

**ciba**

CHARTERED INSTITUTE FOR  
BUSINESS ACCOUNTANTS NPC

# Guide to Accounting Officer Engagements for Non-Profit Organisations

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# About CIBA

The Chartered Institute for Business Accountants NPC  
The Workspace  
Cnr Pinaster Avenue & 18th Street  
The Club Shopping Centre  
Hazelwood, Pretoria, 0018



For further information on this guide, please email: [technical@saiba.org.za](mailto:technical@saiba.org.za).

CIBA is a Professional Accountancy Organisation for bookkeepers, financial administrators, accountants, financial managers, chief financial officers, accounting officers, tax practitioners, and independent reviewers providing accountancy services to the public for a fee.

CIBA is a statutorily recognised to perform a public service in terms of the following empowering legislation:

- Recognised Professional Body and Registered Professional Designations: National Qualifications Framework Act 67 of 2008;
- Recognised Controlling Body for Tax Practitioners: Section 240A of the Tax Administration Act;
- Professional Accountancy Organisation for Assurance and Non-assurance providers: Regulation 29(4) of the Companies Act, 2008 and Section 60(2) of the Close Corporations Act, 1984.

The Financial Intelligence Centre (FIC) is the authoritative power in providing guidance and interpretation on the Financial Intelligence Centre Act, 2001 (Act 38 of 2001). This guide is not endorsed by the FIC and serves as a guide to further understanding.

The mission of the Chartered Institute for Business Accountants NPC (CIBA) is to serve the public interest, strengthen the accountancy profession in Southern Africa and contribute to the development of a strong regional economy by establishing and promoting adherence to high-quality professional standards, furthering co-operation on such standards and speaking out on public interest issues where the profession's expertise is most relevant. This will enable CIBA to deliver trusted advisors to Southern African small business and support staff to big business.

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# Contents

1. Glossary .....	4
2. Introduction .....	4
3. Types of NPOs .....	5
4. The CIBA License to Practice .....	7
5. The NPO Act .....	8
6. Registration of NPOs .....	9
7. Requirements for registered NPOs .....	10
8. Annual reporting requirements of NPOs .....	12
9. Other reporting responsibilities of NPOs .....	13
10. Communication with DSD .....	13
11. The Role of the Accounting Officer .....	15
12. Applicable standards .....	16
13. Annual Financial Statements .....	20
14. Public Benefit Organisations (PBOs) .....	22
<b>Annexure 1.</b> Illustrative Accounting Officer Engagement Letter .....	24
<b>Annexure 2.</b> Illustrative Report of the Accounting Officer .....	35
<b>Annexure 3.</b> Checklist for Required Clauses in a Constitution for an Organisation Applying for NPO Registration. ....	38
<b>Annexure 4.</b> Checklist To Building Good Financial Management Practices Within Nonprofit Organisations .....	40
<b>Annexure 5.</b> The DSD's Legal Framework .....	44
Sources and Guidance.....	45

# 1. Glossary



**BAP (SA)**

Business Accountant in Practice

**DSD**

Department of Social Development

**CIBA**

Chartered Institute for Business Accountants,  
formerly known as the Southern African Institute for  
Business Accountants

**CIPC**

Companies and Intellectual Property Commission

**FIC**

Financial Intelligence Centre

**GAAP**

Generally Accepted Accounting Principles

**GLA Act**

General Laws Amendment Act

**ISQM 1**

International Standard on Quality Management 1

**MOI**

Memorandum of Incorporation

**NPC**

Non-Profit Company

**NPO**

Non-Profit Organisation

**PBA**

Public Benefit Activity

**PBO**

Public Benefit Organisation

**SARS**

South African Revenue Service

**VA**

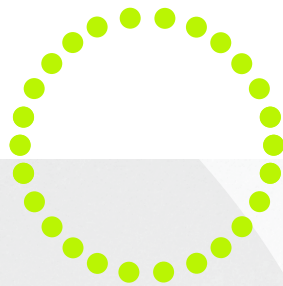
Voluntary Association

**VDR**

Voluntary Disclosure Report

## 2. Introduction

Non-profit organizations play a critical role in promoting social welfare and addressing societal challenges in South Africa. As such, they are subject to specific laws and regulations that differ from those applicable to for-profit entities. As an accountant, it is essential to have a thorough understanding of the regulatory environment and tax requirements applicable to non-profit organizations. This knowledge will enable you to provide sound financial advice and assist non-profit organizations in fulfilling their mission to benefit the public. We hope that this guidance document will be a valuable resource for you as you navigate the complex legal and regulatory landscape governing non-profit organizations in South Africa.



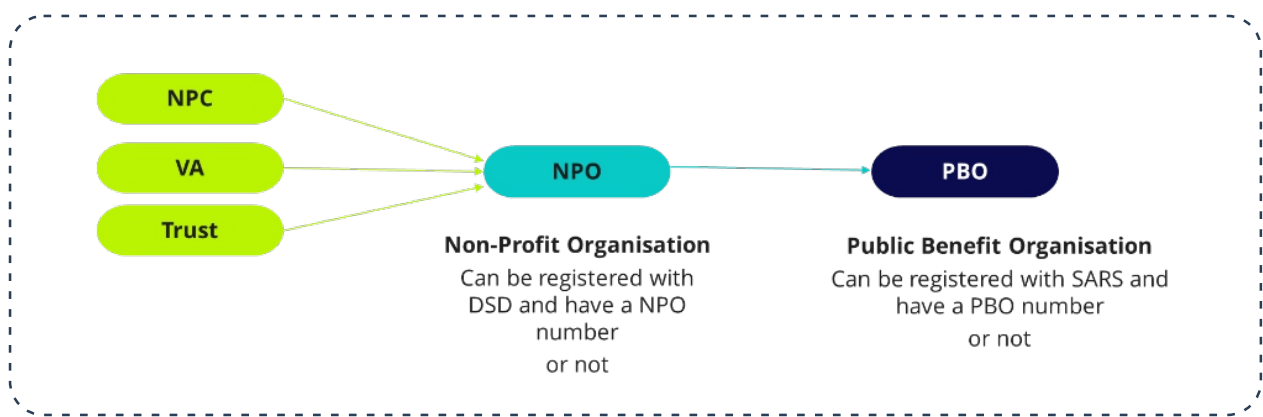


# 3. Types of NPOs

Non-profit organisations in South Africa can essentially be established through three forms of legal entities:

- Non-profit companies, registered under the Companies Act.
- Trusts, registered in accordance with the Trust Property Control Act 1988.
- Various community-based voluntary associations (which can be registered under the Non-Profit Organisations Act, but this is not obligatory).

Diagram 1. Types of NPOs



## Non-profit Companies (NPCs)

The Companies Act, No. 71 of 2008 recognises non-profit companies (NPCs) as a separate category of companies that must have a minimum of 3 directors and that can be established with or without members. The NPC can be incorporated for a public benefit object or an object relating to one or more cultural or social activities, or communal or group interests. The founding document for NPCs is a Memorandum of Incorporation. The NPC is registered with the Companies and Intellectual Properties Commission (CIPC).



### Voluntary Associations (VA)

Forming a voluntary association requires that three or more people agree to achieve a common objective that is primarily not-for-profit. The agreement may be oral or written, although it is customary for the agreement to take the form of a written constitution. Voluntary associations are a product of the

common law and are not regulated by statute. It is popular amongst smaller and informal community-based initiatives. Voluntary associations are not required to register with a public office for them to exist.

The voluntary associations must meet three requirements to have a legal personality, namely:

- Have perpetual succession – it should be structured to continue operating regardless of the change in membership.
- Be able to hold property distinct from its members, and
- Stipulate that no member can have rights to the property of the voluntary association based on his or her membership.

Provision for these requirements should be detailed in the founding document or Constitution of the voluntary association.

## **Non-profit Trusts**

Trusts are established either for private benefit or for a charitable purpose under the Trust Property Control Act. To determine whether a trust qualifies as a charitable trust under law, one must look at its founding document which is called the Trust Deed.

A non-profit trust is established when ownership of property is transferred (by written agreement, testamentary writing, or court order) to another party, to be administered for the benefit of others or the achievement of a particular goal. The person who administers the trust property is called a trustee. The Master of the High Court oversees the appointment of trustees and polices, the proper performance of the trustees' duties with respect to the trust property.

The Trust Property Control Act requires that the first trustees must lodge the trust deed with the Master of the High Court. Trustees can only act in their capacity as trustees after having been authorised in writing by the Master. A trust does not have a separate legal personality, but trustees still enjoy limited liability. All rights and responsibilities vest collectively in the trustees.

The Trust Act does not require trustees to regularly submit audited financial statements. Trustees must, at the written request of the Master, account for their administration and disposal of trust property. The trustees may also be required by the Master to deliver any book, record, account, or document relating to the administration or disposal of the trust property. The Master's office may also conduct an investigation into the trustee's administration and disposal of trust property. The trust deed may, however, require that audited financial statements be prepared.

## **Public Benefit Organisations (PBOs)**

A Public Benefit Organisation (PBO) can be any non-profit company, trust, or association of persons that has been incorporated, formed, or established in South Africa or is a branch of any company, association, or a branch of a foreign tax-exempt organisation. PBOs are engaged in public benefit activities (PBAs) including religious institutions, day care centers, disaster relief organisations, health clinics, etc.

The sole or principal object of the PBO must be carrying on one or more public benefit activities (PBAs) in a non-profit manner and with an altruistic or philanthropic intent. PBAs listed in Part I of the Ninth Schedule are those of a benevolent nature, having regard to the needs, interests, and well-being of the public.

These activities must not promote the economic self-interest of any fiduciary or employee of the organisation directly or indirectly, otherwise than by way of reasonable remuneration payable to that fiduciary or employee. Each such activity carried out by that organisation must be for the benefit of or is widely accessible to the public at large, including any sector thereof (other than small and exclusive groups).

The Income Tax Act provides two major benefits to non-profit organisations operating for the public benefit, namely:

1. Tax exemption for organisations that qualify as PBOs, and
2. Donations are tax deductible in the hands of the donor to those PBOs that carry out certain specified public benefit activities.

## 4. The CIBA License to Practice

Only those CIBA members that have obtained the designation Business Accountant in Practice (SA) or BAP(SA) are licensed to assist with the preparation of financial statements for an NPO and issue accounting officer reports. The work of an accountant or accounting officer should be performed in line with relevant legislation, common law requirements related to professional competence, due care, a code of conduct issued by a professional body, and the CIBA engagement framework set out in this guide. An accountant or accounting officer may only issue a report once all the above requirements are met.

A BAP(SA) may therefore perform the following services for NPOs:

- a. Compiling financial statements as an accountant. A BAP(SA) should apply the international standard on compilation engagement (ISRS4410) when assisting an NPO with preparing financial statements.
- b. Issuing an accounting officer's report as an accounting officer. A BAP(SA) should as a minimum apply the CIBA framework as contained in this guide when issuing an accounting officer report for an NPO.

The framework requires that the BAP(SA) follow certain procedures and apply professional judgment prior to issuing the accounting officer report.

The CIBA framework incorporates elements of the International Standards on Related Services, specifically the International Standard on Agreed-Upon Procedures (ISRS 4400).

ISRS 4400 applies when a BAP(SA) confirms whether the:

- a. NPO's financial statements are consistent with its accounting records,
  - b. NPO complied with the provisions of the NPO Act and of its constitution, which relate to financial matters.
- Professional judgment, within the context of the CIBA framework, applies when the accounting officer confirms whether the accounting policies of the NPO are appropriate and have been appropriately applied in the preparation of the financial statements.



## 5. The NPO Act

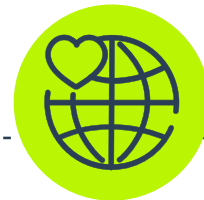
The objective of the NPO Act is to encourage and support NPOs in their contribution to meeting the diverse needs of the population of South Africa.

In pursuing this broad objective, the NPO Act lists five specific objectives. Probably the most important is the creation of an enabling environment in which NPOs can flourish. The others are:

- Providing an administrative and regulatory framework within which nonprofit organisations can conduct their affairs
- Encouraging nonprofit organisations to maintain adequate standards of governance, transparency, and accountability and to improve those standards
- Creating an environment within which the public may have access to information concerning registered nonprofit organisations, and
- Promoting a spirit of cooperation and shared responsibility within government, donors, and amongst other interested persons in their dealings with nonprofit organisations.

The NPO Act was amended by the General Laws Amendment Act promulgated in January 2023 by:

- Making it mandatory for certain NPOs to register with the Directorate. NPOs will now be required to register if they make donations to individuals or organisations outside South Africa or if they provide humanitarian, charitable, educational, or cultural services outside South Africa.
- Enabling the NPO Directorate to perform its functions, to collaborate, co-operate, co-ordinate and enter into arrangements with other organs of state
- Requiring NPOs to submit prescribed information about the office-bearers, control structure, governance, management, administration, and operations of nonprofit organisations to the director
- Requiring that the director must keep a register including the prescribed information relating to the office-bearers, control structure, governance, management, administration, and operations of nonprofit organisations, and providing access to that information
- Providing grounds for disqualification for a person to be appointed or continuing to act as an office-bearer of a nonprofit organisation
  - Providing for removing an office-bearer and
  - Providing for certain offenses.



Although NPOs are not among the listed institutions in the FIC Act they have the option to submit a voluntary disclosure report (VDR) to the FIC on suspicious activity or transactions related to money laundering and terrorist financing.

NPOs are advised to file VDRs where they know or suspect they have received or are about to receive the proceeds of unlawful activities or are about to be used to facilitate terrorist financing or any other offense.

## 6. Registration of NPOs

NPOs should understand and apply the provisions of the NPO Act to determine whether they have a requirement to register with the NPO Directorate. Alternatively, NPOs may opt to register as this may provide opportunities for acquire additional funds.

The Nonprofit Organisations Act (NPO Act) defines an NPO as a trust, company, or other association of persons established for a public purpose, and the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered.

Not all NPOs are required to register with the Department of Social Development (DSD). However, section 13 of the NPO Act requires some NPOs to register and others may apply for registration as it is often required to access funding from government departments and some corporate donors.

### **Mandatory registration for NPOs**

An NPO must register with DSD if it:

- Makes donations to individuals or organisations outside of the Republic's borders, or
- Provides humanitarian, charitable, religious, educational, or cultural services outside the Republic's borders.

The NPO Act is made up of five chapters. Two substantive chapters deal with the creation of an enabling environment and the registration of NPOs under the NPO Act. Chapter 2 of the NPO Act is entitled Creation of an Enabling Environment whilst Chapter 3 is entitled Registration of Nonprofit Organisations.

Voluntary registration of NPOs

The NPO Act also provides a voluntary registration facility for NPOs. An NPO that wishes to register with the DSD Directorate should comply with listed criteria in terms of its founding document (constitution) as per section 12 of the NPO Act. The constitution of a NPO that intends to register with DSD should include the following detail:

- The name of the NPO
- State the NPO's main and ancillary objectives
- State that the organisation's income and property are not distributable to its members or office-bearers, except as reasonable compensation for services rendered
- Make provision for the organisation to be a body corporate and have an identity and existence distinct from its members or office-bearers
- Make provision for the NPO's continued existence notwithstanding changes in the composition of its membership or office-bearers
- Ensure that the members or office-bearers have no rights in the property or other assets of the organisation solely by virtue of their being members or office-bearers
- Specify the powers of the organisation
- Specify the organisational structures and mechanisms for its governance
- Set out the rules for convening and conducting meetings, including quorums required for and the minutes to be kept of those meetings
- Determine the manner in which decisions are to be made
- Provide that the organisation's financial transactions must be conducted by means of a banking account
- Determine a date for the end of the organisation's financial year

- Set out a procedure for changing the constitution
- Set out a procedure by which the organisation may be wound up or dissolved
- Provide that when the organisation is being wound up or dissolved, any asset remaining after all its liabilities have been met, must be transferred to another nonprofit organisation having similar objectives.

## How to register an NPO

A prescribed application form must be completed online on the DSD website following this link: <http://www.npo.gov.za/PublicNpo/WebApplicationCase/Register>.

To register an NPO you'll need the following founding documents:

- A constitution if the organisation is a Voluntary Association.
- A Trust Deed (a written agreement used by trusts) if the organisation is a Trust.
- A Memorandum of Incorporation (MOI) if the organisation is registered as an NPC.

A registered nonprofit organisation is issued with a certificate of registration, which is sufficient proof that the organisation is registered in terms of the NPO Act.

## 7. Requirements for registered NPOs

The NPO Act sets out relevant requirements that registered NPOs should observe.

Registered NPOs should comply with the following requirements:

1. Reflect its registered status or registration number on all its documents, i.e., on invoices, quotes, and official letters, in line with section 16(3).
2. Keep accounting records including expenses, income, assets, and liabilities as per section 17(1)(a).
3. Draw up financial statements – section 17(1)(b).
4. Arrange for an accounting officer to prepare a written report – section 17(2).
5. Preserve its books of account, supporting vouchers, membership records and financial records and documents – section 17(3).
6. Submit information to the Directorate for Nonprofit Organisations:
  - A narrative report – section 18(1)(a).
  - Details of any changes of its office-bearers - section 18(1)(b).
  - Details of any changes to the address at which it will receive documents – section 18(1)(c).
  - Details of any changes in its constitution or its name – section 19.

### Maintain Accounting Records and draw up Financial Statements

Registered NPOs must, to the standards of generally accepted accounting practice (GAAP):

- Keep accounting records of its income, expenditure, assets, and liabilities. This will include all cash and credit transactions.
- Draw up financial statements within six (6) months of its financial year-end, which must include an income, and expenditure statement, and a balance sheet reflecting its assets and liabilities.

## Reporting to the NPO Directorate

The accounting officer must notify the NPO Directorate of instances when an NPO failed to comply with the financial provisions of the NPO Act or its constitution, within one (1) month after becoming aware of the failure. Sufficient detail should be provided to describe the nature of the non-compliance. The duty to report to the NPO Directorate supersedes the duty of confidentiality owed to the organisation by the accounting officer.

## Preserve documents and financial reports

Every NPO must preserve each of its books of account, supporting vouchers, records of subscriptions or levies paid by its members, income and expenditure statements, balance sheets, and accounting officer's reports, in an original or reproduced form.

## Submit reports to the Directorate for Nonprofit Organisations

Every registered NPO must, within nine (9) months after its financial year end provide the NPO Directorate with the following:

- Narrative report
- Annual financial statements and
- Accounting officer's report.

Alternatively, NPOs that did not have Financial Report and Accounting Officer report must send the following:

- Narrative Report
- 12 months Bank Statement, and
- An Affidavit.

All reports submitted to the Directorate should be approved by the governing body of the NPO.



## 8. Annual reporting requirements of NPOs

NPOs should prepare a report annually, including a narrative report, the annual financial statements and the accounting officer's report.

### **Narrative Report**

A Narrative Report describes the NPO's activities and achievements at the end of the organisation's financial year. It is provided in a required format including the following three sections:

Section A: Basic details about the organisation on the form provided.

Section B: The organisation's major achievements over the year, in response to the questions provided.

Section C: List of important meetings held by the organisation during the year, and details of any changes to the constitution.

For an example on how to include relevant information in a narrative report click here: [https://www.gov.za/sites/default/files/gcis\\_document/201409/20877.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/20877.pdf)

### **Annual Financial Statements**

A Financial Statement is a description of how the income received by an NPO has been spent towards meeting the set objectives of an organisation. This must be done in terms of Generally Accepted Accounting Principles (GAAP). The NPO Act does not provide a definition of what is meant by GAAP. Commonly used frameworks to prepare financial statements of NPOs include:

- International Financial Reporting Standards (IFRS),
- International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs)
- Modified cash basis of accounting or another basis suitable to the activities and nature of the NPO.

### **Accounting Officer's Report**

An Accounting Officer's Report is an expression of opinion by the Accounting Officer on whether the NPO kept its records in terms of GAAP.

### **NPOs who did not Prepare Financial Report**

NPOs who did not have a Financial Report and Accounting Officer report must provide the following:

- Narrative Report
- 12 months Bank Statement, and
- An Affidavit

The **Narrative Report** should contain information on the NPO's activities and achievements at the end of the financial year and should be in the required format including sections A, B and C as described above.

An **Affidavit** is a written sworn statement of fact voluntarily made by a person under oath or affirmation administered by a person authorized to do so by law. Such a statement is witnessed as to the authenticity of the affiant's signature by a taker of oaths, such as a notary public or commissioner of oaths. For registered NPOs the contents of an affidavit reflect why the organisation is unable to submit its reports and/or the absence of a bank account.



A **Bank Statement** or account statement is a summary of financial transactions which have occurred over a given period on a bank account held by an NPO with a financial institution.

Refer to the following guidance document for more detail: Obligations for Registered Nonprofit Organisations (NPOs) in Terms of the NPO Act, 71 of 1997

<https://www.dsd.gov.za/index.php/documents?task=download.send&id=404&catid=77&m=0>

## 9. Other reporting responsibilities of NPOs

Registered NPOs should notify the Directorate of any changes to its founding document, office bearers or contact details of the NPO. This should be done within required timelines.

The notification should include the copy of the NPO's new founding document together with the minutes of the meeting at which changes were agreed to and signed by all members present.

The reporting requirements and relevant timelines are:

- The names and physical, business, and residential addresses of its **office-bearers** within one month after any appointment or election of its office-bearers even if their appointment or election did not result in any changes to its office-bearers
- A **physical address** in RSA for the service of documents
- A notice of any **change of address** within one month before a new address for service of documents will take effect.

The NPO Directorate may cause any document or a narrative, financial or other report that is submitted to the director to be scrutinised, or, by means of a notice, require an NPO to submit any information or document reasonably required to enable the director to determine whether the organisation is complying with:

- The material provisions of its constitution
- Any condition or term of any benefit or allowance confirmed on the organisation in terms of a Ministerial decision
- The required accounting and financial reporting obligations.

An NPO must submit the information or document contemplated within one (1) month after receipt of the notice.

## 10. Communication with DSD

The NPO Directorate created separate email addresses for different kind of enquiries to assist with efficiently responding to the NPO enquiries.

Table 1. Contact details for DSD

Type of enquiry	Email to use
Enquiries pertaining to Online Submissions Request for compliance letter Request for certificate ONLY	Npoenquiry@dsd.gov.za
For submission of new applications ONLY	NPORegistration1@dsd.gov.za Send enquiry with APP number/NPO Name or NPO number
Check Application, Change Request and Foundation Change status Query an Unsuccessful Application, Change Request and Foundation Change ONLY	visit: <a href="http://www.npo.gov.za">www.npo.gov.za</a> or <a href="http://www.npo.gov.za/PublicNpo/WebApplicationCase/Register">http://www.npo.gov.za/PublicNpo/WebApplicationCase/Register</a>
Check Compliance Status Query Incomplete Reports Request Voluntary De-Registration ONLY	NPOReports1@dsd.gov.za send enquiry with NPO number/NPO Name
To report fraud or abuse of an NPO ONLY	npoinvestigations@dsd.gov.za

# 11. The Role of the Accounting Officer

All registered NPOs should appoint an accounting officer to hold office. The NPO Act defines an accounting officer of a nonprofit organisation, as a person contemplated in section 60 of the Close Corporations Act, 1984.

The Close Corporations Act lists professional bodies whose members may act as accounting officers. CIBA (formally SAIBA) has been appointed as the controlling body for accounting officers since 1987. Only those CIBA members with the designation BAP(SA) are recognized as accounting officers.

## **The accounting officer's report**

The accounting officer is responsible for compiling a written report within eight (8) months of the NPO's financial year-end. The accounting officer's report must confirm that the:

- Financial statements of the organisation are consistent with its accounting records
- Accounting policies of the organisation are appropriate and have been appropriately applied in the preparation of the financial statements, and the
- NPO has complied with the provisions of the NPO Act and of its constitution, which relate to financial matters.

The accounting officer should ensure, with representatives of the entity and, where appropriate, with other specified parties who will receive copies of the report, that there is a clear understanding regarding the accounting officer engagement procedures and the conditions of the engagement.

## **Standards for compiling an accounting officer's report**

The NPO Act does not specify the procedures that the accounting officer should follow prior to issuing an accounting officer report for the NPO. The accounting officer should therefore agree on the scope and procedures with the NPO. This agreement should also be detailed in an engagement letter (Refer to Annexure 1. Illustrative Accounting Officer Engagement Letter).

It is common cause that accounting officers should perform their duties to a professional standard as is expected of a professional acting in the public interest. Accounting officers are required to observe the:

- Common law requirements of care, skill, and diligence,
- Contractual requirements as agreed to between the parties,
- Professional standards and codes applicable to accounting officers that are members of a professional body such as CIBA,
- Any other statutory requirements and obligations.

Professional accounting bodies such as CIBA require that their members who act as accounting officers do so in terms of specific industry standards. These standards are designed to protect the interest of the NPO and ensure the accounting officer performs their duties diligently and comprehensively.

This guide explains the specific framework and standards that the accounting officer should adopt and agree with the client.

## 12. Applicable standards

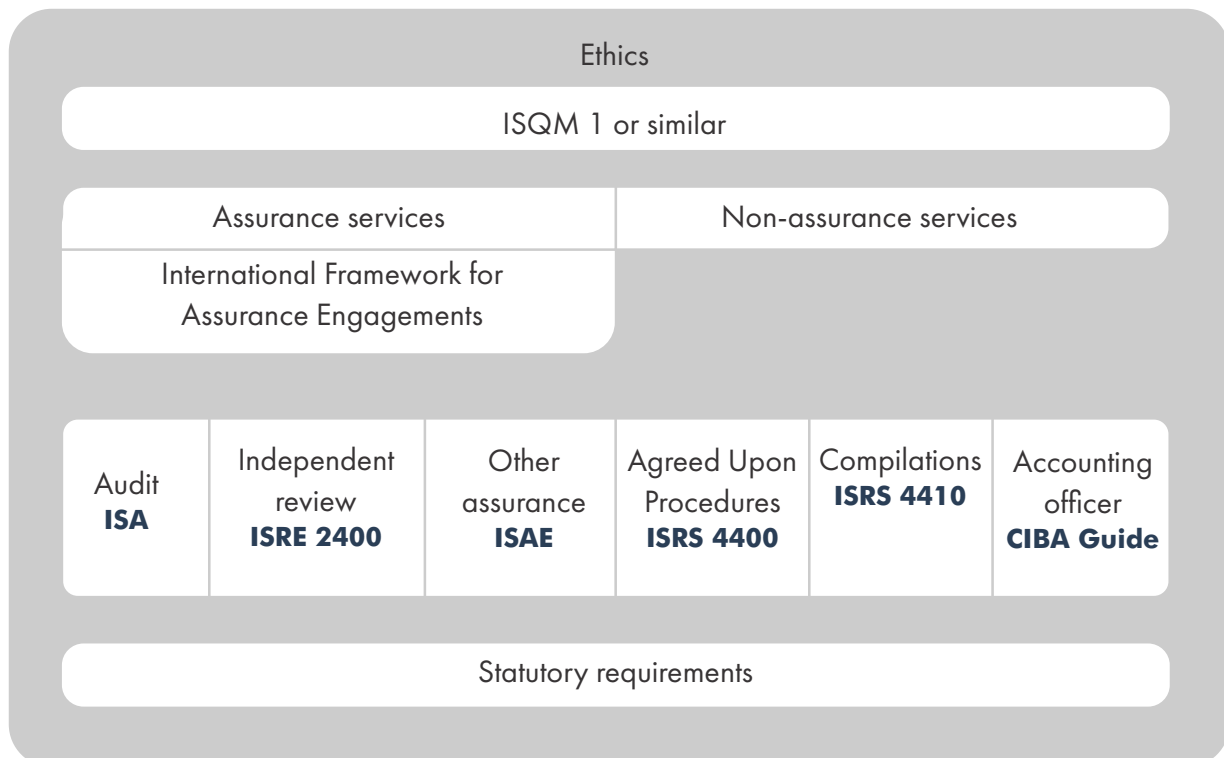
All reporting engagements performed by qualified accountants should adhere to certain standards and policies to ensure compliance with laws and regulations and the appropriateness of the reports issued.

Reporting engagements should be performed in compliance with:

1. **A code of ethics.** This code should preferably be aligned with the Code of Ethics as issued by IFAC, as is CIBA's code.
2. **ISQM1** or a similar quality management policy and procedures. Adoption of quality control standards will assist the firm with ensuring that laws and regulations are adhered to and that reports issued are appropriate.
3. Non-assurance engagement, i.e., compilation services should be performed in terms of **ISRSs**.
4. Assurance engagements, including independent reviews and audits should be performed in terms of **ISAs, ISRE, or ISAE**.

Diagram 2 below illustrates the framework within which assurance and non-assurance services should be performed. It also clearly distinguishes between assurance and non-assurance services or related services. Accounting officer engagements can also be placed within this framework.

Diagram 2. Assurance and Non-Assurance engagements framework



## The Code of Ethics

The duties of accounting officers are explicitly stated in the NPO Act. However, in addition to these statutory duties, accounting officers have certain common law duties such as:

- a. Performing engagements with professional competence and due professional care,
- b. Planning and supervising the engagement performance, and
- c. Obtaining sufficient relevant data to afford a reasonable basis for issuing an accounting officer report.

In addition to the above duties, an accounting officer should comply with the code of ethics of the professional body of which he is a member. CIBA has adopted the IFAC Code of Ethics for Professional Accountants ('the Code').

Part A of the IFAC Code sets out the fundamental principles that should be observed by all professional accountants. These are:

- a. Integrity
- b. Objectivity
- c. Professional competence and due care
- d. Confidentiality, and
- e. Professional behaviour.

Part B of the IFAC Code illustrates how the conceptual framework contained in Part A is to be applied by professional accountants who offer their services for a fee ie act in private or public practice. The Code advises that any threats to the conceptual framework should be avoided. Part B of the Code provides a case study approach to explaining the principles that should be followed regarding:

- Professional appointment
- Conflicts of interest
- Second opinions
- Fees and other types of remuneration
- Marketing of professional services
- Gifts and hospitality
- Custody of client assets, and
- Independence related to audit and review and other assurance engagements.

## Quality Management Standards – ISQM1

A system of quality management will provide a firm of accounting officers with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm or accounting officer are appropriate in the circumstances.

Accounting officers should therefore adopt a standard of quality management appropriate for the engagements they undertake. It is preferable that professional firms adopt the IFAC International Standard on Quality Management (ISQM 1) with amendments as required in the circumstances.

ISQM1<sup>1</sup> to firms of accountants performing audits and reviews of financial statements, other assurance, and related services. Related services are defined as the standards for agreed-upon procedures and compilations. However, it is a common cause that accounting officers should ensure the quality of their work. In addition, the ISQM1 allows that if circumstances dictate a firm may depart from a requirement of ISQM1 if the requirement is not relevant to the services provided.<sup>2</sup> A firm of accounting officers should therefore adopt a system of quality control derived from ISQM1.

<sup>1</sup> International Standard on Quality Management 1. (ISQM 1), 2020, IFAC

<sup>2</sup> Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements, 2010 Edition Part 1, IFAC



## Accounting Officer's report – ISRS 4400

ISRS 4400 applies when a BAP(SA) confirms whether the:

- NPO's financial statements are consistent with its accounting records,
- NPO complied with the provisions of the NPO Act and of its constitution, which relate to financial matters.

Professional judgment, within the context of the CIBA framework, applies when the accounting officer confirms whether the accounting policies of the NPO are appropriate and have been appropriately applied in the preparation of the financial statement. The following provides a list of suggested minimum procedures the accounting officer should perform:

- Obtain an understanding of the NPO, obtain and scrutinise documents including the founding document. This also include relevant statutory exemptions and applicable reporting requirements.
- Perform inquiries about the entity's accounting principles and practices. What accounting framework is used and the reasons. Obtain previous financial statements and/or other reports.
- Perform inquiries about the entity's procedures for recording, classifying, and summarizing transactions, accumulating information for disclosure in the financial statements and preparing financial statements.
- Perform inquiries about material assertions in the accounting policies. Review and understand the accounting policies set by the NPO.
- Perform analytical procedures to identify relationships and unusual items.
- Inquire about events after the date of the financial statements.
- Perform additional procedures including inspection of subsidiary accounting records if evidence suggests the possibility of material misstatements.
- Inquire about decisions and actions by the entity and its representatives that may affect the accounting policies.
- Read the financial statements to determine agreement with accounting records and consider whether the financial statements conform to the accounting policies.
- Obtain management representation where appropriate.

## Compiling Annual Financial Statements – ISRS 4410

ISRS 4410 is the International Standard on Related Services (ISRS) that sets out the requirements and guidance for performing compilations engagements, including compiling financial statements for NPOs.

The compilation report is a report issued by an accountant who is engaged in compiling the financial statements of an entity. If this report is not required by law it may be required by stakeholders such as banks, shareholders, or regulatory authorities. The purpose of the compilation report is to state that the financial statements have been compiled in accordance with the applicable financial reporting framework, based on information provided by management, but it does not provide any assurance on the accuracy or completeness of the information contained in the financial statements.

ISRS 4410 requires the accountant to:

- Obtain an understanding of the accounting policies and practices of the NPO, as well as any specific industry or regulatory requirements. Such knowledge is ordinarily obtained through experience with the entity or inquiry of the entity's personnel.
- Evaluate the suitability of the financial reporting framework used and ensure that the financial statements are free from material misstatement.
- Read the compiled information and consider whether it appears to be appropriate in form and free from obvious material misstatements. Misstatements may include mistakes in the application of or departures from the financial reporting framework including non-disclosure of required or important matters.

- Consider the implications of any known or likely departures from the financial reporting framework, including any going concern issues. Known departures should be adequately disclosed within the financial information.
- Communicate all significant findings or issues to management and try to agree appropriate amendments. If such amendments are not made and the financial information is considered to be misleading, consider withdrawing from the engagement.
- Obtain a representation from management acknowledging responsibility for the appropriate presentation of the financial information and of its approval of the financial information. The representation should also cover the fact that management has provided all necessary information for the compilation engagement.

The compilation report should be presented in a specific format, including reference to:

- The fact that the engagement was performed in accordance with the International Standard on Related Services
- When relevant, a statement that the accountant is not independent of the entity
- Identification of the financial information noting that it is based on information provided by management
- A statement that management is responsible for the financial information compiled

### **Independent review of financial statements – ISRE 2400**

ISRE 2400 is the International Standard on Review Engagements setting out the requirements for practitioners performing independent reviews.

The Licence: Independent Review Engagements is a pre-requisite for a BAP(SA) to obtain CIPC recognition and registration as an independent reviewer and perform independent reviews.

A review engagement provides a moderate level of assurance that the information subject to review is free of material misstatement, this is expressed in the form of negative assurance.

Performing an independent review engagement for a guidance document for accountants of NPOs would typically involve the following steps:

- **Understanding the scope and objectives:** The first step in any review engagement is to understand the scope of the guidance document and the objectives of the review. This would involve discussions with the client to understand the purpose of the document, the intended audience, and the key issues or concerns that need to be addressed.
- **Planning the review engagement:** Once the scope and objectives of the review engagement are clear, the next step is to plan the review engagement. This would involve developing a detailed plan of the review procedures to be performed, including the nature, timing, and extent of the procedures.
- **Gathering evidence:** The review engagement would require the gathering of sufficient and appropriate evidence to provide a basis for the review conclusion. Evidence could be in the form of documents, records, interviews, and other information that supports the assertions in the guidance document.
- **Analyzing evidence:** The next step in the review engagement is to analyze the evidence gathered during the review procedures. The analysis would involve evaluating the completeness, accuracy, and relevance of the evidence and determining whether it supports the assertions in the guidance document.
- **Reporting the review findings:** The final step in the review engagement is to report the review findings. The report would typically include an opinion on whether the guidance document is presented fairly, in all material respects, based on the criteria specified. If there are areas of concern or issues identified during the review, these would be discussed in the report.

Throughout the review engagement, the reviewer would be expected to comply with the requirements of ISRE 2400, including maintaining professional skepticism, documenting the review procedures performed, and communicating any significant findings or issues to the appropriate parties.

Refer to the CIBA Practice Support Library for more information on performing independent reviews.

# 13. Annual Financial Statements

## The financial reporting framework

If the founding document does not state the relevant accounting framework, the NPO should select the most appropriate reporting framework by considering the following:

- Any legislative requirements applicable to the NPO, for example the PI score of an NPC in terms of the Companies Act
- The specifications from donors or government grants
- The nature and scope of the activities of the NPO.

## Fund accounting

Fund accounting is a specific type of accounting used by nonprofit organizations to track and manage their financial resources. In fund accounting, an organization's finances are separated into different funds, each with its own set of accounts and financial statements. This allows nonprofits to track how money is received, spent, and invested for specific purposes or restrictions.

An NPO can receive funds which are unrestricted as well as funds from specific donors, endowments, and special projects. The chart of accounts can be set up to track the inflow and outflow of money for each type of fund received in accordance with donor restrictions to account for each of the objectives separately. This is especially important for PBOs that should account for trading income and expenses separately as it is subject to tax.

One of the main benefits of fund accounting is that it provides transparency and accountability for donors and other stakeholders. By tracking finances at a granular level, NPOs can demonstrate that they are using funds in the ways that donors intended and can ensure that restricted funds are not used for other purposes. This helps build trust and credibility with donors, which is essential for long-term sustainability and growth.

## The Different Types of Funds

Funds are usually categorized into three main funds:

**Unrestricted Funds:** These are funds donated to a nonprofit for any use or general purpose. NPOs can use these funds on a project of their choice. An example of an unrestricted fund is general donations made or gifts to the NPO.

**Permanently Restricted Funds:** These funds are donated to an organization to be used in a designated way and the principal cannot be spent. Typically, these types of funds are invested so that they can generate interest revenue to support the program. They can be structured as an endowment if the program is expected to last in perpetuity. Generally, these are set up to support large-scale programs over time.

For example, an individual donates property to your public university. This sounds great, but there is one major limitation. The donor has specified that the property can only be used to house research labs, making this donation permanently restricted.

**Temporarily Restricted Funds:** These are funds that are time-bound and are earmarked to be used for a specific project within a specific period. When that period ends, or the project is completed, then these funds are either stopped or become unrestricted. Temporarily restricted funds can be raised via a specific campaign and as noted usually have time restrictions on when they should be or are expected to be used.



For example, an NPO receives a grant for a scholarship to help children from families affected by natural disasters. Once the scholarships have all been awarded and the objectives of the project are met, any money that is left over from the grant must be reinvested into the program. Thus, these funds are considered temporarily restricted.

Within each of these categories, multiple subcategories can be created: grants, campaigns, or missions. The chart of accounts for an NPO could look similar to this:

**Assets:**

1010 Cash in Bank  
1020 Petty Cash  
1030 Accounts Receivable  
1040 Prepaid Expenses  
1050 Property, Plant, and Equipment  
1060 Investments

**Liabilities:**

2010 Accounts Payable  
2020 Accrued Expenses  
2030 Deferred Revenue  
2040 Loans Payable  
  
4070 Sales and Services  
4080 Investment Income

**Expenses:**

5010 Salaries and Wages  
5020 Payroll Taxes and Benefits  
5030 Professional Fees  
5040 Rent and Occupancy

**Net Assets:**

3010 Unrestricted Net Assets  
3020 Temporarily Restricted Net Assets  
3030 Permanently Restricted Net Assets

**Revenue:**

4010 Contributions - Unrestricted  
4020 Contributions - Temporarily Restricted  
4030 Contributions - Permanently Restricted  
4040 Grants  
4050 Membership Dues  
4060 Fundraising Events  
  
5050 Utilities  
5060 Office Supplies  
5070 Insurance  
5080 Equipment and Maintenance  
5090 Depreciation and Amortization  
5100 Program Expenses  
5110 Fundraising Expenses

To understand fund accounting basics, consider the following scenario.

A school is working as an NPO. It has received a donation for the repair of the building. Also, they received funds from a company to provide good food to students. Schools also received a donation for general-purpose means, not for any specific purpose. How do we account for this?

Donations for repairs will be used only for building repairs. The donation will be kept separated from other revenue until all the related expenses have been spent. A separate account will be opened under restricted funds for the revenue and related expenses.

Similarly, the donation received for food will be spent for that purpose only.

But donations received for general purposes can be used for any purpose, like the salary of teachers, expenses of school, etc.

In addition to separating different types of funds, for tax purposes PBOs have to separate funds that are used in the production of income.

## Think Beforehand About Your Accounting Structure

What you need to know:

1. Different types of funds received
2. Which funds have to be separately recorded.

When setting up the chart of accounts for an NPO, it should be carefully considered what funds need to be tracked separately. Keep it as simple as possible by not taking on multiple funds at one time. With too many funds, it can become a nightmare to manage, and you will be hard-pressed to keep good track of anything! You do not need to set up a separate bank account for each fund. Simply keep track of them separately in your accounting software or excel spreadsheet.

# 14. Public Benefit Organisations (PBOs)

## Requirements for Approval as a PBO

A PBO must be approved by the South African Revenue Service (SARS).

The conditions and requirements for an organisation to be approved as a PBO are contained in section 30 of the Income Tax Act while the rules governing the preferential tax treatment of PBOs are contained in section 10(1)(cN).

Eligibility for tax exemption further requires the PBO to satisfy additional conditions on its governance and operations. For example, the organisation's founding document must provide that at least three unrelated persons have fiduciary responsibility for the organisation, and that no single person can directly or indirectly control the decisions relating to the organisation (Income Tax Act Section 30(3)(b)(i)).

## Tax exemption

Approved PBOs are exempt from normal tax of certain receipts and accruals. However, receipts and accruals from trading or business activities will be taxable. It is important that a PBO should use funds responsibly and solely for their stated objectives, without any personal gain being enjoyed by any person including the founders and the fiduciaries. Approved PBOs must continue to comply with the Act and related legislation throughout their existence.

A PBO approved for exemption from income tax may also be exempted from other taxes, including: capital gains tax, donations tax, estate duty, transfer duty, and – in certain cases – the skills development levy if the property will be devoted to public benefit activities (Refer to the Tax Exemption Guide for Public Benefit Organisations in South Africa, pages 35-46). PBOs are also exempt from paying dividends tax when dividends (that do not consist of a dividend in specie) from for-profit companies are paid to PBOs. Finally, certain organisations are eligible for Value Added Tax preferences which are detailed below.

NPOs that are not approved PBOs or are not exempted from paying tax elsewhere under Section 10 of the Income Tax Act are liable for income tax and other taxes and duties on the same basis as ordinary taxpayers.

## Annual Income Tax Returns

PBOs have to submit annual income tax returns on an IT12E1 – Return of Income Exempt Organisations – External Form. SARS will look at whether the PBO is operating within the prescribed limits of the relevant approval granted and determine whether the partial taxation principles must be applied to receipts and accruals derived from a trading activity or business undertaking which does not qualify for the exemption.



## **Tax Deductible Donations (Section 18A receipts)**

The South African Government has provided a tax deduction for certain donations made by taxpayers to encourage generosity to certain organisations. The eligibility to issue tax deductible receipts is dependent on section 18A approval granted by the Tax Exemption Unit (TEU) and is restricted to specific approved organisations which use the donations to fund specific approved Public Benefit Activities.

A taxpayer making a bona fide donation in cash or of property in kind to a section 18A-approved organisation is entitled to a deduction from taxable income if the donation is supported by the necessary section 18A receipt issued by the organisation or, in certain circumstances, by an employees' tax certificate reflecting the donations made by the employee. The amount of donations which may qualify for a tax deduction is limited.

## **PBOs and VAT**


As an accountant, it's important to understand the terms PBO and VAT, as they can have significant implications for your clients' financial status.

Under the VAT Act, an approved PBO may be classified as a welfare organisation, which grants them special VAT dispensation. This classification allows the PBO to claim input tax, even if there is no output tax, without having to meet the normal registration requirements. It's important to note that a separate letter will be issued to confirm the PBO's classification as a welfare organisation in terms of the VAT Act.

However, PBOs that are not classified as welfare organisations may still have to register for VAT if they have taxable supplies that meet the VAT registration requirements.

In addition, the law limits the extent to which the business activities of the organisation are tax exempt (see Section V(D)(2) on Economic Activities) (Income Tax Act Section 10(1)(cN)).

Upon the organisation's termination, its assets must be transferred to a) a similar, approved PBO; b) an entity exempt from tax under Section 10(1)(cA)(i), which has as its sole or principal objective the carrying on of any public benefit activity; or c) the state (Income Tax Act Section 30(3)(b)(iii)). [8]



# Annexure 1. Illustrative Accounting Officer Engagement Letter

The following letter is for use as a guide and will need to be varied according to individual requirements and circumstances.

LETTERHEAD OF ACCOUNTING OFFICER

Our ref.: [insert]

[Date]

The Management

[Name of NPO]

[Address]

## **Engagement letter: Accounting Officer engagement / Compilation of financial statements<sup>1</sup>**

Dear [Sir(s)/Madam(s)],

### 1. INTRODUCTION

We would be pleased to accept your instruction to act as an accounting officer / accounting practitioner for the [Name of the NPO] year ended [insert financial year end date]. This letter sets out the terms and conditions upon which we will perform our engagement and the nature of the services we are to provide to you and the limitations of such services.

### 2. OBJECTS AND SCOPE OF ENGAGEMENT

*[include this section only if an accounting officer's report is going to be issued]*

- 2.1 We will perform an accounting officer engagement as required by section 62 of the Close Corporation Act, 1984, as amended. In terms of this we are required to:
  - 2.1.1 Determine whether the annual financial statements are in agreement with the accounting records, summarised in the manner required by section 58(2)(d) of the Act, and will do so by adopting such procedures and conducting such enquiries in relation to the accounting records as we agreed with you and considered necessary in the circumstances.
  - 2.1.2 Review the accounting policies, which have been presented to us as having been applied in the preparation of the annual financial statements and make a statement on whether we consider that they are appropriate to the business of the close corporation.
  - 2.1.3 Report on whether the organisation has complied with the provisions of the NPO Act and with its constitution in relation to financial matters. Contraventions will only be listed if we become aware of a contravention whilst performing our engagement.
  - 2.1.4 Report financial contraventions to the NPO Directorate. The duty imposed on us in terms of the NPO Act supersedes the duty of confidentiality owed to your organisation by us. We will also include any such contraventions in our accounting officer report issued to the NPO.

<sup>1</sup> International Standard on Quality Management 1. (ISQM 1), 2020, IFAC

*[OR include this section only when compiling of financial statements form part of the responsibilities]*

2.2 We will perform the following services:

2.2.1 Our responsibility is to compile, based on the information you provide, financial statements presented in line with the [applicable financial reporting framework, i.e., IFRS for SMEs or GAAP]. Financial statements include:

- The balance sheet of [name of NPO] as of December 31, 20XX
- Related statement of income and cash flow, and
- In addition, we will also compile a narrative report in line with the requirements of the Department of Social Development.<sup>2</sup>

2.2.2 The financial statements will be compiled in accordance with requirement of section 17(1)(b) of the NPO Act and the International Standard on Related Services (ISRS 4410) applicable to compilation engagements. The standards require that, in undertaking this engagement, we comply with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care. For that purpose, we are required to comply with the International Ethics Standards Board for Professional Accountant Code of Ethics for Professional Accountants (IESBA Code).

2.2.3 The financial statements will be prepared in accordance with [refer to the applicable financial reporting framework, i.e., IFRS for SMEs or GAAP]. Any known departures from this framework will be disclosed within the financial statements and, when considered necessary, will be referred to in our compilation report. The financial statements will be solely for management/office bearers' use and will not be distributed to other parties.

2.2.4 We will not carry out any audit or review engagement procedures in relation to such financial statements. Consequently, no assurance on the financial statements will be expressed. Our engagement cannot be relied upon to disclose whether fraud or errors or illegal acts exist. However, we will inform you of any such matters which come to our attention.

2.2.5 Our report on the financial statements of [name of NPO] is currently expected to include the following wording:

'Based on the information provided by management, we have compiled, following the International Standard on Related Services applicable to compilation engagements and in line with the [refer to the applicable financial reporting framework, i.e., IFRS for SMEs or GAAP], the balance sheet of [name of NPO] as of December 31, 19XX and statements of income and cash flows for the year then ended. Management is responsible for these financial statements. We have not audited nor reviewed these financial statements and accordingly express no assurance thereon.'

*[OR include this section only when taxation services are provided - remember to amend the descriptions as appropriate]*

2.3 We will perform the following tax and ancillary services:

- 2.3.1 General income and business tax advisory services, including income tax, employee tax, capital gains, VAT, customs and excise duties, international tax implications and interpretation
- 2.3.2 Preparation and submission of monthly and annual corporate income/provisional tax returns, and/or the review thereof
- 2.3.3 Preparation and submission of employee tax, deductions and contributions, including relevant returns and reconciliations
- 2.3.4 Preparation and submission of returns through SARS E-Filing

<sup>2</sup> delete this paragraph if a narrative report is not required

- 2.3.5 Preparation and submission of VAT returns and/or the review thereof
- 2.3.6 Establishment and registration of new entities, including registration of employee income tax, VAT and payroll services
- 2.3.7 Managing SARS queries, audits and assessments
- 2.3.8 Assisting with the regularisation of errors or omissions in income tax, employee tax, capital gains, VAT and customs and excise duties
- 2.3.9 General and/or specialised tax opinions – limited to Tax Practitioner: Advisor and Tax Practitioner: Master
- 2.3.10 Tax dispute mediation – limited to Tax Practitioner: Master.

2.4 To act on your behalf, we will ask you to provide us with the following acknowledgments:

- 2.4.1 That we can act as a duly authorised agent on your behalf
- 2.4.2 The NPO, as the taxpayer, will remain liable for the due and timeous fulfilment of all of its obligations towards SARS
- 2.4.3 You will be liable to the client for any penalties, fines or other liabilities imposed on the client by SARS for any reason
- 2.4.4 The NPO is remains responsible for ensuring that information provided to compete SARS returns is true and correct in all respects.

2.5 In return, you acknowledge and agree that:

- 2.5.1 In conducting our engagement, we will adopt such procedures and conduct such enquiries in relation to the entity as agreed with you and consider necessary in the circumstances, which will include obtaining and relying on representations obtained by you regarding the entity's compliance with applicable legislation.
- 2.5.2 Our engagement does not contemplate obtaining an understanding of the entity's internal control, assessing fraud risk, tests of accounting records observation, confirmation, or the examination of source documents and other procedures ordinarily performed in an audit and therefore we do not provide any assurances relating to the entity's compliance with the aforesaid legislation or whether the representations made to us in this regard provide a true and fair view;
- 2.5.3 Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will naturally inform you if such acts come to our attention during the course of our engagement; and
- 2.5.4 If we become aware of any instances of non-compliance with the relevant sections of the aforesaid legislation whilst performing our engagement, we may be required to disclose such non-compliance and/or report certain contraventions to the responsible authority.
- 2.5.5 This engagement letter authorises us to perform the engagement described in paragraph 2.1 above. Any other services that you may request from us will be subject to separate engagement letters.

### 3 CLIENT RESPONSIBILITIES

- 3.1 You are responsible for:
  - 3.1.1 Making all management decisions and performing all management functions
  - 3.1.2 Designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the engagement
  - 3.1.3 Providing us with access to all information of which you are aware that is relevant to the engagement, such as records, documentation and other matters, additional information that we may request from you for the purpose of the engagement.
  - 3.1.4 Evaluating the adequacy and results of the services performed
  - 3.1.5 Accepting responsibility for the results of the services
  - 3.1.6 Establishing and maintaining internal controls, including monitoring ongoing compliance with all applicable legislation.
  - 3.1.7 Providing us with access to reasonable facilities and access to data and information; and

3.2 As part of engagement procedures, we may require certain written representations from management about the entity's compliance with legislation and matters related thereto. Our engagement is dependent on the information submitted by you and we are entitled to assume that all such information is true, accurate and complete in all respects. We will not be liable, and you indemnify us against any claim, by you or any third party for damages, penalties or loss of whatever nature (including but not limited to consequential damages or special damages) arising from any information provided to you by us or a failure by you to disclose any relevant information to us.

3.3 You warrant that where data provided to us pertains to third parties, such as customers and/or suppliers, that you have obtained the necessary consent from the third party and indemnify us against any claims that may be instituted as a result of the failure to procure such consent.

3.4 We will use all reasonable efforts to complete the engagement within the agreed-upon time frames. However, we will not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance of the responsibilities set out in this paragraph 2

#### 4 FEES

4.1 In accordance with our recent discussion, we believe that the engagement fee will not exceed Rxxxx [Exclusive/Inclusive of VAT].

4.2 However, if we encounter unexpected circumstances that require us to devote more staff hours to the engagement than estimated, we will discuss the matter with you.

4.3 In order to assist your business, the above engagement fee is payable as follows:

4.3.1 Rxxxx on [DATE];

4.3.2 Rxxxx on [DATE];

4.3.3 Rxxxx on [DATE];

4.4 We will charge you for all disbursements and out-of-pocket expenses incurred in the performance of our engagement, such as travelling, subsistence and goods and services purchased for and/or on your behalf.

4.5 You acknowledge and accept that we may suspend the provision of services until such time that all amounts due are paid in full.

[Or

if volunteer work is undertaken through NPO Assist the following wording can be considered:]

4.1 We provide our assistance on a volunteer basis as determined by the agreement between the Department of Social Development (DSD), Southern African Institute for Business Accountants (SAIBA) and South African Institute for Tax Practitioners (SAIT). In terms of this agreement, we allocate services to the total value of R10 000 to help the NPO sector get compliant with filing annual financial statements, narrative reports and accounting officer reports to the DSD Directorate.

4.2 We will agree with you in writing the value of volunteer services we will allocate to your NPO. Any services or time spent beyond the free volunteer amount will also be agreed with you prior to performing the service. Such fees will be based on the number of hours required by the staff assigned to complete the engagement.

4.3 In accordance with our recent discussion, we believe that the engagement fee to get you compliant with the section 17 of the NPO Act will not incur a fee. However, if we encounter unexpected circumstances that require us to devote more staff hours to the engagement than estimated, we will discuss the matter with you.

4.4 We look forward to a continued relationship with your NPO, and we are available to discuss the contents of this letter or other professional services you may desire.

4.5 If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.



## 5. INVOICING AND PAYMENT

- 5.1 We will present our invoices for fees and expenses/disbursements as agreed or on completion of the engagement. Invoices are payable [on receipt or within 30 days of receipt of invoice].
- 5.2 We reserve the right to charge interest on overdue amounts at 2% per month.

## 6 ACCESS AND REPORTS TO REGULATORY AUTHORITIES

- 6.1 We may be required to submit information related to your entity to relevant statutory authorities that are empowered by law or regulation to request this information. In some instances, we are not allowed to inform you should we receive such a request.
- 6.2 By accepting this engagement letter, you authorise us to share the information disclosed to us during the engagement with these authorities. We may also be required to provide access to our working papers or your client documentation to our professional membership body.

## 7 USE OF REPORTS AND OTHER DELIVERABLES

- 7.1 Any advice, report, certificate, schedule, or other deliverable provided to you is based on your particular facts and circumstances at a particular point in time and on any applicable prevailing rules and regulations in force. As a result, any such advice, report, certificate, schedule or other deliverable may not be relevant to the circumstances of third parties. We can neither warrant nor guarantee that relevant facts and circumstances will remain constant in the future, nor warrant or guarantee specific future outcomes or events.
- 7.2 Our advice, reports, certificates, schedules, or other deliverables arising from or in connection with the services we provide, may only be used and relied upon by the party or parties to whom it is addressed, and for the purpose for which it was prepared. No other party may place any reliance thereon in any manner or for any purpose.
- 7.3 Notwithstanding paragraph 7.2 above, you indemnify and hold us harmless against any claim by any third party arising from the unauthorised misuse of any advice, report, certificate, schedule, or other deliverable addressed to you.
- 7.4 Draft reports, certificates, schedules, or other deliverables will be provided to you exclusively for discussion purposes. Only final reports, certificates, schedules, or other deliverables may be relied and acted upon.

## 8 FINANCIAL ADVICE

We confirm that we are not a registered financial advisor and do not provide financial advice in accordance with the provisions of the Financial Advisory and Intermediary Services Act, 37 of 2002 ("FAIS Act"). Should any financial advice be provided, that would be co-incidental and informal. The individual or the firm does not intend that any such advice be acted upon and therefore the individual or the firm shall not be responsible for any loss, damage and/or expenses incurred by the client for acting on such advice. If financial advice is required, we can refer you to a registered financial advisor.

## 9 ACCESS TO DOCUMENTS

- 9.1 Any document produced, altered, or originated by us during our engagement remains our property and will not be shared with any party.
- 9.2 Upon payment, in full, of monies owed to us, your documents shall be released to you.

## 10 NON-EXCLUSIVITY

- 10.1 The provision of the services to yourselves will not prevent us from providing the same or similar services to other parties.

## 11 CONFIDENTIALITY

- 11.1 We will keep confidential all information obtained from you, except such information that is in the public domain or where you have consented to disclose such information to any other party.
- 11.2 Notwithstanding the above clause, you acknowledge that we may be required to disclose confidential information to our legal advisers, insurers or to any other party as required by law or in terms of a judicial order. Disclosure in any of these instances will be permissible and will not be a breach of confidentiality, provided that in relation to disclosure to legal advisers and insurers these parties undertake confidentiality substantially similar to this paragraph 11.
- 11.3 You agree to keep confidential any methodologies, technology, know how, trade secrets, software and tools used or provided and/or developed by us in providing and delivering the services. Similarly, any information provided and/or developed by us in relation to the services will be kept confidential, unless expressly provided consent in writing is obtained from you to disclose such confidential information to any other party.
- 11.4 You acknowledge that we are required, in terms of professional standards, to retain documentation to support the work done and any deliverables provided. Where this documentation contains your confidential information, you give consent to retain such documentation for such purposes.

## 12 FICA

We are required in terms of the Financial Intelligence Centre Act, 38 of 2001 to report suspicious or unusual transactions of which we become aware which have no evident business or lawful purpose. This statutory obligation overrides any duty of confidentiality owed to our clients.

## 13 PERSONAL INFORMATION

- 13.1 By entering into this agreement, you consent to our processing of personal information provided by you to us in accordance with relevant data protection laws in effect in South Africa, including the Protection of Personal Information Act, 4 of 2013. This consent shall extend to the processing of your personal information by our service providers and professional advisors, who may be located outside South Africa.
- 13.2 Where such personal information relates to third parties, such as your clients or suppliers, you warrant that you have obtained the necessary consent for us to process their personal information.

## 14 DISPUTE RESOLUTION

Any dispute that may arise between our firm or any staff member and you will be subject to our Dispute Resolution Policy. Any matter must be referred to our firm to be resolved. If any matter remains unresolved, we may refer the matter to our professional body to mediate the issue.

## 15 LIMITATION OF LIABILITY

- 15.1 You hereby agree to indemnify, defend, and hold harmless our firm and its partners, agents, or employees, from and against any and all losses, costs (including legal fees), damages, expenses, claims, demands, or liabilities arising out of or in consequence of this engagement save for liability arising from our wilful misconduct or gross negligence.
- 15.2 Our liability in terms of this engagement is limited, in accordance with all applicable laws, to the fees charged by us for the engagement.

## 16 TERMINATION

- 16.1 You are entitled to terminate our mandate at any time by written notice to us but without prejudice to all our accrued rights and obligations, whether actual, prospective or contingent.
- 16.2 We reserve the right to terminate our mandate should a conflict of interest arise, should payment which is due to us not be made, where we are required to recuse ourselves in terms of any applicable law or code of ethics, or should we be unable to obtain full and proper instructions, information and/or representations timeously. Upon termination of our engagement, you will pay our charges and disbursements incurred prior to the date of termination. Upon payment, in full, of monies owed to us, your documents and/or other information shall be released to you.
- 16.3

17 GENERAL

- 17.1 This engagement shall be governed exclusively, in all respects by, and shall be interpreted in accordance with the laws of South Africa.
- 17.2 This engagement letter, once accepted and signed, constitutes the entire agreement with us. No amendments or variations of this agreement shall be of any force or effect, unless reduced to writing and signed.
- 17.3 You hereby consent to our subcontracting the services to the extent that such subcontract will be subject to the same terms and conditions as contained in this engagement letter. It is specifically recorded that you shall remain liable for the obligations of its subcontractors.
- 17.4 Where it is intended that our services should also be provided to group companies and/or divisions, any approvals given will be deemed to also apply to services to be provided by a member company which is part of your group in terms of a separate engagement letter or agreement that may be concluded with the group company or division concerned.
- 17.5 If any provision or clause of this engagement letter becomes invalid or unenforceable, such provision or clause shall be divisible and be regarded as pro non-scripto and the remainder of this engagement letter shall remain in force and be binding.
- 17.6 We look forward to a continued relationship with your entity, and we are available to discuss the contents of this letter or other professional services you may desire. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Yours faithfully,  
[Name of Accountant]  
BAP(SA)  
Member number \_\_\_\_\_

AGREEMENT by [Insert the name of the NPO]

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement to compile the financial statements described herein and our respective responsibilities.

Signature \_\_\_\_\_  
Name and designation \_\_\_\_\_  
Date \_\_\_\_\_

This Framework requires that we plan and perform the accounting officer engagement in a manner that will enable us to assess whether a positive or negative affirmation should be made in terms of underlying statutory requirements. An accounting officer engagement is primarily limited to inquiries of company personnel and thus do not provide any form of assurance. An example accounting officer engagement report is included below.

An accounting officer engagement differs significantly from an audit or review of financial statements, in which the auditor or independent reviewer provides assurance that the financial statements, taken as a whole, are free of material misstatement.

An accounting officer engagement does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled cheques or bank images); and other procedures ordinarily performed in an audit. Accordingly, an accounting officer engagement does not provide assurance that we will become aware of all significant matters that would be disclosed in an audit. Therefore, an accounting officer engagement provides no assurance related to financial statements and whether they provide a true and fair view.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our accounting officer engagement procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our accounting officer engagement procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.

As we discussed with you, it is our understanding that the accountants or other professionals that prepared or reported on your \_\_\_\_\_ financial statements is unaware of a matter that would make them recall any report that they might have issued on your financial statements.

Furthermore, we understand that we are authorized to communicate with the predecessor accountant or professional to discuss matters relevant to the current accounting officer engagement and to inspect working papers that may facilitate the performance of the current engagement. If during our current engagement, matters come to our attention that affect either the \_\_\_\_\_ financial statements or the accounting officer engagement report on those statements, we will communicate such matters to the predecessor accountant.

This engagement letter authorizes us to perform an accounting officer engagement for your NPO. Any other services that you may request from us will be subject to separate engagement letters.

We may, if you request also assist you with setting accounting systems, preparing financial statements and submitting annual narrative reports to the NPO Directorate. However this does not form part of our primary accounting officer duties.

## MANAGEMENT RESPONSIBILITIES

You are responsible for

Making all management decisions and performing all management functions;

Designating an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services;

Evaluating the adequacy and results of the services performed;

Accepting responsibility for the results of the services; and

Establishing and maintaining internal controls, including monitoring ongoing activities.

Our accounting officer duties will be conducted on the basis that you acknowledge and understand that you have responsibility:

For the preparation and fair presentation of the financial statements in accordance with any prescribed financial reporting framework and the requirements of relevant statutes;

For such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

To provide us with access to all information of which you are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters, additional information that we may request from you for the purpose of the engagement, and

Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our accounting officer engagement procedures, we will require certain written representations from management about the financial statements and matters related thereto.

If, for any reason, we are unable to complete our accounting officer engagement of your financial statements, we will not issue a report on such statements as a result of this engagement. You undertake to provide us with full access to all financial and related information to complete our work.

If there is a delay in producing your report we will notify you of the reasons thereof and provide expected completion dates. We will use all reasonable efforts to complete the engagement as described in this letter within the agreed-upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond my control, including the untimely performance by your company of its obligations.

## ACCESS AND REPORTS TO REGULATORY AUTHORITIES

Accounting officers may be required to submit information related to your business and any related financial information to relevant statutory authorities that are empowered by law or regulation to request this information. In some instances we are not allowed to inform you should we receive such a request. By accepting this engagement letter you authorize us to share your business detail and related financial information with these authorities.

We may also be required to provide access to our working papers or your client documentation to our professional membership body.

## USE AND DISTRIBUTION

An accounting officer report is issued to the NPO. Using the report in any other circumstances may not be appropriate. If you need a copy of our report then you may request a copy from our offices. You are not allowed to reproduce or alter our reports.

## ACCESS TO WORKING PAPERS

Any document produced, altered or originated by us remains our property and will not be shared with any party. You may on request obtain access to our working papers on our premises. Any costs will be for your own account and access is determined in terms of the Promotion of Access to Information Act, 2000.

## DISPUTE RESOLUTION

Any dispute that may arise between our firm or any staff member and the NPO or management will be subject to our Dispute Resolution Policy. Any matter must be referred to our firm to be resolved. If any matter remains unresolved we may refer the matter to our professional body to mediate the issue.

## INDEMNITY AND LIMITATION OF LIABILITY

You hereby agree to indemnify, defend (by counsel retained and instructed by me), and hold harmless our firm and its partners, agents, or employees, from and against any and all losses, costs (including legal fees), damages, expenses, claims, demands, or liabilities arising out of or in consequence of:

The breach by your company, or its directors, officers, agents, or employees, of any of the covenants made by your company herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, my report or the financial statements in reference to which the report is issued, or any other work product made available to you by my firm; and

The services performed by our firm pursuant to this engagement, unless, and to the extent that, such losses, costs, damages, and expenses are found by a court of competent jurisdiction to have been due to the negligence of our firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by your company.

Our liability in terms of this engagement is limited, in accordance with all applicable law, to the fees charged by us for the engagement.

## FEES

Our fee for these services will be based on the number of hours required by the staff assigned to complete the engagement. In accordance with our recent discussion, we believe that the engagement fee will not exceed Rxxxx. However, if we encounter unexpected circumstances that require us to devote more staff hours to the engagement than estimated, we will discuss the matter with you.

We look forward to a continued relationship with your company, and we are available to discuss the contents of this letter or other professional services you may desire. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Sincerely,

---

Accounting Officer  
Business Accountant in Practice (SA)  
SAIBA 1234  
Date  
Address

---

Management  
NPO  
Date



# Annexure 2. Illustrative Report of the Accounting Officer

Report of the accounting officer to ABC NPO

## Part I

We have performed the duties of accounting officer to **ABC NPO** for the year ended 28 February 20xx as required by Section 17 of the Non-profit Organisations Act, 1997.

The annual financial statements set out on pages ... to ... are the responsibility of the members. No assurance is required by the Act to be carried out and no assurance engagement was conducted. Accordingly, we do not imply or express an opinion or any other form of assurance on the annual financial statements.

We report, as required in terms of section 17(2) of the Non Profit Organisations Act, 1997 of South Africa, having adopted such procedures and conducting such enquiries in relation to the accounting records as we have agreed with you, that:

The financial statements of the organisation are [consistent / non consistent] with its accounting records;

The accounting policies of the organisation are [appropriate / not appropriate] and [have been appropriately / have not been appropriately] applied in the preparation of the financial statements; and

The organisation [has complied / has not complied] with the provisions of the NPO Act and of its constitution which relate to financial matters.

## Part II - Scope

We have performed the duties of accounting officer as required by Section 62 of the Act and dealt with in Part I of this report, in terms of the procedures agreed with you and described below and in accordance with the framework for accounting officer engagements as adopted by our firm.

The procedures were undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures regarding financial information (ISRS 4400).

The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of ABC NPO. The procedures were performed solely to assist you in [state purpose e.g. complying with the requirements of the Section 17(2) Non Profit Organisations Act, 1997] and should be used by you only for this purpose and shall not be distributed to other parties. The procedures are summarized as follows:

[Insert list of procedures. Examples provided below] Examples:

We obtained and checked the trial balance as at (date) prepared by **ABC NPO**, and we compared the line items and totals to the financial statements.

We compared the closing and opening balances of prior and current financial years;

We obtained the bank reconciliations and compared the balance with the amount reflected on the trial balance;

We obtained a schedule of receivables and determined whether the total agrees with the trial balance;

Where applicable we obtained the inventory list and determined whether: (a) the total agrees with the balance in the trial balance; and (b) obtained confirmation that the list is based on a physical count of inventory;

We obtained a schedule of the property, plant and equipment indicating the cost and accumulated depreciation and determined whether it agrees with the trial balance;

We obtained a schedule of trade payables and determined whether the total agreed with the trial balance.

We obtained a schedule of trade receivables and determined whether the total agreed with the trial balance.

We obtained the VAT reconciliation schedule and determined whether the totals agree with the amounts as reflected in the trial balance.

We read the accounting policies as presented to us by the organisation and considered whether they are appropriate.

We obtained confirmation from staff and management that the organisation are keeping accounting records and have prepared financial statements as prescribed by the NPO Act and the organisations constitution.

## Findings

We report our findings below: [Insert list of findings. Examples provided below]

With respect to item 1 we found the addition [to be correct/ not correct] and the line items and the total amounts to be in agreement;

With respect to item 2 we found the balances to be [in agreement/not in agreement];

With respect to item 3 we found the amounts to be [in agreement/not in agreement];

With respect to item 4 we found the amounts to be [in agreement/not in agreement];

With respect to item 5 we found the amounts to be [in agreement/not in agreement] and [based/not based] on a physical count of inventory;

With respect to item 6 we found the amounts to be [in agreement/not in agreement];

With respect to item 7 we found the amounts to be [in agreement/not in agreement];

With respect to item 8 we found the amounts to be [in agreement/not in agreement];

With respect to item 9 we found the amounts to be [in agreement/not in agreement];

With respect to item 10 we [found/did not find] the affirmation by creditors.

With respect to item 11 we found that the accounting policies and framework are [in agreement/not in agreement].

With respect to item 12 we found that the the organisation [has/has not] complied with the provisions of the NPO Act and of its constitution which relate to financial matters.

Because the above procedures do not constitute an assurance engagement made in accordance with International Standards on Auditing or International Standards on Review Engagements we do not express any assurance on the annual financial statements.

Had we performed additional procedures or had we performed an assurance engagement of the financial statements in accordance with a relevant International Standards such as the International Standard on Review Engagements, other matters might have come to our attention that would have been reported to you. Part II of this report is solely for the purpose set out in the first paragraph thereof and for your information, and is not to be used for any other purpose, nor to be distributed to any other parties. This report relates only to the accounts and items specified above, and do not extend to the annual financial statements taken as a whole.

Emphasis of matter (Dependent on circumstances – Select or delete the matter that applies / does not apply)

[We wish to draw attention to the fact that the annual financial statements are not in agreement with the accounting records as required by Section 17 of the Non Profit Organisations Act, 1997.]

[We wish to draw attention to a matter relating to the appropriateness of the accounting policies applied.

As stated in note 1 to the financial statements, the organisation applies [note the appropriate accounting framework e.g IFRS or IFRS for SME or Modified Cash Basis of Accounting]. According to this framework it is appropriate to the business of the organisation to value inventory at the lower of cost and net realizable value however the organisation has valued inventory at cost less anticipated selling costs.]

[We wish to draw attention to a contravention(s) of the Non Profit Organisations Act, 1997 which came to our knowledge during the performance of our duties as accounting officer. We are not required to perform specific procedures to identify contraventions of the Act.

[Refer to the relevant section(s) contravened and explain the nature of the contravention].

[We wish to draw attention to the fact that a member/partner/employee of our firm is also a member of the organisation and all the members have consented in writing to our appointment as accounting officer under these circumstances.]

[Accounting Officer name and signature]

Business Accountant in Practice (SA) Designation number xxxxx

Date

Address

# Annexure 3. Checklist for Required Clauses in a Constitution for an Organisation Applying for NPO Registration.

This form can be downloaded from the DSD website here:

<https://www.dsd.gov.za/index.php/documents/category/75-general-documents>

## Please take note

The same requirements apply for:

- the Deeds of Trust of a Non-profit Trust and
- the Memorandum and Articles of Association for a Non-profit company

Section 12 (2) of the Non-Profit Organisations Act 71 of 1997 requires the following provisions in the Constitution of an organisation. These requirements apply upon registration for NPO as well.

- 
- State the Name of the Organisation;
  - State the organisation's main and ancillary objectives;
  - Make provision for the organisation's income and property are not distributable to its members or office-bearers, except as reasonable compensation for services rendered;
  - Make provision for the organisation to be a body corporate and have an identity and existence distinct from its members or office-bearers;
  - Make provision for the organisation's continued existence notwithstanding changes in the composition of its membership or office-bearers;
  - Ensure that the members or office-bearers have no rights in the property or other assets of the organisation solely by virtue of their being members or office-bearers;
  - Specify the powers of the organisation;
  - Specify the organisational structures and mechanisms for its governance;
  - Set out the rules for convening and conducting meetings, including quorums required for and the minutes to be kept of those meetings;
  - Determine the manner in which decisions are to be made; Provide that the organisation's financial transactions must be conducted by means of a banking account;
  - Determine a date for the end of the organisation's financial year;
  - Set out a procedure for changing the constitution;

- Set out a procedure by which the organisation may be wound up or dissolved; and
- Provide that, when the organisation is being wound up or dissolved, any asset remaining after all its liabilities have been met, must be transferred to another Nonprofit Organisations having similar objectives.
- Other recommendable relevant clauses that would be included in a constitution are:
- Specify qualifications for and admission to membership of the organisation;
- Determine the circumstances in which a member will no longer be entitled to the benefits of membership; Provide for termination of membership;
- Provide for appeals against loss of the benefits of membership or against termination of membership and specify the procedure for those appeals and determine the body to which those appeals may be made;
- Provide for membership fees and matters determining membership fees and other payments by members;
- Provide that members or office-bearers do not become liable for any of the obligations and liabilities of the organisation solely by virtue of their status as members or office-bearers of the organisation;
- Provide for the appointment of office-bearers and define their respective functions;
- Set out a procedure for nominating, electing or appointing office-bearers;
- Determine the circumstances and manner in which office-bearers may be removed from office and provide for appeals against such removal and specify procedures for those appeals and determine a body to which those appeals can be made;
- Provide that its office-bearers are not personally liable for any loss suffered by any person as a result of an act or omission which occurs in good faith while the office-bearer is performing functions for or on behalf of the organisation;
- Provide for making investments;
- Determine the purposes for which the funds of the organisation may be used; and
- Provide for acquiring and controlling assets.

# Annexure 4. Checklist To Building Good Financial Management Practices Within Nonprofit Organisations

Every registered nonprofit organisation is obligated in terms of section 17 of the Nonprofit Organisations Act, 71 of 1997, to maintain its financial transaction records accordingly to the standards of generally acceptable accounting practices.

Office Bearers (governing body members) are obligated to ensure that the organisation keeps proper books, records and that annual accounts are prepared as financial statements to be submitted to the Directorate of Nonprofit Organisations, nine months after the financial year end of the organisation.

This checklist enlists basic elements for an organisation to work towards building good management practices.

Financial management in organisations involves the management and recording of the flow of money. This includes all money coming into the organisation (income) and all money flowing out (expenditure).

Proper financial systems are a necessary feature of any well managed organisation-whether for profit or non profit in nature. Good financial management practices for nonprofit organisations is especially important as they play an essential part in helping to instill confidence in potential donors and beneficiaries that the organisations' assets are secure and that they are managed in an efficient manner. Effective financial management control gives a sense of confidence in the entire nonprofit sector and increases attraction of the sector to potential donors.

While the vast majority of people are honest, organisation still need to take steps to avoid putting people in situations where they might be tempted to defraud the organisation. The lack of proper guidelines may cause harm to the reputation of the organisation. Proper financial management ensures the protection of interest of the organisation's beneficiaries, its employees and governing body members themselves.

This checklist is not intended to set-out an exhaustive listing on how best to build good financial management practices within nonprofit organisations. Organisations should still always seek professional advice as much as possible from registered professional financial service providers when dealing with organisational financial matters.

The checklist articulates basic elements on good financial management that an organisation can use to develop its own internal financial control mechanism. The checklist is specifically aimed at medium to small nonprofit organisations especially community based organisations. These basic guidelines, however, can also form a framework for larger organisations to consider when developing financial control systems.

These specific elements on good financial management follow hereafter:



## GENERAL

- Check that actual tasks of approving and managing the finances are shared, so that no one single person can control all aspects of the financial management process.
- Check that your financial policies require more than one single employee or governing board member to be able to request, approve, make payments and withdraw money from the bank.
- Check that bank reconciliations are done by someone who does not sign the cheques, have access to cash nor records cash transactions.
- Check that the financial records are reviewed regularly by people other than the person who is responsible for maintaining the records.
- Check that your governing board receives regular, preferable a monthly, financial report and a list of all cheques drawn by your organisation.
- Check that salary records are kept (locked in a filled cabinet) for all staff, detailing attendance and leave entitlements.
- Check that you have an annual audit

## MANAGING BANKING

- Check that signatories take their responsibilities seriously. Remember, signatories are responsible for any cheques they sign.
- Check that signatories never sign blank cheques.
- Cheques should only be signed once they have been written out in full.
- Check that your cheque book is not left lying around. It should always be kept locked in a safe place.
- Check that you never issue uncrossed cheques, unless it is a cash cheque. Always cross cheque payments 'Not Transferable'.
- Check that you never withdraw money from your savings account. Always transfer money from the savings account into the cheque account.
- Check that you always bank any money promptly, such as money generated from donations, sales or fees.
- Check that monthly bank reconciliations are undertaken and any discrepancies (differences either over or under) are immediately investigated.
- Check that you never cash personal cheques from petty cash.

## MANAGING RECEIPTS

- Check that you always issue serially numbered receipts (with the name of your organisation) for all cash received.
- Check that you keep all cancelled receipts. These are still a part of your financial records.
- Check that receipt books are kept in a safe and locked place.
- Check that you keep a written record of any donations or pledges to the organisation.

## MANAGING EXPENDITURE

- Check that all expenditure and payments are approved in writing by the person nominated by your governing board. Check that you use a purchase order for all purchases.
- Check that you always obtain quotes before you purchase equipment and other services and file them with the purchase order.
- Check that once the purchase has been approved that competitive quotes are obtained before the item is purchased. Many organisations have a policy that if a purchase is over R3,000, three quotes should be obtained first.
- Check that when you receive goods or services that they are in working order.
- Check that the quality of the goods or services you have received are the same as those you ordered.
- Check that you fill in the guarantee and post it to the manufacturer.
- Check that you make all payments for goods and services by cheque.
- Check that you receive an invoice for your purchases and that you file this along with all the other documentation relating to the purchasing.
- Check that you monitor your budget against expenditure to ensure that you can afford the purchase you are making.
- Check that the funds are available before you make the purchase and that the necessary person/people approved the expenditure.

## MANAGING PETTY CASH

- Check that when payments are made with cash, petty cash vouchers and receipts are submitted

## MANAGING ASSETS

- Check that you have established an assets register and that you regularly maintain it.
- Check that all equipment and other items listed on the assets register have an identification mark or number. This can be a sticky label which is attached.
- Check that you protect against loss and theft of equipment. Take out the necessary insurance.
- Check that you use log books for motor vehicles.
- Check that you follow-up on any advances you may have given and get them reimbursed as quickly as possible. For example, if you give an advance for travel to a workshop, ensure that once the person returns they reconcile the advance.
- Check that you are receiving money by the due date. If there are overdue amounts owed to your organisation, chase them up.
- Check that your financial reporting deadlines are adhered to according to your contract with each funder.
- Check that your grant payments are received according to the time line contained in your funding contract.

## MANAGING THE MONTHLY FINANCIAL CHECK

Every month your bookkeeper and treasurer (or two other people nominated by your organisation) should review the operations of the previous month. Specifically, they should:

- Check what cheques were made out for cash and what they were for?
- Check if there were any 'odd' or unusual payments.
- Check the wages book and all other payments.
- Check which items are running over or under budget and ask and why.
- Check which funds were received and whether they were deposited
- Check the bank reconciliations.
- Check that any other money received (such as donations, sales, membership fees) was deposited.

# Annexure 5. The DSD's Legal Framework

The following existing laws constitute the legal framework for the Department of Social Development in South Africa:

- Children's Act, 2005 (Act No. 38 of 2005)
- Children's Amendment Act 2007 (Act No. 41 of 2007)
- Fund-Raising Act, 1978 (Act No. 107 of 1978)
- Non-Profit Organisations Act, 1997 (Act No. 71 of 1997)
- National Development Agency Act, 1998 (Act No. 108 of 1998), as amended by Act No. 6 of 2003
- Older Persons Act, 2006 (Act No. 13 of 2006)
- Prevention and Treatment of Drug Dependency Act, 1992 (Act No. 20 of 1992)
- Prevention of and Treatment for Substance Abuse Act, 2008 (Act No. 70 of 2008)
- Probation Services Act, 1991 (Act No. 116 of 1991)
- Social Assistance Act, 2004 (Act No. 13 of 2004)
- Social Assistance Amendment Act, 2010 (Act No. 5 of 2010)
- Social Service Professions Act, 1978 (Act No. 110 of 1978)
- The National Welfare Act, 1978 (Act No. 100 of 1978)
- The South African Social Security Agency Act, 2004 (Act No. 9 of 2004)



# Sources and Guidance Documents

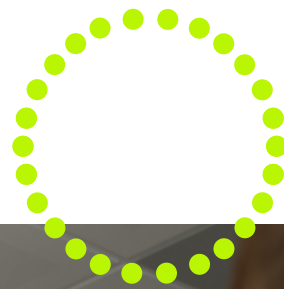
SARS Basic Guide to Income Tax for Public Benefit Organisations <https://www.sars.gov.za/wp-content/uploads/Ops/Guides/LAPD-IT-G16-Basic-Guide-to-Income-Tax-for-Public-Benefit-Organisations.pdf>

NPO Act [https://www.gov.za/sites/default/files/gcis\\_document/201409/a71-97.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/a71-97.pdf)

Companies Act [https://www.gov.za/sites/default/files/gcis\\_document/201409/321214210.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/321214210.pdf)

Trust Properties Act [https://www.gov.za/sites/default/files/gcis\\_document/201505/act-57-1988\\_0.pdf](https://www.gov.za/sites/default/files/gcis_document/201505/act-57-1988_0.pdf)

GLA Act [https://www.gov.za/sites/default/files/gcis\\_document/202212/47815anti-moneylaunderingact22of2022.pdf](https://www.gov.za/sites/default/files/gcis_document/202212/47815anti-moneylaunderingact22of2022.pdf)





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+27 (0) 12 643 1800/2/4    f: +27 86 508 2923    e: [saiba@saiba.org.za](mailto:saiba@saiba.org.za)    w: [www.saiba.org.za](http://www.saiba.org.za)

**administrative office:** The Workplace, Cnr Pinaster Avenue and 18<sup>th</sup> street, The Club Shopping Centre, Second Floor, Hazelwood, Pretoria, 0081

**executive:** Spaces Century City, 1 Bridgeway Road, Bridgeway Precinct, Century City, Cape Town, 7441, South Africa

**international (IAFEI):** Philippines: FINEX Office, Unit 1901, 19/F, 139 Corporate Center Calero Street, Salcedo Village, Makati City

**namibian:** Namibia: Regus Office Building, 3<sup>rd</sup> Floor, Maerua Mall, Windhoek, 10005