registered company information must also be submitted.

3.4.2 Application for person approval (section 43(2)(b))

The governing body of a public school must submit the following documentation to apply for the approval of a person in terms of **section 43(2)(b)**:

- (a) A completed SBM02 application form (Annexure C).
- (b) A recently certified copy of their qualification in finance.
- (c) Their recently updated one-page Curriculum Vitae (documenting relevant work experience in a financial environment).

- (d) Three quotations obtained from different companies offering audit services for comparison.
- (e) A written request from the governing body requesting a deviation from section 43(1) and motivating why it is not reasonably practicable to appoint a registered auditor.

3.4.3 The application process coincides with the election of the new governing body and will run cyclically every three years. Should there be a change in governing body within the three-year cycle, then the auditor/registered accountant will either be ratified as per a formal governing body meeting or a new auditor/registered accountant will have to be appointed in line with legislative requirements. It is recommended to change auditors after a 10-year cycle of appointing the same auditor.

3.4.4 Should the current auditor/registered accountant be accepted according to the prescripts and current Western Cape Education Department (WCED) records, which are available on CEMIS, the signed governing body meeting minutes regarding the auditor/registered accountant's appointment must be kept by the school for record purposes.

3.4.5 In respect of a person appointed in terms of sections 43(1) and 43(2)(a), the WCED will issue an acknowledgement letter.

3.4.6 In respect of a person appointed in terms of section 43(2)(b), an outcome letter from the Provincial Minister will be issued.

3.5 District offices must review all applications to ensure they are complete and in full compliance with these guidelines. This process is essential in mitigating the risk of financial liability or reputational harm to both the school and the WCED.

4. **Application process and timelines**

4.1.1 **Submission of applications**

- (a) **Schools** must submit applications to the District Director at the relevant district office.
- (b) **District offices** must submit reviewed applications as follows:
 - (i) **Via email** (preferred/recommended) to:
WCED.NormsandStandards@westerncape.gov.za
 - (ii) **Hand delivered to:**
Western Cape Education Department
7th Floor, 1 North Wharf Square
2 Lower Loop Street
Foreshore
Cape Town
8001
- (c) **Only applications submitted via the official channels above will be considered.**

4.1.2 Timelines

The following timelines and communication methods will apply:

(a) **Application acknowledgment**

The district office must acknowledge receipt of the application to the school within **five working days** of the submission.

(b) **Review and feedback timeline**

(i) The district office must review and process applications within **seven working days** of receipt.

(ii) If additional information is required, the school will be notified within this period, with a request to provide the information within **five working days**.

(c) **Final outcome communication**

(i) Head Office will finalise the application and communicate the outcome within **10 working days** of receiving a complete application from the district office.

(ii) The outcome will be communicated via email.

(iii) Schools must confirm acknowledgment of receipt of the outcome within **three working days**.

(d) Applications that do not meet these requirements will not be considered.

5. Kindly bring the contents of this circular to the attention of all concerned.

SIGNED: B WALTERS

HEAD: EDUCATION

DATE: 2025-03-04