ANALYSING ANNUAL FINANCIAL STATEMENTS OF PUBLIC ORDINARY SECONDARY SCHOOLS IN THE TSHWANE NORTH DISTRICT, SOUTH AFRICA

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Abstract

This paper presents the results from an analysis of the annual financial statements of public ordinary secondary schools in the Tshwane North District, South Africa. The analysis was done to assess the quality of these annual financial statements as well as the apparent usefulness thereof for the parents of the learners in the school. These users are probably most concerned with the quality and usefulness of information presented to them for providing the necessary assurance that the funds received by the school are properly accounted for and used to the advantage of their children. The results suggest that assurance in this regard is lacking as audits are not done at all, or are of an extremely poor quality. The quality of the financial statements is also poor, with scant regard for Generally Accepted Accounting Practice or the South African Schools Act. Urgent intervention from the Education Departments is needed to ensure that the South African Schools Act is adhered to and that proper audits are conducted by suitably qualified accountants and auditors. The South African Institute for Chartered Accountants (SAICA) should also play a more positive role in this regard by ensuring that audit practices are enforced and quality annual financial statements are presented.

Keywords: Annual Financial Statements, Public Ordinary Secondary Schools, School Governance, Scarce Resources, GAAP, School's Act, Financial Disclosure, Audit

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1 Introduction

It is generally accepted that education is the cornerstone of society as it contributes to economic wealth, social prosperity and political stability. Cooray (2009), for instance, stresses the benefits of education to stimulate economic growth and thus alleviate poverty. Ozturk (2001) even goes so far as to say that "no economic development is possible without good education". In short, education is important for a country to grow, both economically and socially, because education gives people the skills they need to help themselves to develop and overcome poverty.

World-wide this has lead governments to spend large amounts of money on education which in turn lead to an increase in the demand for accountability and for evidence that this investment has actually paid off with academic improvement. Unfortunately, it is clear from the literature that the relationship between expenditure on education and educational outcomes is not always straightforward (Hanushek 2003, 2005; Krueger 2003), and that spending more money on education does not necessarily always ensure better results.

It is also clear that although progress in education through increased enrolment and longer schooling contributes to economic growth, the quality of education may be even more important (Hanushek, 2005; Cooray, 2009). In the words of Hanushek (2005): "Analysis of the costs and benefits of school reform clearly shows that investments that improve the quality of schools offer exceptional rewards to society." However, to improve the quality of education, as measured through the outcome, is not simple.

Some studies indicate that higher expenditure on school resources have large and positive effects on student outcomes, while others find little or no effect at all (Hedges, Laine & Greenwald, 1994; Glewwe, Hanushek, Humpage & Ravina, 2013). A study by Michaelowa (2001) in five countries in Sub-Saharan Africa, shows that financial resources are used much more efficiently in schools in some countries than in others. Another study conducted in Arkansas, Texas, New Mexico and Louisiana, also demonstrates that allocation of resources to specific areas and practices might have a significant impact on student performance (Pan, Rudo, Schneider & Smith-Hansen, 2003). It would therefore seem that as far as education is concerned, how money is spent, is more important than how much money is spent. It is therefore no wonder that throughout the world, financial management of educational institutes has become, and continues to become, much more important. The fact that education systems in most countries have to operate under financial pressure and that in most countries some degree of financial control is delegated to individual schools and colleges have made it imperative that the allocation and application of fiscal resources be considered as part of any educational reform process.

2 The situation in South Africa

Since 1994, South Africa embarked on fundamental reforms to restructure the education system and improve policies regarding the administration, governance and funding of education in an attempt to address historical imbalances as well as poverty. The South African Government allocates huge amounts of tax payer money to education every year (in the order of R236 billion in the 2014/2015 fiscal year according to South African Government online (2014)). Furthermore, the education system has been decentralised to encourage parents and communities to participate in the governance of their children's schools in order to ensure that these schools are efficient and provide quality education.

This seems to have paid off in terms of increased access to schooling, as the proportion of South Africans aged 20 and above with no schooling has declined from 11,6% in 2002 to 5,5% in 2013 (South African Institute of Race Relations, 2015). However, the same improvement unfortunately did not take place in learner performance (Van der Berg, Taylor, Gustafsson, Spaull & Armstrong, 2011; Organisation for Economic Co-operation and Development (OECD), 2013). It is evident that the education system is not providing learners with the skills needed in the labour market (OECD, 2013). In a report on the quality of education in South Africa that was commissioned by the Centre for Development and Enterprise, Spaull (2013) reports that South Africa has the worst education outcomes of all middle-income countries that participate in cross-national assessments of educational achievement. Furthermore, many low-income African countries perform better than South Africa! According to the report "the South African education system is grossly inefficient, severely underperforming and egregiously unfair."

Jones (2014) reports that the Department of Basic Education acknowledges that although access to education, as depicted by enrolment in educational institutes in South Africa, has improved dramatically, the South African schooling system is still "characterised by major weaknesses – particularly in relation to the quality of educational provision".

Boateng (2014) concludes that inefficiencies in the management of public funds for education could contribute to poor educational service delivery. He also indicates that record-keeping of financial information in the education system in South Africa is quite bad. A survey by Corruption Watch Organisation (Corruption Watch, 2013) as well as reports in the media has further indicated that misuse of school money or property is the most common form of corruption in South African schools, with embezzlement of funds by school principals, school governing bodies and school financial officers being the biggest problem. It is therefore imperative that financial matters in South African education, especially at school level, receive more attention. Stakeholders in schools should insist on accountable and quality information on the usage of scarce resources as this information forms the basis of ensuring that resources allocated by government and raised by the community are reported on and accounted for properly.

South Africa seems to have adequate legislation regarding the financial management of schools (Mestry 2013), but several challenges regarding the implementation of policies, capacity of schools and oversight by Education Departments (Mngoma, 2009; Mahlane 2007; Xaba & Ngubane, 2010; Griesel, 2011; Makrwede 2012, Doussy & Doussy 2014) have been identified.

The preparation of financial statements in accordance with well-understood and generally accepted accounting standards is an important element of any governance and accountability system in the public sector. All public organisations, including schools, must therefore produce annual financial reports. This allows stakeholders to review their performance and to take action if they consider the performance to be inadequate. Annual financial statements of a school, if freely available, should allow teachers, parents, members of communities, students, educational authorities and Members of Parliament to review a school's financial performance, financial position and cash flows, and should demonstrate how the school meets its financial management responsibilities.

The South African Schools Act, 84 of 1996 as amended (hereafter SASA), in section 43(b) (Republic of South Africa, 1996), requires that a school's financial information should be presented in the form of annual financial statements. These financial statements must be audited and submitted to the Department of Education within six months after the school's year end. Furthermore, the audited financial statements must be made available for inspection at the request of "an interested person".

However, there seems to be no current research in South Africa that analyses and assesses the contents of the financial statements of schools, except for an exploratory study by Doussy and Doussy (2014). This study indicates a possible lack of transparency and a possibility that the financial statements of schools in South Africa may fall short of international good practice as well as of the requirements of South African legislation.

The current study aims to fill the gap in current research by exploring the compliance of the annual financial statements of public ordinary secondary schools in the Tshwane North District, South Africa, with some specific requirements of SASA as well as Generally Accepted Accounting Practice.

3 Research objectives and limitations

The objectives of this study are limited to whether the requirements of SASA and International Financial Reporting Standards (IFRS) are met and whether the information reported is perceived as useful to the parents of learners in the schools. The study assesses whether the basic financial statements provide a proper account of resources received and the usage thereof in a responsible and accountable way. Answers are seeked to the following questions: Are the annual financial statements properly audited? Is the information in the financial statements presented in such a way that "ordinary" people can understand it and use it? Are comparative figures provided? Were the financial statements completed on time? Are the financial statements complete? It is not the intention of this study to establish whether these financial statements are state of the art examples of "perfect" financial statements that adehere to all the requirements of IFRS. The cost of full adherence will probably outweigh any possible benefit to be gained.

4 Extract of statistical sample

Schools in South Africa are organised according to provinces and are grouped together in districts. Each province has its own Education Department and permission have to be obtained from each province to do research on schools. We also found that once permission was granted by the research unit of that province, school principals and the governing bodies of schools still did not readily want to make the financial statements available without the permission of the financial director of each specific district. This is despite the Schools Act, section 43(6) specifically stating that it should be available to all interested parties for inspection. It therefore proved to be extremely difficult to get the financial statements of schools on a country wide basis and a decision was made not to try and obtain a representative example of all the schools in South Africa.

Gauteng Province, as the most economically developed province of the nine provinces in South Africa (Statistics South Africa, 2015), was therefore chosen for the study. Gauteng Province is organised into fifteen districts (Gauteng Department of Education, 2012). Some districts comprise schools only in the rural areas, or only in the city. Tshwane North District was chosen as this district contained schools in rural areas, in the city and in more and less economically developed areas. This district also contained schools in the traditionally "white' and "black" areas. Tshwane North District was thus specifically chosen to comprise a mixture of economically and culturally different schools. It can be argued that this district is a micro cosmos of South Africa as a whole, but without statistically being representative of all schools in South Africa.

From the Gauteng Schools List, 2012 (Gauteng department of Education, 2012), fifty six public ordinary secondary schools were identified as the total number of public ordinary secondary schools in this district. All these schools' financial statements were requested directly from the school principals or alternatively from the schools governing body. This direct approach to the schools themselves resulted in an extremely low response rate. Due to the difficulties encountered it was decided to abandon this direct approach and the Chief Director: Corporate Finance, Department of Education, Gauteng Province, was then approached directly. This office immediately reacted in a very positive manner and did all they could to provide the information required within days in a friendly and efficient way. Thirty seven sets of financial statements were obtained. Reasons were given why the financial statements of some schools were not made available. These reasons were forwarded by the relevant Chief Director: Corporate Finance. It was indicated that four schools were new and did not have financial statements yet as a result of inexperience by staff and teething problems. A few schools were being investigated for fraud with implying corrective action being taken and as a result it was thought inappropriate at this stage to evaluate such financial statements. The financial statements of a few other schools have not been received by the Gauteng Education Department yet and they were in the process of obtaining them from these schools. The thirty seven out of fifty six sets of financial statements that were obtained represent 66% of the schools in Tshwane North District, Gauteng Province, South Africa, and are thus representative of the district.

5 Results

5.1 Timeliness of the publication of the annual financial statements

According to SASA, section 42(b) annual financial statements of all public schools must be draw up as soon as possible but not later than three months after the end of the financial year. SASA, section 43(5) also requires that a copy of the annual financial statements must be submitted to the Head of Department within six months after year end. (Republic of South Africa,1996).

An analysis was done of the dates when the financial statements were signed or published. It should be noted that in some cases there were two dates on the financial statements. One the date of publication and the other one the approval date. The earlier date of the two was taken as the date of completion.

Table 1. Completion date of the annual financial statements - period after year end

	Within three months	***Within six months***	***Only after six months***	***Not dated at all***	***Total***
Number of schools	6	22	7	2	37
Percentage	16%	59%	20%	5%	100%

From the above it is clear that only 16% of the annual financial statements were completed within the prescribed time frame of three months. This is rather low. Another 59% (75% in total) of the annual financial statements were published within six months, the time frame that it should be submitted to the Head of Department. One can only speculate why this is so as no reasons were given as to why 25% of the financial statements were so late. It can never the less be speculated that it is either not perceived to be important by the governing bodies of schools (in spite of falling foul of the law), or that the financial records were inadequate and some problems were encountered when preparing the annual financial statements, resulting in delays. Only once it is submitted can the statements be monitored by an outside party. It is therefore important that these statements are indeed submitted on time to ensure that any problems are identified timeously.

5.2 Appropriately signed

As the annual financial statements are the responsibility of the principal and the finance committee/governing body (SASA, section 42) (Republic of South Africa, 1996), the financial statements were analysed to establish if these were actually signed by the responsible persons.

It was found that only thirty (81%) financial statements were signed by the principal of the school and thirty one (84%) were signed by the financial committee/governing body. Five sets of financial statements were not signed at all. Again, the reasons for this oversight are not clear. Was it a deliberate attempt by the relevant parties not to accept responsibility for the financial statements or rather carelessness, or just a lack of knowledge on the part of the principal and the finance committee/governing body of these schools. This is an aspect that can easily be corrected and should be followed up with the schools by the relevant Provincial Education Department.

5.3 The audit report

The South African Schools Act, section 43(1), requires the governing body of a school to appoint a person registered as an auditor in terms of the Auditing Profession Act, 2005, to audit or conduct an examination of the records and financial statements of public schools (Republic of South Africa, 1996; 2005). It seems clear that the intention is that financial statements of public schools should be audited or examined by an appropriately qualified person who is accredited as such. According to the Auditing Profession Act No. 26 of 2005 chapter IV, section 41 (1) and section 41(2) (Republic of South Africa, 2005), only a registered auditor may engage in public practice and perform an audit.

There is a loophole in SASA, section 43, (2) (Republic of South Africa, 1996), in this regard, in that if the governing body of the school is of the opinion that it is “not reasonable practicable” to appoint such a person that may conduct an audit, a person who is qualified to perform the duties of an accounting officer in terms of the Close Corporation Act, section 60 (Republic of South Africa, 1984), may be appointed. It should be highlighted here that an accounting officer appointed in terms of the Close Corporation Act is not qualified or allowed to do an audit. This seems like a contradiction in what the Schools Act is trying to achieve. “Not reasonable practicable” can be interpreted in so many ways that it actually opens it to a professional body that is not registered auditors. It is almost inevitable that no audits will be conducted in many schools and that the governing body will take the soft option and not appoint a registered auditor if in any doubt about their own conduct and liability in this regard.

It was found that only fourteen (38%) of the thirty seven schools were audited by a Chartered Accountant (SA). Members of the South African Institute of Professional Accountants (SAIPA) prepared seven (19%) sets of financial statements. They are allowed to perform the duties of an accounting officer in terms of the Close Corporation Act, section 60, as stated above and may thus prepare the financial statements of a school, but the statements are then not audited.

Five persons that prepared the financial statements did not indicate any association with an accounting body or any qualifications – just a name with no further information. Some descriptions were given as “Director Accounting, Professional Accountants, Professional Accountants (SA), Accountant, Accounting firm, Financial and Tax consultants, Manager or Auditor”. This clearly is not in accordance with SASA, section (43).

Table 2. Summary of the affiliation of the person that signed/prepared the financial statements of the thirty seven schools analysed

Professional body to whom the person belong	*Number of schools*	*Percentage*
South African Institute of Charterred Accountants	14	38%
South African Institute of Professional Accountants	7	19%
No indication given	5	13%
Total	37	100%

It is clear that the requirements of SASA in this regard are not adhered to.

As part of the South African Auditing Practice Statement 3 (Revised) (SAAPS 3) (Independent Regulatory Board for Auditors (IRBA), 2012), illustrative reports were prepared by the Committee for Auditing Standards (CFAS) to provide practical assistance to auditors when reporting on financial statements. The broad outline of these illustrative reports comprises the following aspects adapted for schools:

1. To the Governing Body of ZZZ School.

We have audited the financial statements of ZZZ School, and so forth…

2. Governing Body's Responsibility for the Financial Statements
3. Auditor's responsibility
4. Opinion
5. Other matters
6. Auditor's Signature, with the relevant information.

These guidelines were taken as a basis and the audit reports of the schools were examined and compared to these guidelines. Of the fourteen schools with audit reports issued by Chartered Accountants, ten (71%) audit reports adhered to these guideline's broad outlines as stated above. Even though the audit reports did not necessarily follow these guidelines exactly, they were excellent and were of a high standard, clearly supplying the relevant information required. Additional references were included in these audit reports where necessary. Most of them also made reference to SASA and other relevant information that one should expect in such a report.

Four were found to be of a very poor standard. These lacked consistency, and contained poor wording and spelling mistakes as well as meaningless information. The following is an example of an audit report incorporated in the financial statements of one of the schools:

"Report of the accountants
to the school fund committee
ZZZ school.

We have compiled the income and expenditure statement of your school from information and explanations supplied to us, we do not express an audit opinion nor any form of assurance on these statements. Expenses were allocated on headings given to us by the treasurer. No abormalities have been found.

XXXX & Company
Chartered Accountants (S.A.)"

This is the complete report! The governing body's responsibility is not mentioned. The auditor's responsibility is not mentioned. Surely, the above cannot be described in any way as a proper and complete audit opinion. No name of the person that signed was given in contradiction with the fact that he/she should have done so.

From this example it can clearly be seen that a number of audit reports are not on the required standard.

It should also be mentioned here that a number of persons belonging to other accounting professions and also some that did not give any indication at all of a professional alliance also indicated that the financial statements were "audited". Obviously no reliance can be placed on these "audit reports" as they are not regulated; no standards are maintained and the reports actually constitute a deliberate misrepresentation.

5.4 Comparative information

International Accounting Standard 1 (hereafter IAS 1) – Presentation of Financial Statements (IAS 1.38) requires that comparative information be disclosed in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes. Comparative information is provided for the narrative and descriptive where it is relevant to understand the financial statements of the current period. Thirty one (84%) of the thirty seven financial statements did include comparative figures. Unfortunately 16% did not. There really is no excuse for this as these amounts should be readily available from the previous year's financial statements. Valuable information, analyses and understanding is lost to the users of these financial statements by not including comparative amounts. The cost of inclusion though, can only be minimal. This is an aspect that should be 100% compliant and no excuse can possibly be conceived.

5.5 Comprehensiveness of the annual financial statements

According to IAS 1.10, a complete set of annual financial statements should comprise at least the following:

1. A statement of financial position at the end of the period
2. A statement of profit or loss and other comprehensive income for the period
3. A statement of changes in equity for the period

4. A statement of cash flows for the period

5. Notes, comprising a summary of significant accounting policies and other explanatory notes

In the next section of this paper the thirty seven schools are analysed as to whether all these components are indeed part of the school's financial statements as required.

6. A statement of financial position at the end of the period

Of the thirty seven schools a total number of thirty six did include a statement of financial position at the end of the period. This represent 97% of the school's analysed. As expected, the percentage is very high. Still, it is rather surprising that one set of financial statements actually did not include a statement of financial position. It means that the users of this set of financial statements do not have access to the most rudimentary information, for example: the amount of money that the school has in the bank. This is also in direct contradiction of section 42(a) of SASA, stating that the governing body of a public school must keep record of its assets and liabilities. One can argue that the school might have kept record of the assets and liabilities, but if this is then not reported as required by SASA, section 42(b), "draw up annual financial statements", it is of no practical use. This certainly is a case where the financial statements should be referred back to the relevant school by the Provincial Education Department in order to correct the situation.

7. A statement of profit or loss and other comprehensive income for the period

All thirty seven schools (100%) did include a statement of profit or loss and other comprehensive income. In many instances it was called a statement of income and expenditure or an income statement, which may be more appropriate for schools. In IAS 1.10 it is indicated that an entity may use titles for the statements other than those stated in IAS 1 and it is therefore acceptable.

8. A statement of changes in equity for the period

Fourteen of the thirty seven schools (38%) did include a statement of changes in equity. The compliance rate in this regard is, however, rather low (62% did not include the statement of changes in equity). In IAS 1.10, it is clearly stated that the components comprising a complete set of financial statements are required to be presented with equal prominence. Clearly by not including it, the implication is that it is perceived to be less important than the other components of the financial statements. It is imperative that the statement of change in equity is included and it will enhance the quality of a set of financial statements. Again, it is an aspect that should be monitored by the Provincial Education Departments and if needed, action should be taken to ensure that the required standard of financial statements is met.

9. A statement of cash flows for the period

Fifteen of the thirty seven schools (41%) did include a statement of cash flows. The compliance of inclusion is rather low. The principle is exactly the same as in the above paragraph but is repeated for the sake of clarity. If 59% of the schools did not include the statement of cash flows, it implies that it is perceived to be less important than the other components of the financial statements. IAS 1.10, clearly states that the components comprising a complete set of financial statements are required to be presented with equal prominence and the required standard is therefore not met. The Provincial Education Departments need to consider taking action to ensuring that schools meet the required standard of financial statements in this regard, especially as problems regarding cash flow may have implications regarding operational needs of a school.

10. Notes, comprising a summary of significant accounting policies and other explanatory notes

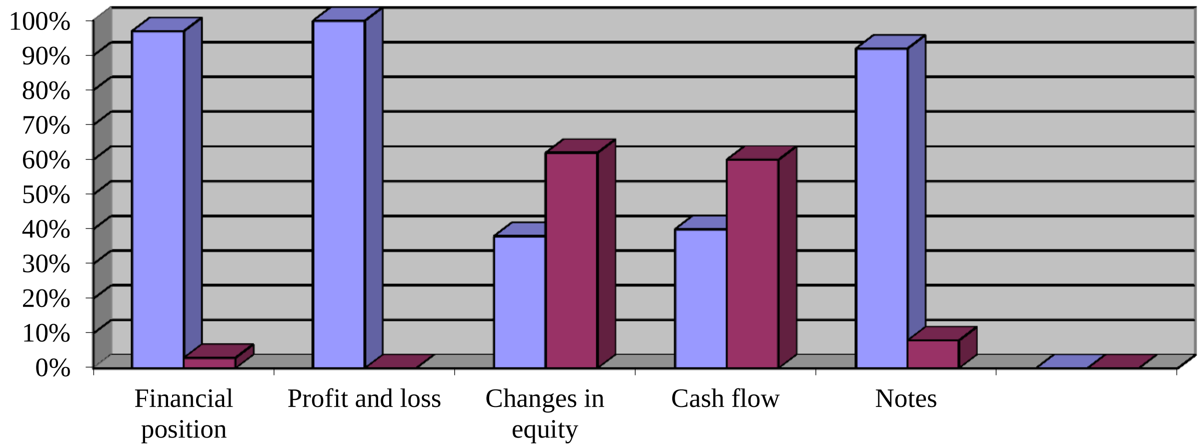
Thirty four of the thirty seven schools (92%) did include some notes as part of the financial statements. This is quite a high compliance rate. Unfortunately, when analysing the financial statements, it was immediately noted that most of these notes, that should include a summary of significant accounting policies and other explanatory notes, were far from adequate. A detailed analysis of the notes to the financial statements were however, not done as part of this study.

11. Summary of the different components of the annual financial statements

Below is a summary, represented as a colour chart, indicating the inclusion of the different components of the annual financial statements of the schools.

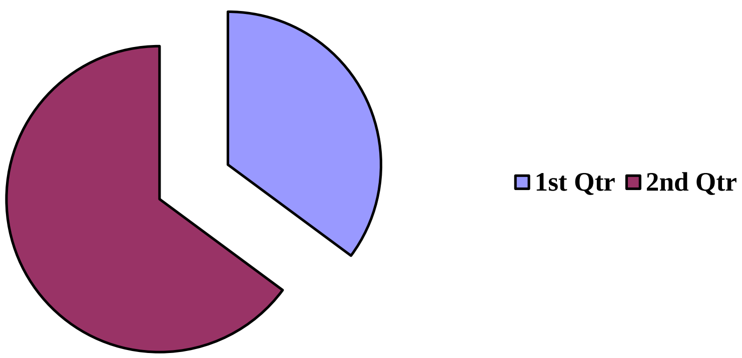
The South African Schools Act 84 of 1996, section 37(5) states that "All assets acquired by a public school on or after the commencement of this Act are the property of the school." Section 42(a) also states that the governing body of a public school must "keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions". The best way to "keep record of its assets" is to include all assets of the school in its financial statements and to present it as such to the users of the school's financial statements. Assets should also be audited. Furthermore, the International Accounting Standard 16, paragraph 1 (Property, Plant and Equipment) states: "The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the asset, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them". If this information is not presented or presented inadequately in the financial statements, users will not be able to discern this information.

Figure 1. Components of financial statements included in the annual financial statements



Note: left – Indicate the inclusion of these components and thus adherence to IAS 1.10; right – indicate the absence of these components as required by IAS 1.10; property, plant and equipment as disclosed in the statement of financial position at the end of the period

Figure 2. Schools that do include the line item "Property, Plant and Equipment" in the statement of financial position at the end of the period



Note: right – thirteen of the thirty seven schools (35%) write off all property, plant and equipment in the year of purchase; left – twenty four of the thirty seven schools (65%) show property, plant and equipment in the financial statements

It is of extreme concern that only 65% of schools actually had the line item "Property, Plant and Equipment" in the statement of financial position together with appropriate policies and notes. The other schools wrote down all the assets to "Rnil" as an expense in the year of purchase! This is in direct contradiction to the above-mentioned requirements by the South African Schools Act. It is also in direct contradiction to the International Accounting Standard 16, paragraph 1 (Property, plant and equipment) as stated above.

The results indicate that some of the schools writing down these assets to Rnil spent material amounts on property, plant and equipment. Large amounts were spent on items like vehicles, computer equipment and sports equipment that thus just "disappeared" from the annual financial statements. One set of financial statements contains the following typical example of such disclosure:

"1.1 Property, Plant and Equipment

It is the school's policy to charge all additions and replacements to property, plant and equipment directly against the income statement in the year of purchase, see capital improvements in the Income Statement."

This practice can definitely encourage both misuse and theft and should be urgently addressed.

It must be stressed that a qualitative analysis of the line item "Property, plant and Equipment" where not done. In some cases the disclosure was inadequate with information like the depreciation rate, depreciation method used and changes in the amounts not given (purchases, disposals and impairments). In some cases inadequate or inappropriate descriptions or no policy notes were given.

5.6 General qualitative analyses

A detailed analysis of the income and expenditure was not done as part of this study. Nevertheless, it was observed that often line items included as part of income or expenses do not make sense or is obviously wrong. Two such examples of items that were found in the financial statements are the following:

"Other income

- Unpaid Cheque …………..……….R 73, 838 "

And

"Less: Operating Expenses

Petty cash ……..……………………R 89 700"

Both these amounts are material items, both objectively as well as in relation to other amounts in the particular Annual Financial Statements. An "unpaid cheque" presumably refers to an expense that is reversed but can clearly not be an income. No explanation of the nature of this unpaid cheque is given. The same argument is valid with the description of an expense as "PETTY CASH". The nature of this expense is unclear. Questions should be asked in this regard. One can speculate what this actually means but clearly this is not a description of an actual or proper expense. At the very least an explanation should have been noted in the financial statements.

These types of line items are rather common in the annual financial statements analysed. They can be honest mistakes, in which case the quality of reporting can be questioned. However, it is also possible that these items can are deliberately described in such a manner to hide the actual nature of these expenses.

6 Conclusion

The financial statements of a sample of 66% of the total number of public secondary schools in the Tshwane North District, Gauteng Province in South Africa were analysed. The sample is thus representative of the total number of schools in this district.

It is clear from the above analysis that the financial reporting by schools in this district is not consistent. IFRS/GAAP is often ignored and the financial statements do not always comply with SASA. Financial statements are often prepared late, almost never can be described as a complete set of financial statements with all the relevant information required, and sometimes lack the very basics like comparative figures and appropriate signatures. The quality is questionable with scant regard to conveying quality information to the users of the financial statements. In the majority of cases audits were not done. This in effect makes it questionable whether the information can be relied on – a state of affairs that should be corrected both from an accountability point of view and if the reported information is to be used for research and/or policy implications.

7 Recommendations to the Education Department: Gauteng Province

If the effectiveness of spending in schools in South Africa is to improve (and through this, learner outcomes) and corruption in schools decreased, the importance of effective financial management of schools needs to be acknowledged. Financial reports and financial statements of schools should be prepared according to generally accepted accounting practices and local legislation. The Department should enforce a consistent framework for the financial management of, and financial reporting by schools. This should ensure that detailed fiscal and performance data is provided timeously and that the data can be used for comparison and analysis. This should also make misconduct more difficult and could assist with early detection of problems.

It is recommended that the preparation and audit of the annual financial statements should be limited to registered Chartered Accountants (SA) as they are the only members of a professional body authorised to perform the attest function. The South African Schools Act should be amended accordingly. The financial statements should be analysed by the relevant Education Department starting with the audit report. Any irregularities highlighted by the auditors or poor reporting should be investigated by the Department. Schools should receive detailed feedback and if necessary, corrective action should be taken against schools identified. Researchers, educators, parents and other interested parties should be encouraged to analyse and monitor spending of public money in schools and to demand accountability thereof.

Financial statements of schools should also be made available freely to other schools so that comparisons can be made between schools' spending patterns. This will allow schools to learn from each other and to spend more wisely, reduce costs or save. If schools apply their limited financial resources to the best effect, it may assist in delivering better outcomes.

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