

**INVESTIGATION INTO THE FINANCIAL PROBLEMS OF SCHOOL  
GOVERNING BODIES IN MOGOSHI CIRCUIT, CAPRICORN DISTRICT,  
LIMPOPO PROVINCE OF SOUTH AFRICA**

**by**

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## DECLARATION

I declare that the mini-dissertation hereby submitted to the University of Limpopo for the Degree of Master of Public Administration has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

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## ABSTRACT

The South African Schools Act (SASA), 1996 (Act No. 84 of 1996) mandates the establishment of School Governing Bodies (SGBs), whose important roles include the management of school funds. This role includes planning, reviewing, controlling and approving the school budget in accordance with the school's needs. The SGB is ultimately required to account to the Department of Education (DoE), parents and the community for the public funds they manage. However, schools fail to execute this legal mandate effectively and efficiently.

Both quantitative and qualitative research methods were employed to complement each other in an attempt to investigate the problems experienced by school governing bodies in executing their financial management functions. Questionnaires, focus group interviews and document reviews were used to gather data.

It emerged from the findings of the study that school governors in Mogoshi Circuit are also facing serious financial management problems. Financial management and financial accountability - the *sine qua none* of effective and efficient management of school finances, pose a challenge. The study found, for example, that the majority of governors in rural areas are elderly people, who are mostly either illiterate or semi-illiterate and lack the capacity to execute their governance roles efficiently and effectively. A once-off or hit and run unaccredited training, which is often provided to the elected SGB members, is relatively not helpful. This inhibits financial accountability.

To this end, the study proposed substantial recommendations, which, if implemented, could bring a resolve to the problems and challenges posed.

## LIST OF ABBREVIATIONS AND ACRONYMS

ABB	Activity-Based Budgeting
ANNSSF	Amended National Norms and Standards for School Funding
ANC	African National Congress
CAR	Computerised Asset Register
DoE	Department of Education
FS	Free State
GT	Gauteng
HoD	Head of Department
KZN	Kwa Zulu Natal
LIM	Limpopo
MEC	Member of the Executive Council
MP	Mpumalanga
NC	Northern Cape
NW	North West
PED	Provincial Education Department
PFMA	Public Finance Management Act
PhD	Doctor of Philosophy
RQV	Relative Qualification Value
SASA	South African Schools Act
SGB	School Governing Body
VAT	Value Added Tax
WC	Western Cape
ZBB	Zero-Based Budgeting

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## **CHAPTER ONE**

### **INTRODUCTION AND GENERAL ORIENTATION**

#### **1.1 Introduction and Background**

The promulgation of the South African Schools Act (SASA), No. 84 of 1996, aimed to “provide for a uniform system for the organisation, governance and funding of schools” (SASA, 1996:1). It mandates the establishment of school governing bodies (SGBs).

According to Weber (2008:287), SGBs are important mechanisms of change, to reshape post-apartheid schooling. They configure the power relations at the foundation of the educational system – the school level. This is done by allowing elected representatives of parents, educators, learners (in secondary schools), and non-teaching staff, to jointly make school decisions with school management and have an oversight of a range of policy related functions.

This study sought to identify those challenges that could inform policy makers, education departments and SGBs to develop guidelines for a more effective school financial management practice. It is likely to contribute to new knowledge of how school governing bodies should effectively execute their financial management task.

Mogoshi Circuit schools, which constitute the area of my study, are located in the Aganang Local Municipality of Limpopo Province. The area is completely rural.

#### **1.2 Rationale and Motivation for the Study**

According to Xaba (2011:201), school governance in South Africa is about the single most important factor in education that appears to experience apparently insurmountable challenges. The study shows that financial management is clearly and by admission from all participants, a challenge. There were problems with budgeting, balancing expenditure and budgeted income, using correct procedures regarding the use of finances and deviations from the budget.

The study by Xaba and Ngubane (2010:156) also revealed the challenges pertaining to financial accountability at schools, as accounted by educator-governors and departmental officials involved in school governance through oversight, monitoring and support. This study investigates the financial problems of SGBs in Mogoshi Circuit.

### **1.3. Statement of the Problem**

The SASA No. 84 of 1996 prescribes how schools should manage their funds. It also provides, among other things, guidelines to the SGB and the principal on their roles as well as responsibilities in managing the finances of the school. There are many principals and SGB members, who lack the necessary financial knowledge and skills and they are placed under tremendous pressure, because of their inability to work out practical solutions to practical problems. In many instances, it has been reported that principals and SGBs have been subjected to forensic audits by the Department of Education (DoE) due to the mismanagement of funds, such as misappropriation, fraud, theft and improper control of financial records (Mestry, 2004:126).

In addition, Mestry (2006:27) points out that according to the SASA, SGBs are mandated to manage the funds of schools. However, some members of SGBs and principals either have little knowledge of the SASA or simply interpret it incorrectly. This results in many schools experiencing financial mismanagement. Adams and Waghid (2005:32) found that unless policy on governance is implemented in conjunction with a serious commitment to nurturing the innate capacities of SGB members, democratic governance has little chance of being realised in post-apartheid disadvantaged schools. Clarke (2007:278) explains that the management of the school's finances can be one of the most challenging of a principal's responsibilities, because for many it is an area, in which they have little or no training.

Mestry (2006:36) argues that as schools are increasingly functioning as financial organisations, emphasis on financial management increases accordingly. However, if sound principles in school financial management are not formulated and implemented,

many schools could be heading for situations that could ultimately affect their schools' educational aims negatively.

The researcher, as a primary school principal in Mogoshi Circuit during the past five years, has observed situations where some schools never hold parents' meetings to present audited financial statements for the previous financial year. Budgets are seldom tabled for adoption by the parents of the learners at the school, thus pointing to the fact that SGB members do not know their roles and responsibilities in managing school finances.

#### **1.4 Aim and Objectives of the Study**

Whereas the general aim of this study is to investigate the problems experienced by SGBs in executing their financial management function, the specific objectives of the study are to:

- investigate SGB problems with regard to financial management in schools in Mogoshi Circuit in Limpopo Province; and
- suggest possible strategies of addressing the problem under study.

#### **1.5 Research Questions**

The following questions are posed for the study:

- What are the financial management problems of SGBs?
- What strategies are available or can be developed to enable SGBs to manage their school finances effectively and efficiently?

#### **1.6 Data Analysis and Interpretation**

Data analysis, as Cohen, Manion and Morrison (2002:147) state, involves organising, accounting for, and explaining the data. In short, it entails, making sense of the data in terms of the participants' definitions of the situations, noting patterns, themes, categories and regularities.

To achieve this McMillan and Schumacher (2010:367) explains that qualitative data analysis is a relatively systematic process of coding, categorising, and interpreting data to provide explanations of a single phenomenon of interest. Participants are subjected to structured and unstructured interviews. The interview is, according to Punch (2009:144), the most prominent data collection tool in qualitative research. It is a very good way of accessing people's perceptions, meanings, and definitions of situations and constructions of reality.

### **1.7 Ethical Considerations**

Ethics are the principles as well as guidelines that help us uphold the things we value and research ethics are a set of principles to guide and assist researchers in conducting ethical studies (Johnson & Christensen, 2008:101-102). For the researcher to conduct an ethically sound study, the following standards are followed:

- **Informed consent:** The researcher seeks informed consent from the research participants after giving them a description of all the features of the study that might reasonably influence their willingness to participate.
- **Approval:** The researcher seeks approval for conducting the research from the District and Circuit officials of Education before any data is collected.
- **Freedom to withdraw:** The research participants are free to withdraw from the study at any time they deem it correct or if not interested to proceed.
- **Confidentiality, anonymity, and the concept of privacy:** The identity of the participants is undisclosed to protect the privacy, confidentiality and anonymity of research participants, not revealing the identity of the participants to anyone.

### **1.8 Outline**

The proposed structure of the research is presented as follows:

#### **Chapter 1: Introduction**

In this chapter, an overview of the study is outlined.

## **Chapter 2: Literature Review**

This chapter gives an extensive review of the conceptual and theoretical framework in which the study is underpinned.

## **Chapter 3: Research Design and Methodology**

The basis, to explain how the research methodology and design is employed, is presented in this chapter.

## **Chapter 4: Data Analysis**

This chapter presents and analyses the data both empirically and qualitatively.

## **Chapter 5: Conclusions and Recommendations**

Based on the findings of the study, conclusions are drawn and recommendations are proffered.

### **1.9 Conclusion**

The main aim of this chapter was to give both an overview and to serve as an introduction to the study. It outlined the background to the study, described the research design as well as the research problem.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In chapter one, background to the study and general orientation were put in context. In this chapter, a discussion ensues focused on the review of literature on issues of financial management within the school context. According to McMillan (1992:43), the main purpose of reviewing literature is to relate the previous research to the specific topic under investigation. Knowing what others have researched and reported, as McMillan and Schumacher (2010:73) point out, will enable the researcher to do his new research.

Financial management is one of the most important responsibilities facing school principals since the implementation of the SASA, No. 84 of 1996. In conjunction with principals, SGBs have wide-ranging financial responsibilities, including school-level budgeting, managing devolved funding from provincial departments, setting school fees (subject to parental agreement), and raising additional funds to augment school budgets (Moloi, 2007:469).

Clark (2007:278) contends that the management of school finances can be one of the most challenging responsibilities of principals, because for many it is an area, in which they have little or no training or expertise. It is also likely that the elected members of the SGB may be equally ill equipped for the task.

In his study, Swartz (2009:2) came face-to-face with the shocking realities and atrocities commonplace in schools in respect of the management of schools' finances, which include:

- Budgets were poorly compiled or non-existent and in instances where budgets existed, variance reports were never generated and bank reconciliation statements were rarely compiled.
- Signatories to the school fund accounts were questionable.

- Finance policies and control measures were non-existent.
- Cheque and cash payments were generally made in the absence of payment authority.
- Supporting documents, procurement procedures were highly questionable.
- Petty cash was generally abused.

This anomaly is in direct contradiction with the provisions of Section 38 of the SASA, which stipulates that a governing body of a public school must prepare a budget each year. This must be according to guidelines determined by the Member of the Executive Council, showing the estimated income and expenditure of the school for the following financial year. Failure to prepare a budget amounts to failure to execute a legal mandate.

The research undertaken by Mestry (2004:127) reveals that the challenges faced by principals and SGBs while implementing of the SASA are difficulty. Role players like parents, educators and sometimes, even principals, perceive that the principal is the accounting officer of the school and that he/she is thus accountable to the parents and the provincial DoE for the school's finances. Additionally, the SGBs (parents, educators and principals) are not effectively trained to manage the school's finances efficiently because they experienced the contents of workshops to be too theoretical.

In many schools, principals have the burden of taking on most of the financial functions assigned to their respective SGBs. They therefore become responsible for both, the professional and financial management of their schools. According to Heystek (2004:311), the management and governance functions and duties are often not delineated clearly, and the resultant uncertainty about each party's exact functions often creates friction between principals and SGB members.

The study by Xaba (2011:206) finds that school governors face serious challenges in executing their school governance roles and responsibilities, in particular, financial management and facilities maintenance. There are problems with budgeting, balancing expenditure and budgeted income, using correct procedures regarding the use of finances and deviations from the budget. Participants' accounts pointed to poor or no financial management.

In view of the background postulated, this chapter reflect conceptual and theoretical framework underpinning the study on issues of financial accountability. This study is underpinned by the Maritz Financial Accountability Model, hence the ensuing chapters to reflect methodological issues as well as the analysis of the findings to get to the bottom of the problem with an intention in mind to resolve it.

## **2.2 Conceptual and Theoretical Framework**

Swarts (2009:2) contends that the Constitution of the Republic of South Africa and the SASSA, mandate the Minister of (Basic) Education to determine Norms and Standards for the funding of public schools and to fund public schools out of public revenue. Because the public (taxpayers) fund schools, schools are accountable to the public (taxpayers) in terms of the PFMA, which implies that the accounting officer (of the school) must:

- maintain a system of financial controls,
- maintain a system of internal audits,
- maintain appropriate procurement procedures,
- account for and control revenue,
- account for and control expenditure, and
- take responsibility for the maintenance and safeguarding of assets (PFMA, 1999: 38).

### **2.2.1 Accountability**

According to Beckmann (2000:8), accountability follows the exercise of power, use of resources and implementation of policy. Accountability is inextricably linked to democratic management and other related concepts, such as participation, decentralisation, empowerment and transparency. The demands of both democracy and efficiency require some form of accountability in the school. Ndawi and Peasuh (2005:210) contend that to account is to demonstrate success or acknowledge failure in a way, which is publicly meaningful.

Maile (2002:239) distinguishes between three forms of accountability, namely:

- *moral accountability*, which legally and morally obliges parents to account for school attendance of learners, payment of school fees, and liability for property damage;
- *professional accountability*, which obliges teachers to account for the education of the children; and
- *contractual accountability*, which refers to being accountable to one's employer.

In addition, Naidu *et al* (2008:41) claim *cultural accountability* as another form of accountability. It refers to accountability mechanisms that are in place in schools, even if they are unstated, ill coordinated or altogether different from what policy makers want. Cultural accountability takes into consideration the fact that the dispositions of principals and management teams cause schools to develop their own ethos and culture of doing things.

Harris and Lambert (2003:124) claim that *responsibility* and *accountability* are two different words and may not be used interchangeably. *Responsibility* involves an internal commitment to self-improvement, the improvement of others around us, and the school community at large. Van der Westhuizen (1997:173) echoes this sentiment by saying “responsibility is a particular obligation or commitment on the part of the principal and the staff members to achieve the school's outcomes”. *Accountability*, on the other hand, has tended to mean that we are being “held accountable” by some outside authority. Accountability measures often mitigate the development of responsibility, since external demands can evoke compliance and resistance. It refers to the educator's obligation to give account of having performed the work delegated to him by the principal or HoD in accordance with set criteria and predetermined standards. According to Van Deventer and Kruger (2003:119), the principal is in turn accountable to the SGB and district manager in the school district of a province. According to Schedler (1999:22), there are ten different types of accountability as listed in the table below:

**Table 2.1: Types of Accountability**

Type of accountability	Description
Political	Appropriateness of policies and policy-making processes
Administrative	Expedience and procedural correctness of bureaucratic acts
Professional	Ethical standards
Financial	Use of public money in terms of norms of propriety, austerity and efficiency
Moral	Assessment on basis of prevailing normative standards
Legal	The observance of legal rules
Constitutional	Compliance of legislation with the constitution
Top down	Subordinates held accountable
Bottom up	Electorate hold representatives accountable
Horizontal	Appropriate equals holding one another accountable

### **2.2.2 Financial Accountability**

Lewis (2003:8) defines financial accountability as

*a moral or legal duty, placed on an individual, group or organisation, to explain how funds, equipment or authority given by a third party have been used and asserts that those who have invested not just money but also time, effort and trust in the organisation, are interested to see that the resources of the organisation are used effectively and for the purpose for which they were intended.*

Du Preez, Grobler, Loock and Shaba (2003:2) maintain that financial accountability is an essential component of the financial management of a school. A school needs to process, analyse and interpret financial data and information in order to function effectively. The financial information must measure and reflect the financial position of a school at a specific date. The DoE (2004) stipulates that the treasurer of the SGB, who is also the treasurer of the finance committee, must prepare annual reports on budget, income, expenditure and balance sheet. The treasurer and bookkeeper must have knowledge of accounting and bookkeeping. In practice, this demand is difficult to fulfil, since one is unlikely to find a parent with such skills in rural areas.

In terms of the requirements of the PFMA, as mentioned earlier, it is imperative to examine the challenges relating to financial accountability at schools. Xaba and

Ngubane (2010:142) define school financial accountability as a function of proper financial accounting and reporting processes. The duo (2010:139) further maintains that financial accountability is the cornerstone of ensuring that schools disburse funds allocated to them for the sole purpose of advancing the best interests of the learners. The prescriptions of the SASA clearly locate financial accountability on SGBs and, as such, make financial accountability a legal requirement. The issue at hand therefore presupposes that it is essential that the (school) principal makes sure that she/he has the knowledge and understanding of the basic processes involved in managing the school's accounts, the budgeting process and the systems as well as controls necessary to ensure that the school's monies are not misappropriated (Clarke 2007:278).

Mestry (2006:28) argues that many principals and SGB members are placed under tremendous pressure to manage their schools' finances, because they are unable to work out practical solutions to financial problems, on account of their lack of financial knowledge, skills and expertise. The main contributory factor seems to be largely attributed to the lack of capacity to execute financial accountability functions as manifested in budgeting, accounting and reporting functions. While there could be reasons for this, including the supposed illiteracy of the parent-governors, the implications seem to relate to the very core of legislation concerned with school governance. In essence, this implies a review of the SASA in terms of functions that are specialised and that require expertise (Xaba and Ngubane 2010:139). This idea is also supported by Heystek (2004:311); depending on the ability level of the parents, it is sometimes just not worth the effort, time or money to try training them to manage the budget or formulate policies for the school.

Mestry (2004:127) conducted and found that there is a perception among many parents, educators and principals that the principal is the accounting officer of the school and that he/she is thus accountable to the DoE for the school's finances. Some indicated that the finance committee is accountable while others rightly pointed out that the SGB was responsible for the management of the school's finances. In some schools, the principal and the SGBs did not work in collaboration to manage the school's finances. The SGBs were not effectively trained to manage the school's finances efficiently. Some of the

school principals objected to the cascading model of training and found the contents of the workshops to be too theoretical. Some trainers did not have a sound financial background. The DoE had no mechanisms in place to support schools on financial issues and problems.

Clarke (2007:281) asserts that the governing body, and not the principal, of a public school, have ultimate responsibility for its financial management. However, as a member of the governing body, the principal shares that responsibility, and is responsible for ensuring that it is implemented. There is one area of financial responsibility, which the principal cannot abrogate, and that is responsibility for ensuring that the governing body manages the school's finances in terms of the SASA and in the best interests of the learners of the school. Naidu *et al* (2008:158) emphasise that financial accountability is a demanding obligation that governing bodies must carry out. As democratically elected governance structures, they stand to account to the state, parents and the public for the public funds they manage. The capacity of SGBs to understand how to give an account is a matter of concern. Jones (2000:329) maintains that although the management of the schools' finances is a primary function of the SGBs, the ultimate responsibility for the accuracy of the books (of account) is that of the school principal, even if he/she does not have the task of maintaining the books on a regular basis.

Mestry (2004:127) notes that the SGB is responsible for the financial matters of the school. However, there appears to be an overlap of duties because it seems that the principal is also responsible for the finances of the school. It should also be noted that the principal is a member of the SGB. In executing his professional management activities, the school principal is also obliged to manage personnel and finances.

The governing body has a vital role to fulfil in overseeing the financial management of the school fees and any other money, which may be paid into the school's account. This role includes planning, reviewing, controlling and approving the school's budget in accordance with the school's needs as presented by the principal. Ultimately, the governing body is accountable to the providers of the funds, namely, parents, private

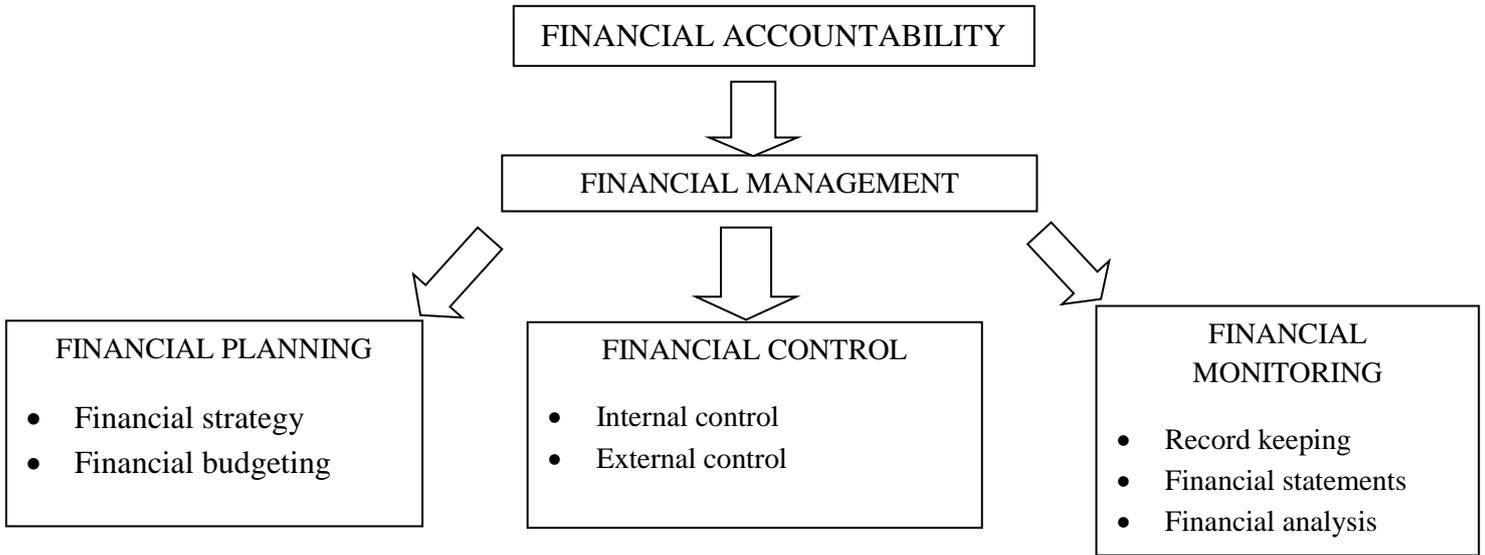
donors, the DoE and the business sector concerning the expenditure of funds (Van Wyk, 2004:53). The principal has no executive role in relation to the SGB on property and financial matters. There are no specific duties relating to the assets, liabilities, and property, with financial management being entrusted to or vested in the principal (Mestry, 2004:129).

In addition, Mestry (2006:36) contends that the case of *Schoonbee and Others v MEC for Education, Mpumalanga & Another* 2002(4) SA 877 (T) has created a new dimension for the effective and efficient management of school finances. Previously, the principal was considered the accounting officer of the school's finances. The SGB, by virtue of the SASA, is responsible for the financial matters of the school. They may delegate tasks to the principal and other role players but they will be held accountable for the finances of the school. Joubert and Prinsloo (2008:99) further report that SGB members are collectively accountable for the effective and accountable management of a public school's finances. A school does not have an accounting officer and the principal of the school is not the chief accounting officer in terms of the PFMA.

According to Beckmann (2002:12), the principal may assist the governing body to ensure the governing body uses the funds for educational purposes as defined, but he/she does not become accountable for the way the school funds are used. If the governing body authorises the principal to use school funds, he/she is accountable to the governing body for the way in which funds are used.

Against this background, it is evident that prior to the SASA's promulgation, every school principal was considered an accounting officer and was accountable to the HoD (Mestry 2004:128), the SGB is now accountable for the school finances. SGBs may delegate financial management functions to the principal but they remain accountable. Maritz (2005:32) takes the view that financial accountability involves a management function, which entails financial planning, financial control and financial monitoring as reflected in figure 2.1 below:

**Figure 2.1: Financial Accountability Model**



*Source: Adapted from Maritz (2005:32)*

Financial accountability is a very important principle of financial management. Accountability not only helps the school to keep track of what has been done with the money, but also allows the school to explain its activities to the stakeholders. Financial management process involves three activities:

- Financial planning is a process that an organisation uses to work out what resources it has available, what resources it needs and where extra resources can be found. Financial strategy and the budget are the two most important tools of financial planning.
- Financial control involves maintaining reliable financial records, protecting the assets of the organisation, authorising transactions and providing accountability.
- Financial monitoring is a never-ending and ongoing activity in the financial management process. It involves recording, analysing and reporting on the finances of the organisation.

## **2.3 Legislative Framework**

### ***2.3.1 Funding of Public Schools***

According to Sections 34 and 36 of the SASA, the State and the SGB are jointly responsible for the financing of public schools. The State directly finances school education in a number of ways, e.g. paying educators' salaries, providing physical resources as well as constructing and maintaining school buildings, and transfer payments (funds allocated to the provincial departments). Kruger (2003:235) points out that the funding of public schools occurs within two cost allocation categories, namely capital cost allocations and recurrent cost allocations. The Amended National Norms and Standards for School Funding (ANNSSF) came into effect on 1 April 2011. It provides that all no-fee schools should, annually in accordance with the applicable prescripts of the Public Finance Management Act (PFMA) of 1999, its regulations, and any Treasury practice notes be provided with an allowance from their total school allocation for the year to be able to defray day-to-day operational, non-personnel expenditure.

### ***2.3.2 Sources of Finance***

According to Schreuder and Landey (2001:39), a school obtains finance from three main sources: government funding, school fees and special fundraising campaigns. In recent years, approximately 22% of the government budget has been allocated to education. This is the largest allocation from the budget to a government department. Part of this amount is used for the national DoE, while the rest is divided between the nine provinces.

According to the revised prescripts for management of school funds in public schools (2011: par 6.4.2), the minimum standard requirement for all *no-fee schools* should entail the following:

- The whole 60% allocation must be spent on curricular needs.
- Proper security fencing.
- Provision of clean water or borehole.
- Repair of all broken windows, doors, electrical, and gas fittings, filling cracks and painting and other repairs.
- Annual servicing of fire equipment.
- Eradication of termites and other pests every three years.

- Quarterly cleaning, weeding and maintenance of gutters, channels and other storm water drains to prevent flood damage to foundations and other facilities.
- Schools could be allowed to erect ablution facilities, provided approval is granted. The Department to assist schools with the specifications of such structures. The norm of one toilet seat per classroom should apply. The allocation should not exceed 8% of the total allocation.
- Schools allocations may not be used to cover the cost of personnel and new buildings, e.g. new classrooms or administration blocks.
- Travel claim forms for principals must be authenticated by the circuit manager and SGB chairperson before payment can be effected.

Provincial education authorities divide funds according to the “National norms and standards for the funding of schools”. Each school’s share is calculated based on the physical condition of the school and the relative poverty of the community (socio-economic factors), and the relative poverty of the school.

The following are taken into account as socio-economic factors:

- percentage of families with cars and tertiary training,
- percentage of farm children,
- average income per family, and
- census data of the area in which the school is situated.

The following are taken into account when determining the relative poverty of the school:

- buildings audit,
- availability of water and electricity, as well as toilet facilities,
- number of learners per classroom,
- education department’s cost per learner,
- average Relative Qualification Value (RQV) of educators,
- provision of administrative staff,
- school phase (primary or secondary), and
- type of walls the school has.

According to the DoE, in the Government Gazette No. 34803 of 2 December 2011, the Basic Education Minister determined all learners in quintiles 1 to 3 (60% of the public school learners nationally), in terms of Section 39(7) of the SASA, to be in *no-fee*

*schools* for 2012. The *no-fee* threshold will be R880 in 2012 and the National Target Table will be as follows:

**Table 2.2: National Table of Targets for the School Allocation (2012-2014)**

	2012	2013	2014
NQ 1	R 960	R 1, 101	R 1, 065
NQ 2	R 880	R 926	R 977
NQ 3	R 880	R 926	R 977
NQ 4	R 480	R 505	R 533
NQ 5	R 165	R 174	R 183
Overall	R 633	R 665	R 747
No fee threshold	R 880	R 926	R 977
Small schools: National fixed Amount	R 22, 218	R 23, 373	R 24, 752

**Table 2.3: National Poverty Distribution Table**

National quintiles	1 (poorest)	2	3	4	5 (least poor)	Total
	22.2	21.7	19.7	17.4	13.1	100%
Free State (FS)	19.7	22.0	18.9	21.8	17.6	100%
Gauteng (GT)	12.7	15.4	19.3	23.0	29.6	100%
Kwa Zulu Natal (KZN)	20.9	22.2	21.1	20.2	15.4	100%
Limpopo (LIM)	28.1	24.7	23.9	15.6	7.6	100%
Mpumalanga (MP)	25.3	22.4	21.0	18.7	12.7	100%
Northern Cape (NC)	22.3	22.6	21.6	20.6	12.9	100%
North West (NW)	23.5	23.4	18.7	17.0	17.3	100%
Western Cape (WC)	9.5	13.6	16.9	22.1	37.9	100%
South Africa	20%	20%	20%	20%	20%	100%

*(Adapted from the Norms and Standards for school funding – DoE 2011)*

If funds are available, the PED may offer Q4 and Q5 schools *no-fee* status, at the threshold level of R880, voluntarily. In declaring these fee-charging schools as *no-fee schools*, the PED needs to ensure all these schools are informed that they will be declared *no-fee schools* from 1 January 2012. PEDs also need to ensure that these schools have informed parents of the change.

### ***2.3.3 Legal Requirements Relating to the School's Finances***

The SASA stipulates the following legal requirements:

- article 44 of the SASA states that a school's financial year begins on the first day of January and ends on the last day of December.
- In terms of article 37(6), school funds may only be used for educational purposes. School funds include all money, which the school receives from various sources (including state funding).
- Article 38(1) requires the school to draw up a budget showing the expected income and expenditure for the next financial year.
- The governing body may determine parents' compulsory contributions for the next financial year according to the budget.
- The budget and the proposed school fees must be approved at a meeting of parents [article 38(2)]. It is essential that parents be informed of the meeting at least thirty days in advance. Once the parents have approved the budget and proposed school fees, the budget may be implemented.
- The payment of school fees is enforceable by law.

Section 16A(2) of the amended the SASA No. 84 of 1996 further maintains that the principal of a public school must, among others,

- assist the governing body with the management of the school's funds, which assistance must include—
  - the provision of information relating to any conditions imposed or directions issued by the Minister, the Member of the Executive Council or the Head of Department in respect of all financial matters of the school contemplated in Chapter 4; and
  - the giving of advice to the governing body on the financial implications of decisions relating to the financial matters of the school;
- take all reasonable steps to prevent any financial maladministration or mismanagement by any staff member or by the governing body of the school;
- be a member of a finance committee or delegation of the governing body in order to manage any matter that has financial implications for the school; and

- report any maladministration or mismanagement of financial matters to the governing body of the school and to the HoD.

The PFMA No.1 of 1999, as amended stipulates that every department and every constitutional institution must have an accounting officer and Section 36(2)(a) states that the head of a department must be the accounting officer for the department.

#### ***2.3.4 General Responsibilities of Accounting Officers***

Section 38 of the PFMA stipulates, among others, that the accounting officer for a department, trading entity or constitutional institution:

- must ensure that the department, trading entity or constitutional institution has and maintains effective, efficient and transparent systems of financial and risk management and internal control; a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of Section 76 and 77, an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective; a system for properly evaluating all major capital projects prior to a final decision on the project;
- is responsible for the effective, efficient, economical and transparent use of the resources of the department, trading entity or constitutional institution;
- must take effective and appropriate steps to collect all money due to the department, trading entity or constitutional institution; prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct; and manage available working capital efficiently and economically;
- is responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the department, trading entity or constitutional institution.

### **2.4 School Financial Governance Structure and Processes**

Punch (2009:83) defines conceptual framework as a representation, either graphically or in narrative form, of the main concepts or variables, and their presumed relationship with each other. The following are the main concepts:

#### ***2.4.1 School Governing Body (SGB)***

Section 23 of the SASA provides for the composition of SGBs of ordinary public schools. According to Section 23(2) of the SASA, elected members of the governing body shall comprise parents of learners, educators and members of staff, who are not educators, and learners in the eighth grade or higher at the school.

Oosthuizen (2003:204) maintains that a learner, who is a minor, will naturally not be able to contract on behalf of the school or vote on decisions of the governing body, which places liabilities on third parties and/or the school. According to Naidu, Joubert, Mestry, Mosoge and Ngcobo (2008:150) all SGB members have constituencies in the sense that they are elected by parents, educators, learners and non-educators. Therefore, they represent various stakeholder groups, are accountable to them and must report to them.

#### ➤ ***Functions of SGBs***

The functions of the SGBs are divided into ordinary functions, which all SGBs must perform, and allocated functions, which are performed by schools that have been granted permission by the Head of Department (HoD) to perform them. A SGB must, as one of its core functions, establish and administer an account for school funds (SASA, Section 37(1)), and must open and maintain a bank account (*Ibid.* Section 37(3)). An important financial function of the SGB, as Oosthuizen (1998:180) contends, comprises the drafting of a budget (*op cit*, Section 38 (1)) which sets out the estimated income and expenses of the school for the following financial year.

Motimele (2005:7) contends that functions of all governing bodies are divided into *ordinary functions*, which all SGDs must perform, and *allocated functions*, which are performed by schools that have been granted permission by the HoD to perform them. According to Section 20 of the SASA, No. 84 of 1996, the governing body of a public school must:

- promote the best interests of the school;
- strive to ensure its development through the provision of quality education for all learners at the school;

- adopt a constitution;
- develop the mission statement for the school;
- adopt a code of conduct for learners at the school;
- support the principal, educators and other staff of the school in the performance of their professional functions;
- determine times of the school day consistent with any applicable conditions of employment of staff at the school;
- administer and control the school's property, buildings and grounds occupied by the school, including school hostels, if applicable;
- encourage parents, learners, educators and other staff at the school to render voluntary services to the school;
- recommend to the HoD the appointment of educators at the school, subject to the Educators Employment Act, 1994 (Proclamation No. 138 of 1994), and the Labour Relations Act, 1995 (Act No. 66 of 1995);
- recommend to the HoD the appointment of non-educator staff at the school, subject to the Public Service Act, 1994 (Proclamation No. 103 of 1994), and the Labour Relations Act, 1995 (Act No. 66 of 1995);
- at the request of the HoD, allow the reasonable use, under fair conditions, of the facilities of the school for educational programmes not conducted by the school;
- discharge all other functions imposed upon the governing body by or under this Act; and
- discharge other functions consistent with this Act as determined by the Minister by notice in the Government Gazette or by the Member of the Executive Council by notice in the Provincial Gazette.

In addition, the governing body has the mandate to allow the reasonable use of the facilities of the school for community, social and school fund-raising purposes, subject to such reasonable and equitable conditions as the governing body may determine which may include the charging of a fee or tariff, which accrues to the school. Furthermore, the governing body may join a voluntary association representing governing bodies of public schools.

Apart from the aforementioned functions, Section 36 of the SASA stipulates that a governing body of a public school must take all reasonable measures within its means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners at the school. In contrast, Dieltiens (2005:13) argues that the inclusion of fundraising as an SGB function results in school governance having to focus, in many cases, on the sustainability of the school rather than on driving the mission and vision of educational practices. Adams and Waghid (2005:30) contend that the economic conditions of the community have a direct influence on the school's ability to raise funds.

Parents are reluctant to serve on SGBs because ultimately it translates into raising funds. Teacher representatives at these schools claimed, "The fundraising committee decides on a fund-raising venture then simply pass it on to the staff to organise and implement." In these communities, fund-raising is an extra burden, something that parents can do without, already burdened with other difficulties.

The in-/ability to raise funds, in turn, has a bearing on the capacity of the school to function and compete with other schools in more affluent areas. Motala and Pampallis (2005:14) maintain that in recognition of the fact that many SGBs may have difficulty fulfilling their basic functions or qualifying for additional functions due to the lack of experience or skills, the Act obliges provincial governments to provide training for governing bodies.

Beckmann and Prinsloo (2009:180) assert that the SGBs of many, mainly former white, schools have embraced the principle of subvention of educators' salaries to attract quality educators to their schools. However, the DoE invited comments on a further set of proposed amendments to the SASA concerning this very issue. The government proposed that a Section 38A be inserted into the SASA. The African National Congress (ANC) has a huge majority in the national legislature, the amendment was carried, and subsection 38A now reads as follows:

- *A school governing body may not pay, without prior approval from the employer, to the educator employed in terms of the Employment of Educators Act, 1998, any benefit in kind, other financial benefits, or*

*remuneration, except for the payment of travel and subsistence expenses in amounts comparable to those paid for similar expenses incurred by public servants.*

- *The travel and subsistence expenses contemplated in subsection (1) must be directly related to official school activities.*
- *The payment contemplated in subsection (1) must be reflected in the school's budget.*
- *If a school governing body or any other person without the authority of the school governing body pays any remuneration or gives any financial benefit contemplated in subsection (1) to an educator without prior approval of the employer, the amount of money paid must be recovered by the Head of Department on behalf of the school from:*
  - *members of the school governing body who took that decision, excluding a member of the school governing body who is a minor; or*
  - *any person who made such payment without the authorization of the school governing body.*

➤ ***Allocated functions of governing bodies***

Subject to Section 21 of the SASA No. 84 of 1996, a governing body of a school may apply in writing to the HoD for permission to:

- maintain and improve the school's property, as well as buildings and grounds occupied by the school, including school hostels, if applicable;
- determine the extra-mural curriculum of the school and the choice of subject options in terms of provincial curriculum policy and, for this to occur, there must be a functional curriculum committee that is familiar with current development, and also applicable legislation and documentation that guides the extra-mural curriculum of the school;
- purchase textbooks, educational materials or equipment for the school;
- pay for services to the school;
- perform other functions consistent with this Act and any applicable provincial law.

Heystek and Nyambi (2007:229) state that Section 21 functions have more financial implications for schools because they must have sufficient funds to perform these functions positively. The duo argues that Section 21 functions are a financial burden rather than a form of power and status.

### ***2.4.2 Categories of Schools***

Roos (2004:127) states that public schools fall into two categories namely Section 20 schools (commonly referred to as non-section 21) and Section 21 schools. Section 20 schools (named after Section 20 of the SASA) are those that do not qualify to carry out allocated functions and Section 21 schools (named after Section 21 of the SASA) are those that qualify to perform allocated functions. According to the DoE (2000:28) Section 20, schools do not have approval to procure their own goods and services according to existing departmental arrangements. They are, unlike Section 21 schools, informed of their paper budget, to prepare them to understand the actual costs of running the school.

Marishane and Botha (2004:96) maintain that Section 21 of the SASA No. 84 of 1996 provides for the establishment of self-managing schools by permitting schools to apply for some of the functions that were traditionally carried out by the state. The allocation of such functions to schools is accompanied by the allocation of funds from the state to ensure that schools exercise their decision-making authority in carrying out these functions efficiently. When funds are allocated to schools given Section 21 status, principles enshrined in the country's democratic Constitution (RSA 1996) are applied. These are:

- *Equity*: an impartial and consistent application of rules governing (financial) resources allocation to schools.
- *Redress*: improving (financial) resources allocation by targeting the specific needs of the poor and previously disadvantaged.
- *Efficiency*: the allocation of (financial) resources to the school in such a way that the allocated resources once deployed will match the (financial) needs of the school.
- *Quality*: the provision of (financial) resources in such a way that resulting improvements will be sustained.

#### **➤ *Disadvantages of Section 20 schools***

According to Bisschoff and Mestry (2003:23), the following are disadvantages of Section 20 schools:

- Schools are unable to negotiate discounts, better prices and efficient suppliers. They must only deal with the suppliers contracted to the Department.
- Districts do not have the capacity to process the requisitions in time for the commencement of classes because there are usually approximately 150 schools in each district and all problems that schools experience must be attended to by district officials.
- Suppliers cannot process all requisitions on time, with the result that schools miss the allocations because there is no “roll-over” of the budget. This means that if the school does not spend a certain portion of the state’s allocation in that financial year it loses that allocation.
- Sometimes goods are not delivered in time and services are not rendered when required.

➤ *Advantages of Section 21 schools*

Bisschoff and Mestry (2003:77) assert that Section 21 schools enjoy far more financial freedom than non-section 21 schools and list the following as the advantages of Section 21 schools:

- Schools can negotiate the best prices, discounts and delivery dates for learning support materials from suppliers.
- The State’s allocation that has not been utilised in that financial year can be used in the next financial year because, unlike Section 20 schools where the money is in the State’s account, the allocation in Section 21 schools is not lost since the money is in the school’s bank account.
- The principal can save money by commissioning out some of the smaller maintenance jobs to the learners on a voluntary basis whilst supplying the tools and materials needed.

Squelch (2000:137) argues that awarding of Section 20 and 21 statuses to SGBs in schools in South Africa originates from the government's intention to entrench democracy, unity, non-discrimination, redress, equity and equality.

➤ *Acquisition of Section 21 status*

According to the SASA, Section 21(1), a governing body may apply to the HoD to obtain Section 21 status. The HoD may refuse an application contemplated in Section 21(1) only if the governing body concerned does not have the capacity to perform such functions effectively.

The other method of acquiring the Section 21 status is that the Member of the Executive Council (MEC) may determine, by notice in the Provincial Gazette, that some governing bodies may exercise one or more functions without making an application. This will be the case if he or she is satisfied that the governing bodies concerned have the capacity to perform such functions effectively and there is a reasonable and equitable basis for doing so.

➤ *Withdrawal of Section 21 status*

In terms of Section 22(1) of THE SASA, the HoD may withdraw, on reasonable grounds, a function of a school governing body.

### ***2.4.3 School Financial Management***

According to Bisschoff (1997:137), financial management has to do with the financial activities that are undertaken by the stakeholders to achieve the common objectives of the school. Shapiro (1995:1) argues that financial management involves planning and budgeting, financial accounting, financial analysis, financial decision-making and action. Management of a school's finances (Mestry, 2004:129) is an integral part of effective school management. Within the management structure, it can be considered similar to that of curriculum or human values, in terms of status and influence.

Training in financial management is fundamental in preparing and equipping school managers with financial skills. This training should enable the SGB to be responsible and accountable for funds that have been received for the attainment of specific school objectives. It will also equip them to make a contribution towards the improvement of the overall quality of teaching and learning of the school. The study by Van Wyk (2007:132) found that in the more affluent schools principals expressed satisfaction with the role SGBs were playing in the financial management of the school because there were many professionals in the parent community equal to this task. However, in more deprived communities, educators had reservations about the SGB's competence to handle financial matters. Tsotetsi, Van Wyk and Lemmer (2008:396) argue that certain specialised tasks, which include dealing with school finances, prove to be difficult for SGB members.

According to Clark (2007:280), the first and most important aspect of managing a school's finances is to be quite clear about who is responsible for what. Overlapping responsibilities need to be minimised, because the areas of overlap are also likely to be areas of conflict or of "passing the buck", with no one taking responsibility. The lines of authority also need to be unmistakably drawn, so it is quite clear to everyone who is responsible when problems arise. There are essentially three areas of responsibility:

- *management of the financial process*: this is essentially an operational role, normally delegated to the bursar or a member of the administrative staff with some financial expertise;
- *financial management of the school's expenditure and assets in accordance with the provisions of the school's budget*: this is normally the responsibility of the principal;
- *strategic and oversight functions*: priorities, planning budgets in terms of these priorities and ensuring that there are policies and procedures in place to ensure management and control of the school's finances;
- *ensuring there are policies and procedures in place to control the schools' monies and assets, including fixed assets*: this is the responsibility of the SGB and its finance committee.

Section 9 of the SASA stipulates that the HoD should provide introductory training for newly elected governing bodies to enable them to perform their functions. Mestry (2004:129) further argues that training in financial school management should be practise-based and the following sections should be covered:

- The legal framework that underpins financial school management;
- Funding of schools, this includes state funding and schools contribution, training in the management of school fees is crucial;
- Financial planning and this includes budgeting;
- Financial control; and
- School information system.

According to Bisschoff & Mestry (2003:98), the SGB needs to bear the following aspects that constitute good financial management in mind:

- The responsibility of the governing body, its committees (especially the financial committee), the principal and staff should be clearly defined and the limits of delegated authority should be clearly established.
- The budget should reflect the school's prioritised educational objectives, to achieve the efficient use of funds, and be subjected to regular, effective financial monitoring.
- The school should establish and implement sound internal financial control systems to ensure the reliability and accuracy of its financial transactions.
- The school should be adequately insured against exposure to risks, such as theft, vandalism and fraud.
- If the school uses computers for administrative purposes, all data should be protected against loss, for example, when computers are stolen or if the system is infected with a virus. It is advisable to have a back-up system and all data should be updated on a regular basis.
- The school should ensure that purchasing arrangements comply with good accounting practice, that is, quality should not be sacrificed. The finance

committee or SGB should put control mechanisms in place to ensure that authorisation is given for all purchases.

- There should be sufficient procedures for the administration of personnel matters.
- Stocks, stores and other assets should be recorded, and adequately safeguarded against loss or theft. Asset registers should be maintained.
- All income due to the school should be identified and all collections should be receipted, recorded and banked promptly.
- The school should properly control the operation of only one bank account and reconcile the bank balance with the accounting records.
- The school should control the use of petty cash. The imprest system of funding petty cash items is one way of controlling petty cash. An amount is given to the petty cashier, for example, R400. If the petty cashier spends R250 for a particular period then the treasurer will reimburse the petty cashier R250 that will restore the imprest to R400.
- School funds should be administered as rigorously as public funds.

Marishane and Botha (2004:111) developed a school-based financial management model as a possible strategy for improving school-based financial management. Applied to the school, the model will make the following contributions:

- It facilitates the delivery of financial management information between the district and the school.
- It aligns financial management with school improvement and is thus, goal orientated.
- It enables the district to allocate resources in line with the actual needs of the school.
- It enhances the decision-making powers of school-based management.
- The model can serve as an important self-monitoring instrument for school-based managers.

Regular checks and counter-checks are necessary to avoid the mismanagement of funds by any person or groups of persons. In practice, most SGB parent members have had

problems in fulfilling their obligations of governance, which include their personal interest; time devoted to their own work/business commitments; or that they simply have very little expertise in fulfilling the financial functions of the school. In this instance, the principal performs a consultative role, called upon to advise the SGB on financial matters (Mestry, 2008:8).

➤ ***Withdrawals from school funds***

According to the Limpopo DoE (2011, Par 8.5), the SGB treasurer, the SGB vice chairperson, and a third member are the only office bearers eligible for appointment as signatories. It is clearly stipulated that under no circumstances shall the school principal, the SGB chairperson and the finance officer be appointed as signatories. The school principal or his/her delegate shall approve and the SGB chairperson shall authorise all payments. This makes it illegal for anyone to make payments without prior authorisation. All schools are, subject to Section 8.5 of the prescripts, expected to ensure that:

- A school bank account is never overdrawn.
- Blank or “cash” cheques are never issued.
- All cheques are crossed and marked “not transferable” and be issued to payee only, except for salary and stipend cheques for food handlers.
- All cheques withdrawn are substantiated by an approved payment voucher with adequate documentation (cheque requisitions, original invoice, adjudicated procurement documents and delivery notes).

➤ ***No-fee schools***

According to DoE (2006:31) schools falling in Quintiles 1, 2 and 3 are declared no-fee schools. Unlike schools in Quintiles 4 and 5, the Limpopo DoE (2011:5) stipulates that no public schools, which have been declared “no-fee schools”, be allowed to charge mandatory school fees from any parent. Minimum standard requirement for all “no-fee schools” should entail, among others, the following:

- The total allocation of 60% must be spent on curriculum needs.

- Erection of ablution facilities allocation should not exceed 8% of the total allocation.
- Schools' allocation may not cover cost of personnel and new buildings.

#### ***2.4.4 Financial Reporting***

According to Xaba and Ngubane (2010:150) financial reporting, the most important element of financial accountability, entails producing regular financial reports for those with an interest and a right to know. Section 43 of the SASA, No. 84 of 1996, stipulates

the governing body of a public school must appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 (Act No. 80 of 1991), to audit the records and financial statements referred to in Section 42; if the audit referred to in subsection (1) is not reasonably practicable, the governing body of a public school must appoint a person to examine and report on the records and financial statements referred to in Section 42 of the Act, who:

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

The SASA stipulates that no person, who has a financial interest in the affairs of the public school, may be appointed under this section. If the MEC deems it necessary, he or she may request the Auditor-General to undertake an audit of the records and financial statements of a public school. A governing body must submit to the HoD, within six months after the end of each financial year, a copy of the annual financial statements, audited or examined in terms of this section. At the request of an interested person, the governing body must make financial records, and the audited or examined financial statements referred to in this section, available for inspection.

According to Kruger (2003:242), an important characteristic of the present approach to education management in general and financial management specifically, is the emphasis on transparency and information sharing among all stakeholders. Accountability has become a collective responsibility, which should include all stakeholders. For the principal and governing body, this means that they must deal with

the funds in a responsible manner and that they are accountable to the parents, the learners, the community and the DoE.

#### ***2.4.5 School Finance Policy***

In order for a school to manage its finances effectively and efficiently, a school finance policy must be developed, adopted by all the relevant stakeholders and implemented accordingly. The policy must comply with available legislation, such as the SASA and it should set direction and give guidance. Schools and systems need policies and the financial policy may eliminate or reduce the mismanagement of school funds (Mestry 2004:131).

According to Joubert and Prinsloo (2008:96) every public school should have a policy document drawn up by the finance committee and approved by the SGB after consultation with all relevant stakeholders; it must spell out in legal detail the responsibilities of the parties concerned, who they account to, and liabilities where applicable. Naidu, Joubert, Mestry, Mosoge and Ngcobo (2008:153) state that the purpose of the financial policy is to provide guidelines on how persons are to exercise their powers and decisions for managing the school's finances.

The Limpopo DoE (2009:24) maintains that a school financial policy should provide a clear understanding of the responsibilities of the treasurer, the finance officer, the principal, and other persons delegated for specific jobs. The financial policy should include the principles of transparency, accountability, delegation, consultation, equity and redress.

#### ***2.4.6 School Finance Committee***

In terms of Section 30 of the SASA, the SGB may establish a finance committee and sub-committees, such as a fundraising committee, tuck-shop committee or a school fees committee. According to the Revised Prescripts on Management of School Finances (2011) issued by the Limpopo Provincial Education Department (PED) (2011), a

finance committee must be established and consist of the principal, the SGB chairperson, treasurer and finance officer.

It further stipulates that the number of members should not exceed nine and members from parent component must be in the majority. These people are appointed on the grounds of their expertise. Mestry (2004:131) further recommend that where members of the SGB have no or little financial knowledge, then the SGB should solicit the services of an expert with sound financial knowledge from the parent community.

#### ***2.4.7 School Budget***

Kruger (2003:237) defines a budget as a management tool or mechanism, by which the management team and the governing body of the school can estimate and plan, as well as utilise, coordinate, monitor and evaluate the allocated resources of the school in financial terms. Tunica (1995:90) furthermore defines the school budget as an expression of the school plan in fiscal terms. Section 38 of the SASA makes provision for the SGB to prepare a budget each year. It is therefore imperative that SGBs are trained to execute this legal mandate.

According to Davidoff and Lazarus (1997:118), the first step in an attempt to obtain money or in managing money that has been allocated to the school by the DoE is development of school and project budgets. These budgets need to include items, such as (a) capital expenditure (computers, desks), and (b) operating or running costs (for example wages, telephone, stationery). Budgeting requires the estimating of costs that are likely to occur over a period. Estimates can be developed through looking at previous costs, as well as looking ahead at what is likely to be needed during the period concerned (usually a year). Although estimates are not exact, they should be as close to the actual costs as possible. Smit, Cronje, Brevies and Vrba (2011:449) summaries types of budgets that can be used to make financial control possible across the financial spectrum in the table below:

**Table 2.4: Types of Budgets**

<b>Type of budget</b>	<b>Focus</b>	<b>Examples</b>
Financial budgets	Focus on cash flow	<ul style="list-style-type: none"><li>• Cash flow budget</li><li>• Capital budget</li><li>• Balance budget</li></ul>
Operational budgets	Revenue Focus on the operational aspects of the organisation	<ul style="list-style-type: none"><li>• Contract budgets</li><li>• Sales budget</li><li>• Income budget</li><li>• Expenditure budget</li></ul>
Non-financial budgets	Focus on diverse aspects of the organisation not expressed in financial terms	<ul style="list-style-type: none"><li>• Production budgets in units</li><li>• Sales volume in units</li><li>• Time projections of projects</li></ul>

In the case of private funders, the budget needs to be preceded by a funding proposal, which includes a clear motivation for the reason this money is needed, and how it will be used.

Once the budget has been completed and accepted by all concerned, some system of accounting needs to be set up. Generally, all that is required at school level is an income and expenditure statement. An income and expenditure statement comprises a list of all expenses, usually under the same headings as indicated in the budget. The income and expenditure accounting should be kept up to date so that whoever is responsible for the financial management of the school (usually the treasurer on the governing body, or an administrator allocated to this task), can see what the state of affairs is at any time. Budgets and financial statements need to be available for perusal and comment by the school community if the principle of democracy (in particular, ‘transparency’ and ‘accountability’) is to be pursued.

➤ ***Multiple functions of budgets***

According to Drury, (2008:365) budgets serve a number of useful purposes. They include:

○ ***Planning annual operations***

The budgeting process ensures that managers do plan for future operations, and that they consider how conditions in the next year might change and what steps

they should take to respond to these changed conditions. This process encourages managers to anticipate problems before they arise, and hasty decisions that are made impulsively, based on expediency rather than reasoned judgement, will be minimised.

- Coordination

The budget serves as a vehicle, through which the actions of the different parts of an organisation can be brought together and reconciled into a common plan. Without any guidance, managers may each make their own decisions, believing that they are working in the best interests of the organisation.

- Communication

If an organisation is to function effectively, there must be definite lines of communication so that all the parts will be kept informed of the plans and policies, and constraints, to which the organisation is expected to, conform. Everyone in the organisation should have a clear understanding of the part he/she is expected to play in achieving the annual budget. This process will ensure that the appropriate individuals are made accountable for implementing the budget. Through the budget, to management communicates its expectations to lower level management, so that all members of the organisation may understand these expectations and can coordinate their activities to attain them. Not only the budget facilitates communication – but also a lot of vital information is communicated in the actual act of preparing it.

- Motivation

The budget can be a useful device for influencing managerial behaviour and motivating managers to perform in line with the organisational objectives. A budget provides a standard that under certain circumstances, a manager may be motivated to strive to achieve. However, budgets can also encourage inefficiency and conflict between managers. If individuals have actively participated in preparing the budget, and it is used as a tool to assist managers in managing their departments, it can act as a strong motivational device by

providing a challenge. Alternatively, if the budget imposes a threat rather than a challenge, it may be resisted and do more harm than good.

- Control

A budget assists managers in managing and controlling the activities, for which they are responsible. By comparing the actual results with the budgeted amounts for different categories of expenses, managers can ascertain which costs do not conform to the original plan and thus require attention. This process enables management to operate a system of management by exception, which means that a manager's attention and effort can be concentrated on significant deviations from the expected results. By investigating reasons for the deviations, managers may be able to identify inefficiencies, such as the purchase of inferior quality materials. When the reasons for the inefficiencies have been found, appropriate control action should be taken to remedy the situation.

- Performance evaluation

A manager's performance is often evaluated by measuring his or her success in meeting the budgets. The budget provides a useful means of informing managers of how well they are performing in meeting targets that they have previously helped to set. The use of budgets as a method of performance evaluation also influences human behaviour.

- ***Methods of budgeting***

Coleman, Bush and Glover (1996:10, 16) classify a budget into three categories, namely zero-based budgeting (ZBB), incremental and activity-based budgeting (ABB).

- Zero-Base Budgeting (ZBB)

ZBB is a method of budgeting that is mainly used in non-profit organisations, but it can also be applied to discretionary costs and support activities in profit organisations. It seeks to overcome the deficiencies of incremental budgeting. ZBB works from the premise that projected expenditure for existing

programmes should start from base zero, with each year's budgets being compiled as if the programmes were being launched for the first time. The budgetees should present their requirements for appropriation in such a fashion that all funds can be allocated based on cost-benefit or some similar kind of evaluative analysis (Drury 2008:379).

Coleman and Anderson (2000:122) contend that zero budgeting is one response to the difficulties inherent in the historic budgeting approach. In essence, zero budgeting means that the cost centre has to calculate its financial needs afresh each year, knowing what its commitments will be: it is then possible to meet demands according to need. One major problem is that over-estimation can occur to ensure that sufficient funds are allocated. They further argue that resource allocation begins with the assumption that all categories of spending should be scrutinised. Budget holders must justify all expenditure, not just new initiatives or those at the margin of existing provision. Each area of expenditure is assessed against the association's priorities and ranked in importance; funding then depends on the size of the budget.

Vigario (2005:244) defines ZBB as a procedure that requires every manager to justify in detail the nature and level of his entire budget relative to the functions required for the effective achievement of specified objectives.

Advantages of ZBB according to Vigario (2005:245) and Drury (2008:376) are:

- i. It has the potential for developing a more vibrant and interactive management team.
- ii. It highlights weaknesses in the organisation's planning procedures.
- iii. It creates a questioning attitude rather than one that assumes that current practice represents value for money.
- iv. It focuses attention on outputs in relation to value for money.

Disadvantages of ZBB, according to Drury (2008:377) as well as Sorenson and Goldsmith (2006:117) are the significant amount of time, effort, and paperwork associated with the process as well as the fact that there are only so many dollars

appropriated. Many school districts and administrators – often to the dismay of the learning community – decide that this particular budgetary system is too cumbersome and complicated, especially when compared to other budgetary preparation systems.

- *Incremental budgeting*

Drury (2008:378) contends that with incremental budgeting indirect costs and support activities are prepared on an incremental basis. This means that existing operations and the current budgeted allowance for existing activities are taken as the starting point for preparing the next annual budget. The base is then adjusted for changes, which are expected to occur during the new budget period. When this approach is adopted, the concern is mainly with the increment in operations or expenditure that will occur during the forthcoming budget period. The major disadvantage of the incremental approach is that the majority of expenditure, which is associated with the “base level” of activity, remains unchanged. Thus, past inefficiencies and waste inherent in the current way of doing things are perpetuated.

According to Coleman and Anderson (2000:106), the incremental model of budgeting treats the previous year’s budget as the starting-point for the preparation of the new budget. There are marginal or “incremental” changes but the budget remains largely unaltered from the previous year.

- *Activity-based budgeting (ABB)*

Drury (2008:378) maintains that ABB aims to manage costs more effectively by authorising the supply of only those resources that are required to perform activities to meet the budgeted production and sales volume.

#### ***2.4.7.1 Budget process***

According to Schreuder and Landey (2001:42), the budgeting process may take approximately two years and divided into four main phases:

**Table 2.5: Budgeting Process**

<b>No.</b>	<b>PHASES</b>	<b>NATURE OF DECISION-MAKING</b>	<b>IMPLEMENTATION</b>
<b>1</b>	Preliminary analysis	Strategic (long term)	Before the beginning of the financial year
<b>2</b>	Drawing up the budget	Operational (short term)	Before the beginning of the financial year
<b>3</b>	Implementing the budget; Monitoring income and expenditure	Operational (short term)	During the financial year
<b>4</b>	Evaluation	Strategic (long term)	After the end of the financial year

The annual budget must be drawn up within the framework of the school's long term strategic planning. Therefore, provision must be made in the annual budget for the priorities arising from the long-term plan. If, for example, the school has decided to establish a computer room in three years' time, the money must be collected over the following three years.

Other factors, which are important in drawing up a budget, are:

- an increase or decrease in the economic activity of the area in which the school is situated,
- an increase or decrease of learner ratio,
- inflation,
- taxes, especially Value Added Tax (VAT),
- government policy and legislation,
- costs of teaching aids and other assets which must be purchased, and
- depreciation (decrease in value) of the country's currency unit in terms of other countries' currency units.

A budget may be drawn up for each activity in the school. These partial budgets must be incorporated in the total budget of the school. Various factors influence the budget's nature and style:

- the purpose for which the budget is being drawn up,

- the type of organisation using the budget,
- the personalities using the budget,
- the personal characteristics of the people drawing up the budget, and
- the leadership style of the organisation.

Four kinds of budgets can be distinguished:

- An annual budget is a plan for a particular year expressed in financial terms (for example, an income and expenditure budget of capital budget).
- A periodic budget applies for a period during the year and is repetitive in character (for example, a quarterly cash budget).
- A project budget is a budget for a particular project (for example, a sport tour).
- An investment budget has to do with an investment in something, which has long-term value (for example, a school bus).

Budgets may have shortcomings, which will cause problems if action is not taken in time. These include:

- The budget may be influenced by the preferences of the leadership team.
- The final budget may be the product of conflicting parties, which continue this conflict throughout the year.
- Financial aims may be set, which are easily attainable, but which are inadequate for the school's actual needs.
- Government policy and legislation may be wrongly interpreted.
- Budget applications made by stakeholders may reflect their personal wishes.
- The budget may be cut unnecessarily.

Schreuder and Landey (2001:45) further contend that the following steps may be taken when drawing up a school's budget:

- Study the applicable national and provincial policies and guidelines.
- Collect information about the needs of the school as revealed by the strategic plan.
- Obtain quotations for items of capital expenditure (such as computers, desks, cupboards, etc.).

- Draw up the expenditure budget by asking for input from the various departments in the school.
- Take VAT and the possibility of price rises into account when drawing up the expenditure budget.
- Prioritise expenditure from most important to least important.
- Draw up the income budget to determine where funds will be obtained to cover expenditure (state funding is given; contributions by parents to school funds are calculated according to their ability to pay; and the rest is raised by special fundraising programs).
- Consolidate the income and expenditure budget (put them together) and determine the expected surplus (when income is more than expenditure) or shortfall (when expenditure exceeds income).
- If there is a shortfall, the budget must be reconsidered and reworked until there is a small surplus.
- If there is a large surplus, make ensure the budgeted income and expenditure is realistic and that important items have not been left out by mistake.
- Determine whether the school's objectives for success can be reached with the budget, and make any necessary adjustments.
- Submit the draft budget to the interested parties for their comments.
- Finalise the draft budget.
- Submit the budget to the governing body and make adjustments.
- Submit the budget at an official parents' meeting for consideration and approval.
- The governing body approves the final draft of the budget.
- The school implements the budget.

## **2.5 Conclusion**

This chapter provided a general overview of literature on school financial management and discussed main concepts relating financial management. From the ensued discussion, it is apparent that lack of adequate training of SGBs makes it difficult for them to execute their financial properly responsibilities as prescribed by the SASA.

Training in financial management is fundamental in preparing and equipping governors with financial skills. It is, however, not always easy in rural schools where majority of parents in school governance are illiterate. A certain level of education should therefore be a precondition for one's legibility to serve in the SGB. Training an SGB member who can neither do simple Mathematics nor write his or her name is a real burden on the principal and other departmental officials who are tasked to train governors. The school principal is responsible for the professional management of the school and the SGB remains responsible for the financial management of the school. The SGB is therefore responsible and accountable for financial school management, as demonstrated in the case of *Schoonbee and other v MEC of Education, Mpumalanga and Another*.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

The preceding chapter delved into the conceptual and theoretical framework emerging from review of the literature. In this chapter, research methodology, research design and procedures for the investigation will be outlined. An overall basis explains how the research methodology and design was employed. It presents evidence of how the study was conducted, what the challenges were and how they were resolved. It was on this basis that a conclusion is provided at the end of the study to link critical issues raised within the ensuing chapter on presentation and analysis of the findings.

#### **3.2 Research Design**

Flick, Von Kardorff and Steinke (2004:146) define research design as a plan for collecting and analysing evidence that will make it possible for the investigator to answer the questions posed. It is a set of guidelines and instructions to be followed in addressing the research problems. This includes the aim of the research, the selection and the design of the particular method and participants (Mouton, 2002:107).

The researcher used both qualitative and quantitative research designs to investigate financial management problems experienced by SGBs in Mogoshi circuit.

##### ***3.2.1 Qualitative Research Design***

This research design was chosen to enable the researcher to investigate SGB financial management in schools and to suggest strategies of addressing the challenges thereof. In order to interact with the participants in their natural and participant-oriented environment, a qualitative research design was deemed most appropriate. Qualitative research design allows the researcher to study a group of individuals (through observation or interview), who have had a similar experience but may not be interacting

with each other. Parent component members of the SGB namely the SGB chairperson, treasurer and co-opted member experiencing similar problems, were interviewed (see Annexure 7). This enabled the researcher to carry out an in-depth investigation regarding the perceptions of SGBs in Mogoshi circuit and to generate a rich and complex understanding of school financial management that is needed to solve financial problems in schools.

Neuman (2000:99) contends that the major advantages of qualitative research are that it enables the researcher to study human experiences in-depth; the method stays closer to the experiences of the participants, and it gives the people who will read the findings a deeper understanding of what was discovered. However, Cohen *et al* (2000:156) cite a few problems with the qualitative approach. These are:

- Participants may be falsely conscious, deliberately distorting or falsifying information.
- The presence of the researcher may cause reactivity from participants, leading them to avoid, impress, direct, deny, and influence the researcher.

McMillan and Schumacher (1993:14) assert that a qualitative approach can be time consuming and demanding, and more expensive than a quantitative approach. Despite those few problems, the researcher believed that to gather data directly from the participants in their natural environment, a qualitative approach was the method best suited to investigate the financial management problems in the Mogoshi Circuit.

### ***3.2.2 Quantitative Research Design***

Quantitative research, according to Johnson and Christensen (2008:33) relies primarily on the collection of quantitative data. It generally involves a collection of primary data from the sample and projecting the results to a wider population (Mouton, Auriacombe & Lutabingwa, 2006:279). Additionally, Muijs (2011:7) contends that quantitative research is good at providing information in breadth, from a large number of units, but when exploring a problem or concept in depth, quantitative methods can be too shallow.

Quantitative study was undertaken to analyse variables, factors and opinions of individuals entrusted with the management of public school finances. The researcher developed questionnaires (see Annexure 6), to gather quantifiable data from the participants; these were distributed by the researcher to all sampled schools.

### **3.3 Research Methodology**

#### ***3.3.1 Study Area***

The research was conducted in the Mogoshi Circuit, Capricorn District, Limpopo Province. Mogoshi Circuit is located about 50km west of Polokwane, in the Aganang Local Municipality.

During the past five years, the researcher, as a primary school principal in the sampled circuit - Mogoshi Circuit, has observed situations where some schools never held parents' meetings to present audited financial statements for the previous financial year. In addition, budgets were seldom tabled for adoption by the parents of the learners at the school, thus pointing to the fact that SGB members did not know their roles and responsibilities in managing school finances.

#### ***3.3.2 Population***

The population in this study encompassed all public schools in the Mogoshi Circuit. The circuit comprises completely of 30 previously disadvantaged and impoverished rural schools, of which 13 are secondary and 17 are primary. There are no private schools in the circuit.

#### ***3.3.3 Sampling***

According to Babbie and Mouton (2001:202), a sample is a specific subset of a population out of the whole population observed in order to make inferences about the

nature of the total population itself. In this study, purposeful sampling - a nonprobability type of sampling - was employed.

Purposive sampling is, according to Johnson and Christensen (2008:239), a non-random sampling technique, in which the researcher solicits persons with specific characteristics to participate in a research study. For this reason, in the researcher's judgement, officials charged with school governance were the most appropriate participants to assist the researcher in investigating the financial management problems in schools. For purposes of convenience, participants were drawn from six schools: three primaries and three secondary. To this end, six principals, six SGB chairpersons, six SGB treasurers, six finance officers and six co-opted members from the parent component were selected for the study purposes.

Muijs (2011:36) argues that purposive sampling, also known as convenience sampling, is done where the researcher has easy access to particular sites, such as schools. This method has obvious advantages in terms of cost and convenience, but suffers from serious problems of bias, as the sites one has easy access to may not be representative of the population.

#### ***3.3.4 Data Collection Procedures and Methods***

Johnson and Christensen (2008:201) define the method of collecting data as a technique for physically obtaining data to be analysed in a research study. The researcher employed a variety of data collection methods, namely, interviews, questionnaires, review of records and observations. Permission to conduct the research among schools and officials, as mentioned earlier, was sought from the provincial office of the DoE in Limpopo (Annexure A) and approval, under certain conditions, was accordingly granted (Annexure B). Collection of data was carried out from 04.03.2013 to 05.04.2013. The researcher had to re-apply to the Limpopo DoE for permission to conduct research in schools, because the first application was allegedly misplaced or lost by the officials.

➤ *Focus groups interviews*

A focus group is utilised to execute a group interview in which a moderator (working for the researcher) leads a discussion with a small group of individuals to examine in detail, how the group members think and feel about questions posed. It is composed of 6 to 12 participants, who are purposively selected because they can provide the relevant information to the researcher (Johnson & Christensen, 2008: 209-210). De Vos (2002:306) maintains that the purpose of focus groups is to promote self-disclosure among participants.

According to Litoselliti (2003:18), focus group interviews, as data useful gathering techniques, are:

- Obtaining a number of different perspectives on the same topic, in the participants' own words.
- Gaining information on participants' views, attitudes, beliefs, responses, motivation and perceptions on a topic, why people think or feel the way they do.
- Examining participants' shared understanding of everyday life.
- Brainstorming and generating ideas, with participants discussing different angles of a problem, and possibly helping to identify solutions.
- Gaining insight into the ways, in which others influence individuals in a group situation.

Johnson and Christensen (2008:210) and Morgan (1997:2) argue that focus groups are useful as a complement to other methods of data collection. They are very useful for providing in-depth information in a relatively short period. In addition, the results are usually easy to understand. However, they warn researchers to be very careful in making generalisations from focus groups, because the sample size is typically too small and the participants are usually not randomly selected from any known population.

A focus group is usually homogeneous (composed of similar kinds of people) because it promotes discussion (Johnson and Christensen, 2008: 210). According to Mertens

(2010:321) focus groups made up of heterogeneous people often result in representatives of the dominant group monopolising the focus group discussion. Combining parents and teachers in the same focus group could result in the parents feeling intimidated. To this end, five SGB chairpersons, six treasurers and only one co-opted members from all sampled schools converged at a common venue, i.e. at school D, for a focus group interview on 5 April 2013 that began at 10h00 am. The researcher sought permission to conduct focus group interview from the school principal of school D and approval was granted. A neat classroom was made available for the interviews. Eighteen participants were expected to avail themselves but only twelve participants pitched up for the interview. The chairperson of school D, a secondary school, could not be found as he appeared to be more committed to union activities of the local municipality. It was also indicated that the chairperson is often not available to attend to the needs of the school, and misses most SGB meetings.

The researcher transported participants from school E and F because others were only in walking distance from school D, where the classroom for the interviews was provided. The researcher supplied soft drinks and snacks since eating together, according to De Vos (2002:316), tend to promote conversation and communication within the group. The researcher involved everyone in discussing the questions and did not allow one or two people to dominate the discussion. More information was requested to ensure that the discussion on a particular topic was exhausted. The researcher covered all the open-ended questions in the focus group interview following the interview guide that was developed. The focus group interview session lasted no longer than one hour. The researcher did not have to take many notes during the session because the focus groups sessions were recorded using audio tapes so that data could be transcribed and analysed at a later stage.

The researcher established trust and rapport by holding an introductory meeting to share the purpose, discuss confidentiality issues and obtain the assurance that the person wanted to participate, making it easy for the interviewees to provide information about their inner world. In addition, the researcher listened carefully and was the repository of detailed information; armed with probes or prompts to use when greater clarity or depth

was needed. Follow-up questions, which naturally emerged during the focus group interview, were also asked by the researcher. Participants were also given an opportunity to mention any view or express any comments related to financial management that were not captured during the interview.

### ➤ *Questionnaire*

A questionnaire, as Johnson and Christensen (2008:170) point out, is a self-report data collection instrument that each research participant fills out as part of a research study. Questionnaires are used by researchers so that they can obtain information about the thoughts, feelings, attitudes, beliefs, values, perceptions, personality, and behavioural intentions of research participants. Questionnaires can be used to collect data with multiple research methods (quantitative, qualitative, mixed, etc.)

The researcher developed and piloted the questionnaire with a small sample similar to the intended group of respondents (Mertens, 2010:191). The questionnaire was revised and then pilot tested again until all kinks were eliminated as suggested by Johnson and Christensen (2008:190).

The researcher distributed all questionnaires to all sampled schools by hand. The assistance of the school principals was sought to distribute each questionnaire to other identified respondents at their schools. A covering letter to motivate respondents to complete the questionnaire as well as the completion instructions accompanied the questionnaire. A few declines and delays from the data-gathering process were encountered. Some respondents cited workload and lack of time to timeously complete and return the questionnaires. Of all questionnaires distributed, 30 in total, only 25 were returned through the circuit office. Two schools returned the questionnaires seven days after the due date and one primary school did not return the questionnaires at all. The principal of the said primary school, indicated that she feared that her position may be jeopardised or that her school might be victimised in some way or another if there were responses, which may appear unfavourable.

➤ *Review of records*

All organisations leave trails composed of documents and records that trace their history and status. Documents and records include not only the typical paper products, such as memos, reports, and plans, but also computer files, tapes (audio and video), and other artefacts. The qualitative researcher can turn to these documents and records to obtain the necessary background of the situation and insight into the dynamics of everyday functioning. The researcher cannot be in all places at all times; therefore, documents and records give the researcher access to information that would otherwise be unavailable (Mertens, 2010:373).

The use of documents in data collection has the advantage that their presence does not intrude upon or alters the setting in ways that the presence of the investigator often does. They are not dependent upon the whims of human beings, whose cooperation is essential for collecting reliable data through interviews and observations (Merriam, 1998:112). For this study, information gathered from previous and current year financial records, which included receipt books, financial statements, finance policy, budget, commitment registers and inspection reports that had bearing on the financial management of schools, were collected at their respective schools. All schools failed to avail minutes of parents' meetings where parents of the learners were given an account of school monies and the approved school budget for the current year.

Section 43(6) of the SASA made it obligatory for the SGB to make available school financial records for inspection to interested persons and as such, the researcher did not encounter notable challenges to access such records. The purpose was to eliminate research bias (McMillan & Schumacher, 1997:413). The researcher also analysed departmental policies and circulars on finance, and SGB training manuals, as they were made available.

### ➤ *Observations*

Moreover, the researcher relied on seeing and hearing things, and recording these observations, rather than relying on the participants' self-reports responses to questions. Having worked as an ex-officio member of the SGB, the researcher drew from his experience to corroborate and confirm the observational data. Through observations, the researcher was able to discern on-going behaviour as it occurs and made appropriate notes about its features.

## **3.4 Data Analysis**

Data analysis, as Cohen *et al* (2002:147) state, involves organising, accounting for, and explaining the data; in short, making sense of the data in terms of the participants' definitions of the situations, noting patterns, themes, categories and regularities. It involves organising what you have seen, heard, and read so that you can make sense of the data collected (Regenysis, 2003:34).

The researcher used mixed data analysis. Johnson and Christensen (2008:552) view mixed data analysis as the use of both qualitative and quantitative analytical techniques in a single research study. The researcher merged qualitative and quantitative into a single data set and analysed concurrently. According to Muijs (2011:2), qualitative data are not necessarily or usually numeric, and therefore cannot be analysed using statistics. Data analysis in qualitative research is an on-going, emerging and interactive or non-linear process.

Before beginning with an analysis, the researcher transcribed data collected through tape recordings into word-processing documents. This was followed by reading and rereading transcripts (i.e., immersing into your data to understand what is going on), segmenting and coding the data, counting words and coded categories (enumeration), searching for relationships and themes in the data, and generating diagrams to help in interpreting the data.

### **3.5 Ethical Issues**

Ethics are the principles as well as guidelines that help us uphold the things we value and research ethics are a set of principles to guide and assist researchers in conducting ethical studies (Johnson and Christensen, 2008:101-102). For the researcher to conduct ethically sound research permission was obtained from the Limpopo DoE (see Annexure 2) and participants gave their informed consent to the interviews. The aim of the study and a description of all the features of the study that might reasonably influence their willingness to participate, were given.

Participants were also assured of the confidentiality of their participation and that the research report would not reveal their identities or identities of their schools. Their voluntary participation in the research project was assured and they were informed that they might withdraw their participation at any time.

### **3.6 Conclusion**

In view of the nature of a survey, both qualitative and quantitative approaches were used to investigate financial management problems in the purposefully sampled schools. Focus group interviews, documented reviews and questionnaires were the methods employed to collect data for this study. Interviews and questionnaires stood out as the dominant data collection methods.

Challenges encountered were insignificant and some were easily overcome. The research was delayed by the Limpopo DoE as a result of failure on the part of some officials to respond promptly to the first request made, this was eliminated with a second request. Data was drawn from all officials charged with the management of public funds at school level namely principals, SGB treasurers, SGB chairpersons, finance officers and co-opted members of the SGB. The findings and discussions derived from the process outlined herein are detailed in the next chapter.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DATA ANALYSIS**

#### **4.1 Introduction**

This chapter presents and analyse the results obtained from the study of sampled officials charged with the responsibility of managing public funds in the area under study. Data obtained from the interviews, questionnaires, documentary reviews including observations made forms the basis of this chapter.

The SASA No. 84 of 1996, Sections 36 and 43 (as amended) make it mandatory for schools to manage school funds in terms of acceptable public financial management laws and practices. This implies ensuring effective, efficient, economical and transparent use of financial and non-financial resources within the school. This includes taking appropriate steps to prevent any unauthorised, irregular, fruitless and wasteful expenditure, which in essence, implies being accountable for the school's finances.

Financial accountability is the cornerstone of ensuring that schools disburse funds allocated to them for the sole purpose of advancing the best interests of the learners. The prescriptions of the SASA clearly locate financial accountability on SGBs and, as such, make financial accountability a legal requirement (Xaba & Ngubane, 2010:139).

#### **4.2 Quantitative Data Analysis**

##### ***4.2.1 Biographical Information***

Data collection in this section referred to biographical information of the respondents, which relate to respondents' background information in terms of age, gender, ethnicity, educational qualifications and experience in the field of education.

➤ *Respondents demographic data*

A comprehensive report on the respondents' demographic data is presented by the table below:

**Table 4.1: Biographical Data of Respondents**

School	Designation	Gender	Ethnicity	Qualification	Age	Experience
A	Principal	M	B	Masters'	56+	31+
	Chairperson	M	B	Std 9	56+	-
	Finance Officer	F	B	Diploma	51-55	31+
	Treasurer	F	B	Std 9	46-50	-
	Co-opted Member	F	B	B.Ed Hons	56 +	31+
B	Principal	M	B	B Degree	-40	11-15
	Chairperson	M	B	Std 9 -	56+	-
	Finance Officer	F	B	Diploma	51-55	31+
	Treasurer	F	B	Std 9 -	46-50	-
	Co-opted Member	-	-	-	-	-
C	Principal	M	B	Post-graduate D	46-50	21-30
	Chairperson	M	B	Std 10	56+	-
	Finance Officer	M	B	Post-graduate D	40-45	16 - 20
	Treasurer	M	B	Std 9 or lower	56+	-
	Co-opted Member	-	-	-	-	-
D	Principal	M	B	Post-graduate D	46-50	21 – 30
	Chairperson	-	-	-	-	-
	Finance Officer	M	B	Diploma- STD	51-55	21 – 30
	Treasurer	M	B	Diploma	51-55	21 – 30
	Co-opted Member	-	-	-	-	-
E	Principal	M	B	Post-graduate D	40-45	16-20
	Chairperson	F	B	B Degree	40-45	16-20
	Finance Officer	F	B	B Degree	46-50	21-30
	Treasurer	M	B	B Degree	40-45	11-15
	Co-opted Member	-	-	-	-	-

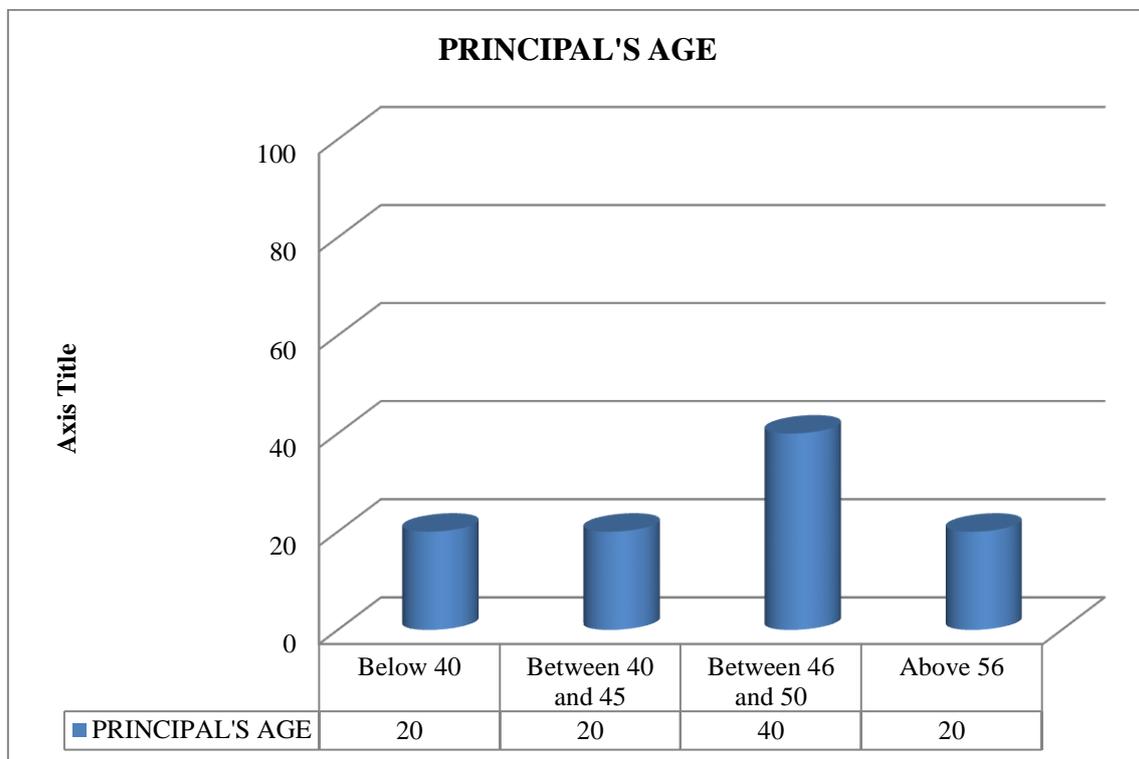
➤ *Respondents' gender*

Response to this question revealed that 100% of the sampled schools are headed by male principals. This is in direct contrast with the Employment Equity Act No. 55 of

1998, which seeks to achieve a diverse workforce broadly representative of the people of the Republic of South Africa. There are more males (75%) than females (25%) serving as SGB chairpersons. Finance officers and treasurers are dominantly females (60%), with only 40% males respectively. There is only one school (school A) with a co-opted female SGB member. Presumably, other schools are underestimating the importance of co-opting members of the community to assist them.

➤ *Principals' age*

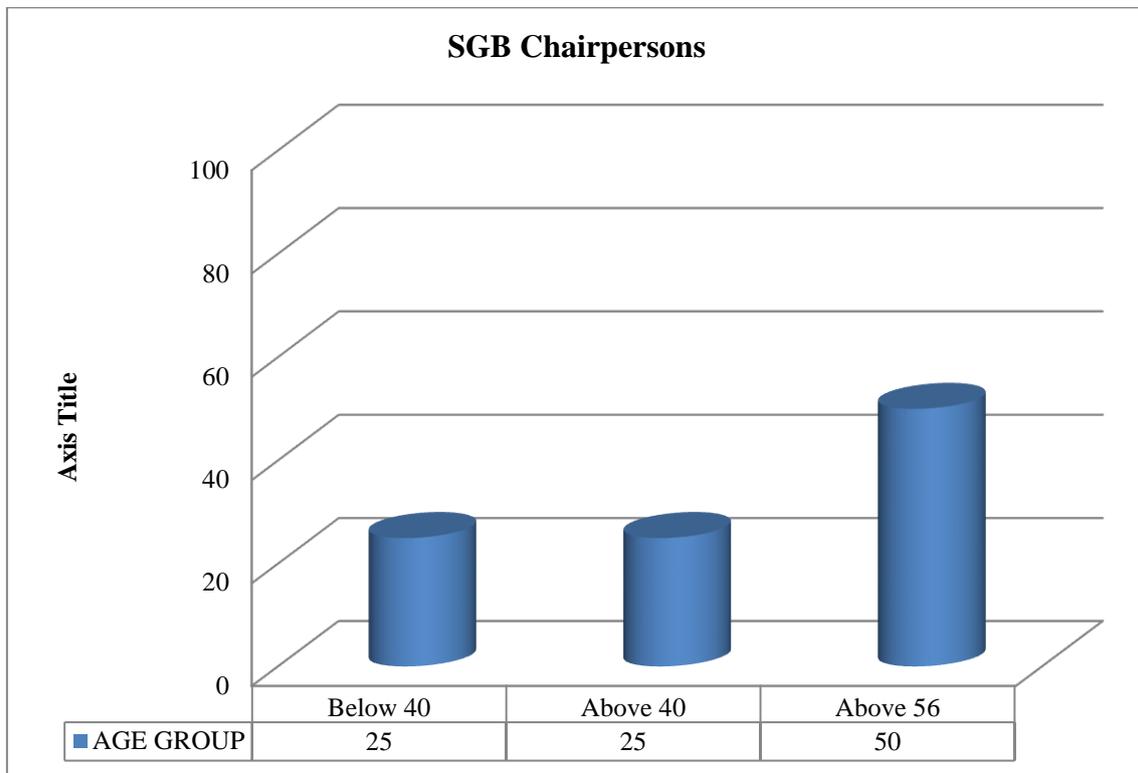
**Figure 4.1: Principals' Age**



Data collected revealed that only 20% of school principals are above the age of 40, 20% between 40 and 45 years, 20% are above 56 years of age. Majority of school principals are aged between 46 and 50 years. This implies that majority of experienced school principals will be retiring from the year 2027. It is, therefore, imperative that the department of education begin to prepare a succession plan to sustain school management to acceptable standards.

➤ *SGB Chairpersons' Age*

**Figure 4.2: Age Group of SGB Chairpersons**



According to the above graph, 50% of the SGB chairpersons are above 56 years of age, with only 25% above 40 and 25% below 40 years of age. The majority of SGB chairpersons are above 56 years of age. This may be attributed to the fact that most of the young and economically active people are staying in urban areas, leaving the elderly and the unemployed in rural areas.

Most of the elderly people in rural areas are illiterate or semi-illiterate, thus making it difficult for them to communicate with the authorities in writing or even keeping accurate financial transactions. Illiterate SGB chairpersons, whose duty also entails authorising payments from the school funds will also, find it difficult to execute their financial responsibilities in line with the PFMA, No. 1 of 1999.

➤ *Finance officers' age*

**Figure 4.3: Age Group of Finance Officers**

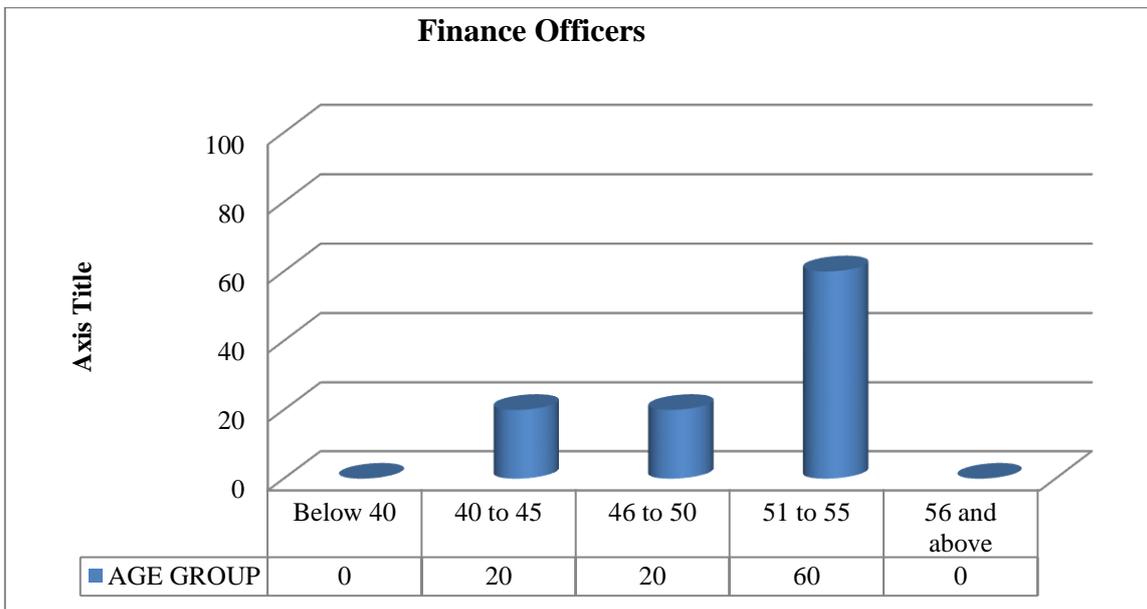
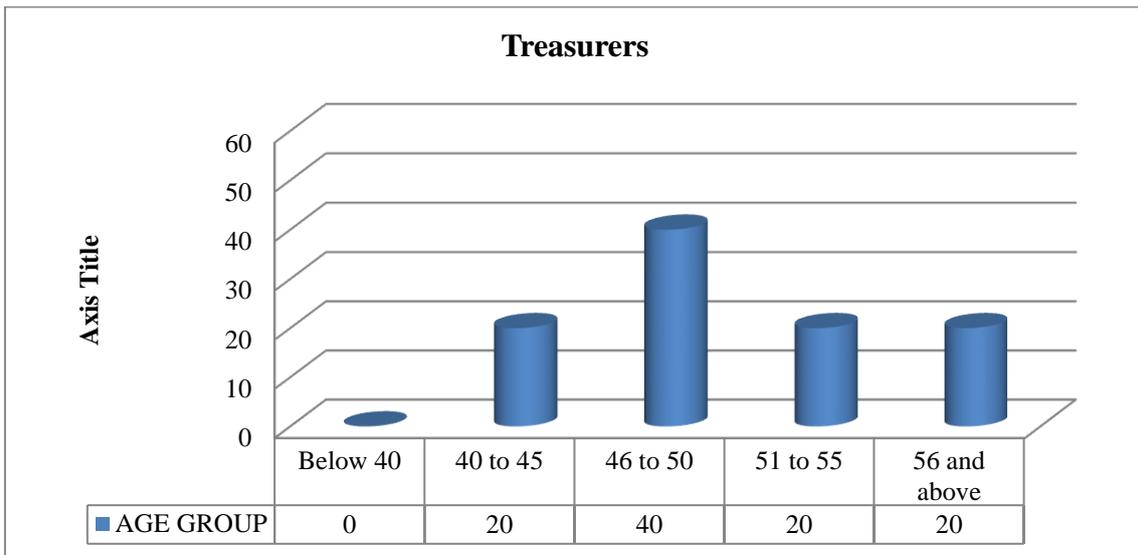


Figure 4.3 indicates that bookkeeping at schools is executed by finance officers of whom 60% are between 51 and 55 years of age, with only 20% between 46 and 50 years of age and another 20% between 40 and 45 years of age. This implies that bookkeeping is mainly entrusted to the elderly members of the teaching staff.

➤ *Treasurers' age*

**Figure 4.4: Age Group of Treasurers**

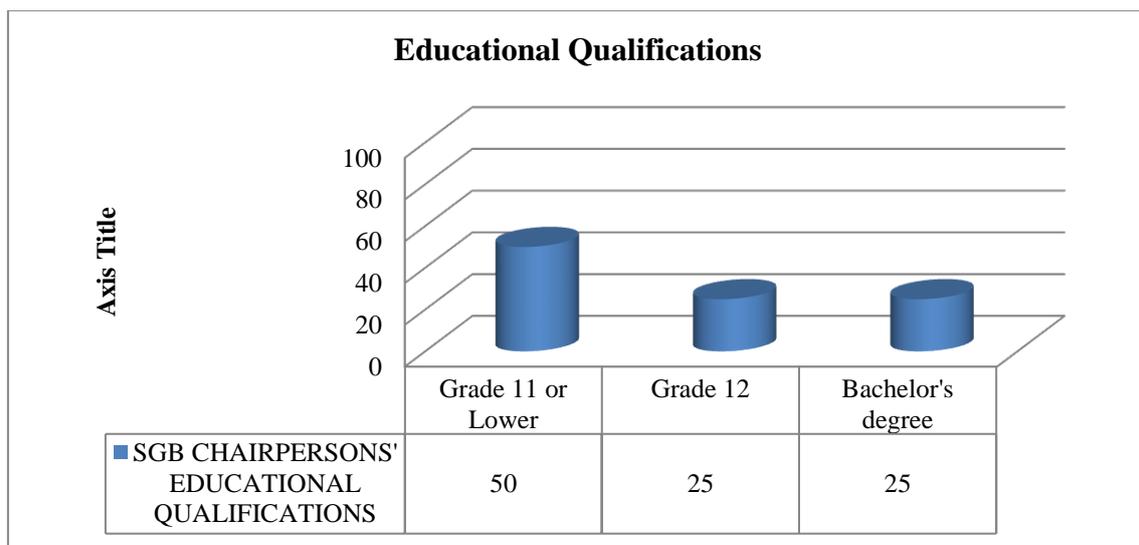


The responses depicted by the figure revealed that 20% of the treasurers are of the ages between 40 and 45, while 40% are between 46 to 50 and 20% between 51 and 55. There are also 20%, who are in the age bracket of 56 upwards. These are elderly, mostly illiterate members of the SGB, who are expected to ensure the effective and efficient management of finances in schools.

According to the Limpopo, revised prescripts for management of school funds (2011) treasurers must be elected from the parent component of the SGB. Treasurers are responsible for, among others, providing a financial report to the SGB and monitoring actual income and expenditure against the approved budget. Entrusting illiterate members of the SGB with such responsibilities may not yield the required outcomes.

➤ *Respondents' educational qualification*

**Figure 4.5: SGB Chairpersons' Educational Qualifications**

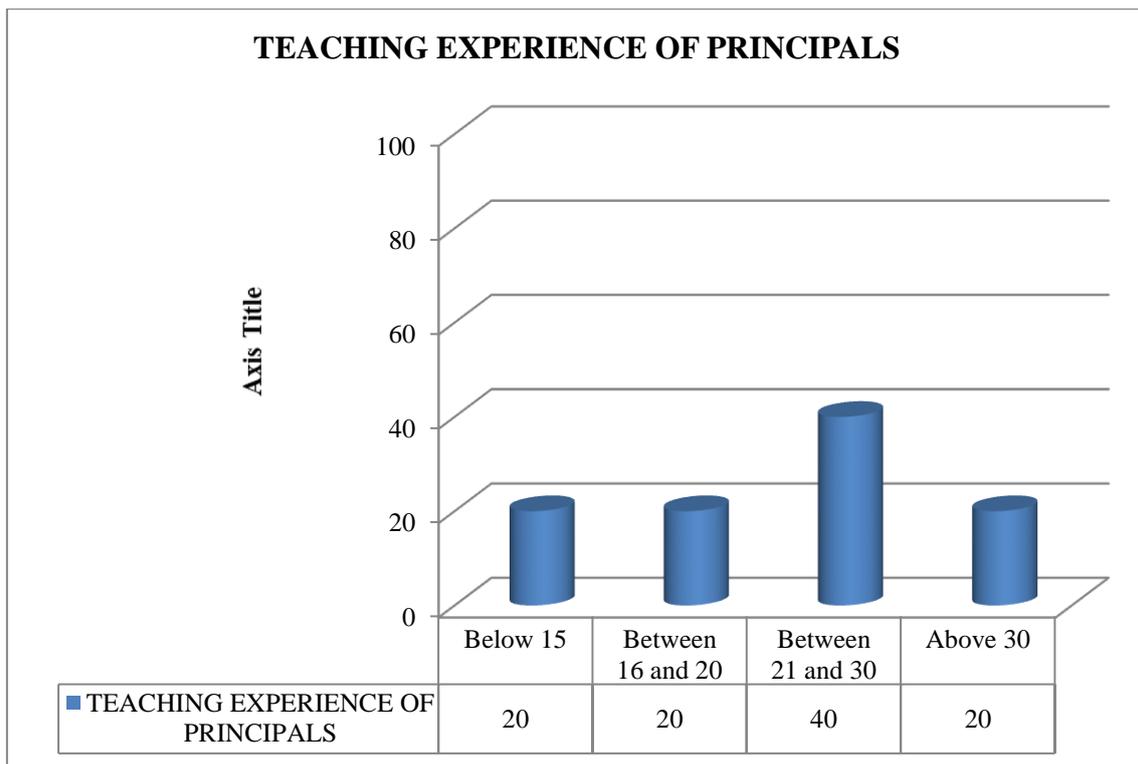


The data on the SGB chairpersons' educational qualifications suggests that the governance of schools is mostly chaired by illiterate or semi-illiterate people. This is illustrated by the responses in Figure 4.5, which depicted that 50% of the SGB chairpersons do not have a matric certificate, while 25% are in possession of a matric certificate and another 25% in possession of a Bachelors' Degree.

The educational level of SGB chairpersons is important for them to be able to read and understand financial documents. Failure to do minor financial transactions influences negatively on their supervision and custodianship of the school finances.

➤ *Principals' teaching experience*

**Figure 4.6: Teaching Experience of Principals**

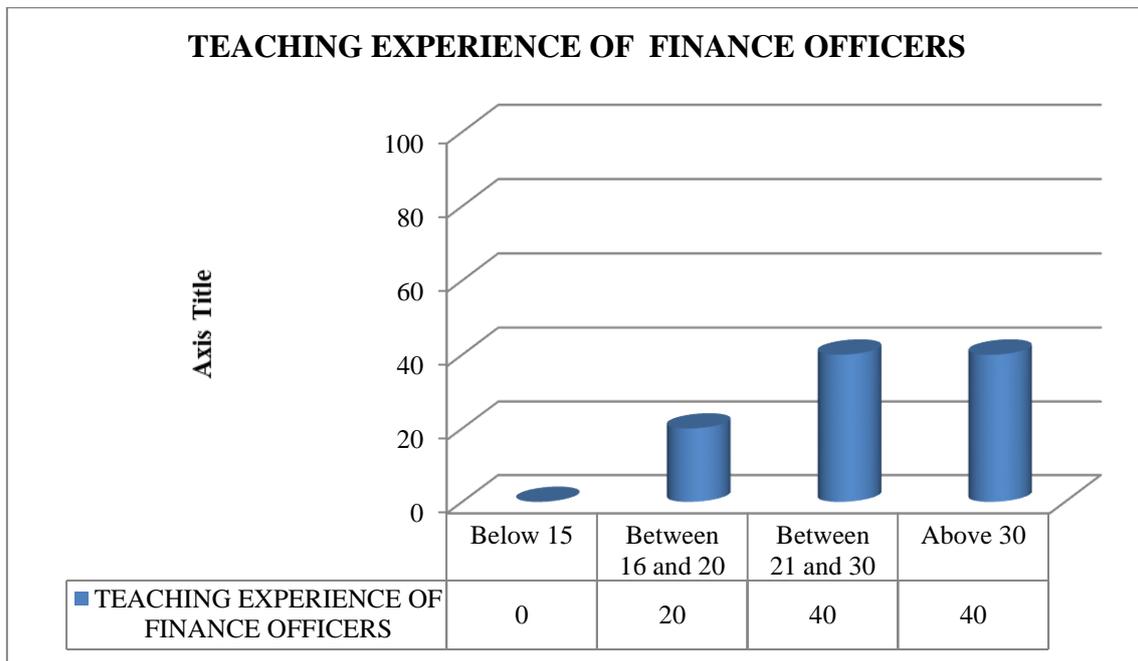


According to the above figure, the majority of school principals (40% and 20%) have between 21 and 30, and above 30 years teaching experience respectively. Only 20% have less than 15 years' experience, with a further 20% having teaching experience of between 16 and 20 years.

Although most of school principals are experienced, the involvement of parents at governance level is new to most of them, with the result that not even their experience can make them equal to their tasks. In this modern age, training and development is imperative.

➤ *Teaching experience of finance officers*

**Figure 4.7: Teaching Experience of Finance Officers**



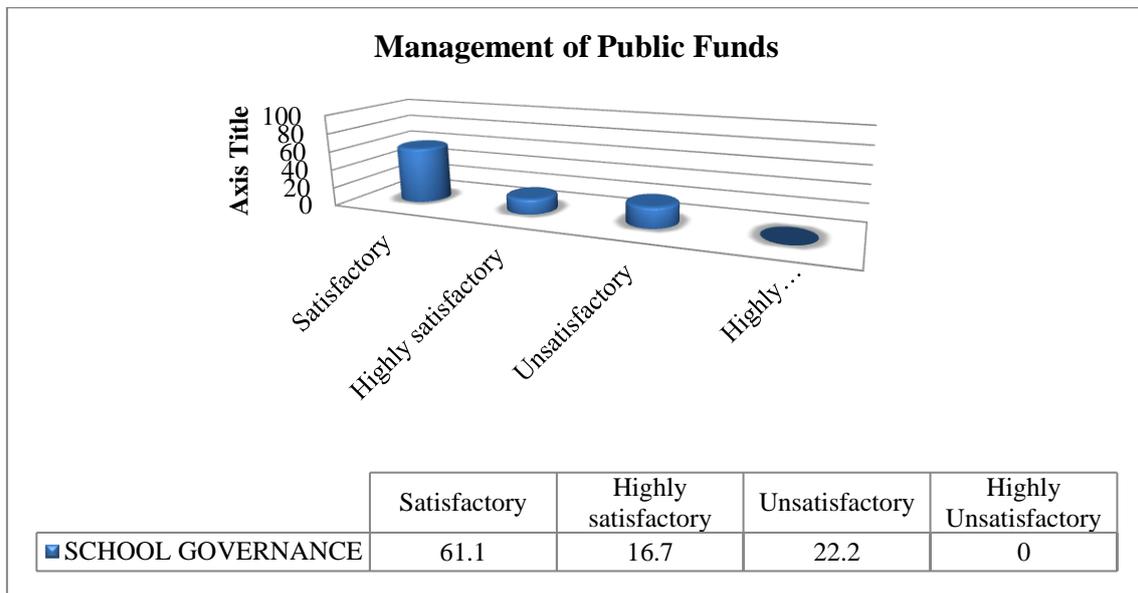
According to the responses to this question, it appears that majority of finance officers have teaching experience of over 20 years, with 40% of them experienced between 21 and 30, while the other 40% have teaching experienced above 30 years. Only 20% of the finance officers have teaching experience of between 16 and 20 years. Clearly most finance officers are experienced, which implies that they would need little guidance and support in terms of executing their financial management functions.

**4.2.2 School Governance**

The SASA mandates SGBs to manage the finances of the school. However, some members of SGBs and principals either have little knowledge of the SASA or simply interpret it incorrectly. This results in many schools experiencing financial mismanagement (*cf.*1.3). Figure 4.8 below depicts data on the responses regarding the management of public funds (school funds).

➤ *Management of public funds*

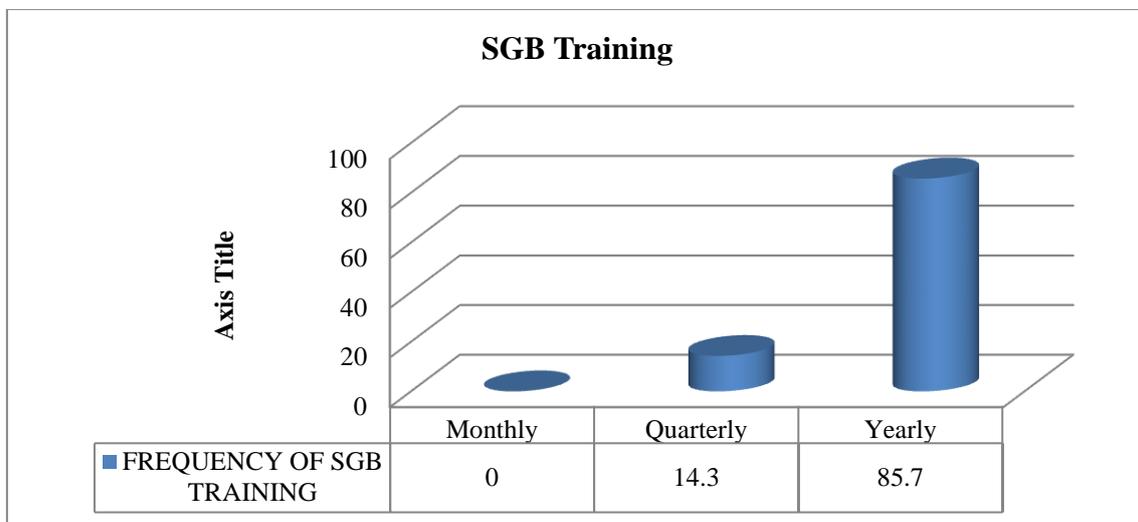
**Figure 4.8: Management of Public Funds**



The data in the figure 4.8 specify that 61.1% of the respondents agree their schools' management of funds is satisfactory, while only 16.7% report mentioned that theirs is highly satisfactory. This is an encouraging claim and projects a situation at schools where management of school funds is well executed. Although none of the respondents reported that their management of public funds is highly unsatisfactory, 22.2% of the respondents are dissatisfied with their schools' management of funds.

➤ *Frequency of SGB training*

**Figure 4.9: Frequency of SGB Training**

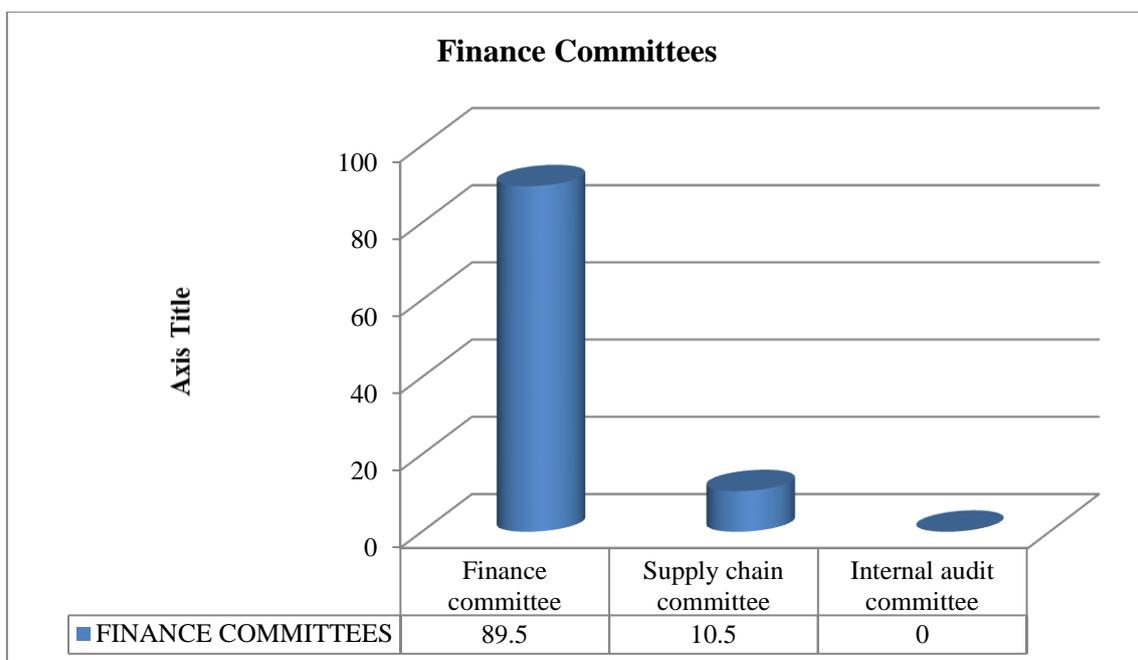


Data collected relating to the above figure, revealed that 85.7% SGBs receive training once per year, while the remaining 14.3% is trained quarterly. This agrees with the assertion by Mestry (2006:28) that many SGB members are placed under tremendous pressure to manage their schools' finances, since they are unable to work out practical solutions to financial problems, because of their lack of financial knowledge, skills and expertise. Failure to train SGBs is in direct contrast with Section 19 of the SASA, which makes provision for introductory training for newly elected governing bodies to enable them to perform their functions. Furthermore, provision for continued training to governing bodies to promote the effective performance of their functions or to enable them to assume additional functions is also stipulated.

It is essential for SGBs to receive regular accredited training to enable them to execute their financial management functions efficiently and effectively. Educational authorities need to train SGBs continually, to eliminate potential management bottlenecks that could defeat the whole purpose of SGBs as a democratic mechanism to localise school governance.

➤ *Financial management committees*

**Figure 4.10: Finance Committees**

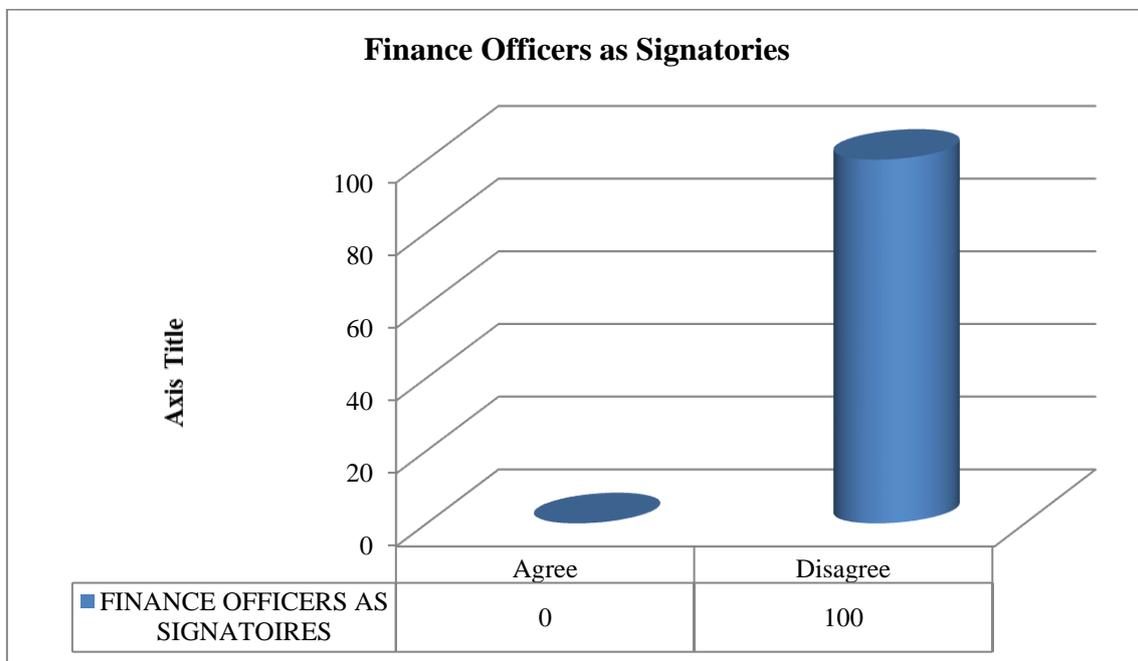


A significant number of answers (89.5%) showed that respondents have finance committees in their schools, while only 10.5% reported having supply chain committees. None of them indicated the existence of an internal audit committee. School finance committees play a vital role in the management of school finances. They are responsible for, among others, preparing monthly, quarterly and annual financial reports; serving as bid adjudication officers; developing of the school finance policy and the school budget.

It is disappointing to note that some schools do not have school finance officers. This may mean there is no elected committee to manage the finances of the school, which results in the manifestation of corruption and fraud. Internal audit committees are responsible for making ascertaining that expenditure is executed in accordance with the approved school budget and that mismanagement and misappropriation of school funds is avoided.

➤ *Signatories*

**Figure 4.11: Signatories**



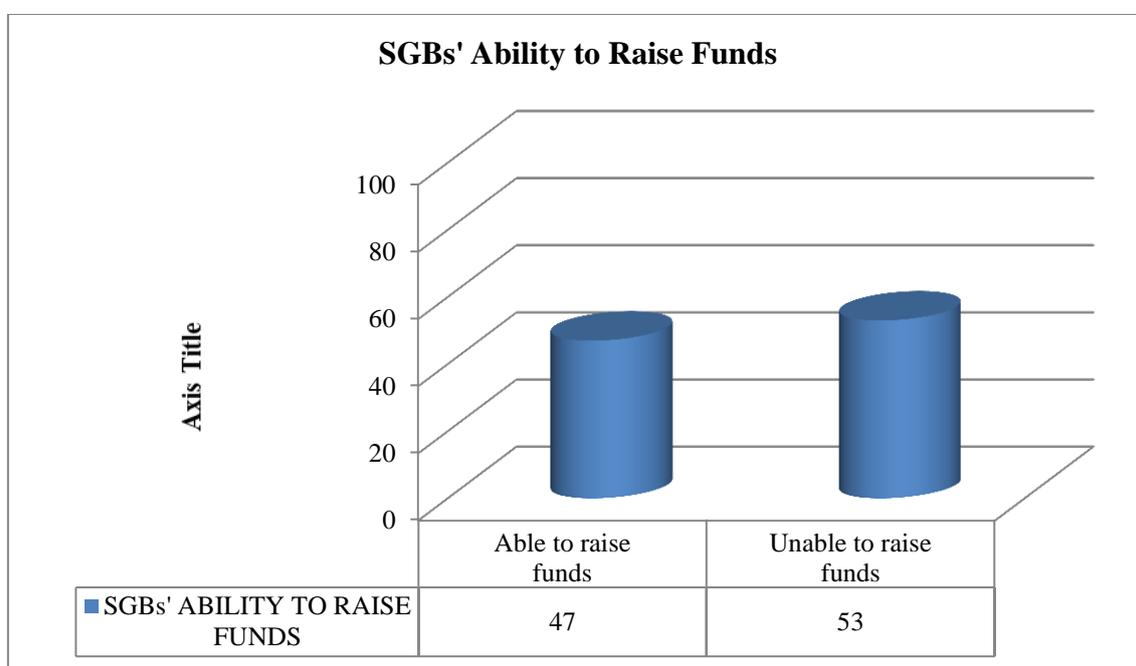
The question whether the finance officer is also one of the signatories who perform bank transactions, 100% disagreed. This indicates that schools appoint relevant people to serve as signatories in accordance with the revised prescripts for Management of

School Funds (2011), which prohibits the finance officer, school principal and SGB chairperson to serve as signatories.

Apart from this positive sign, data collected from the interviews revealed that some schools sometimes issue blank cheques for purchases in town and that cheques are mostly never crossed. Additionally, it is perceived that some SGB members do not have clearly defined roles.

➤ *SGBs ability to raise funds*

**Figure 4.12: SGBs’ Ability to Raise Funds**



According to Figure 4.12, 53% of the SGBs are not able to raise funds to augment the schools’ budgets, with only 47% claiming the ability to generate additional funds for the school. This indicates that the majority of the SGBs are failing in their endeavours to execute their financial mandate as provided for in Section 36(1) of the SASA effectively. Thus, the SGB of a public school must take all reasonable measures within its means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners.

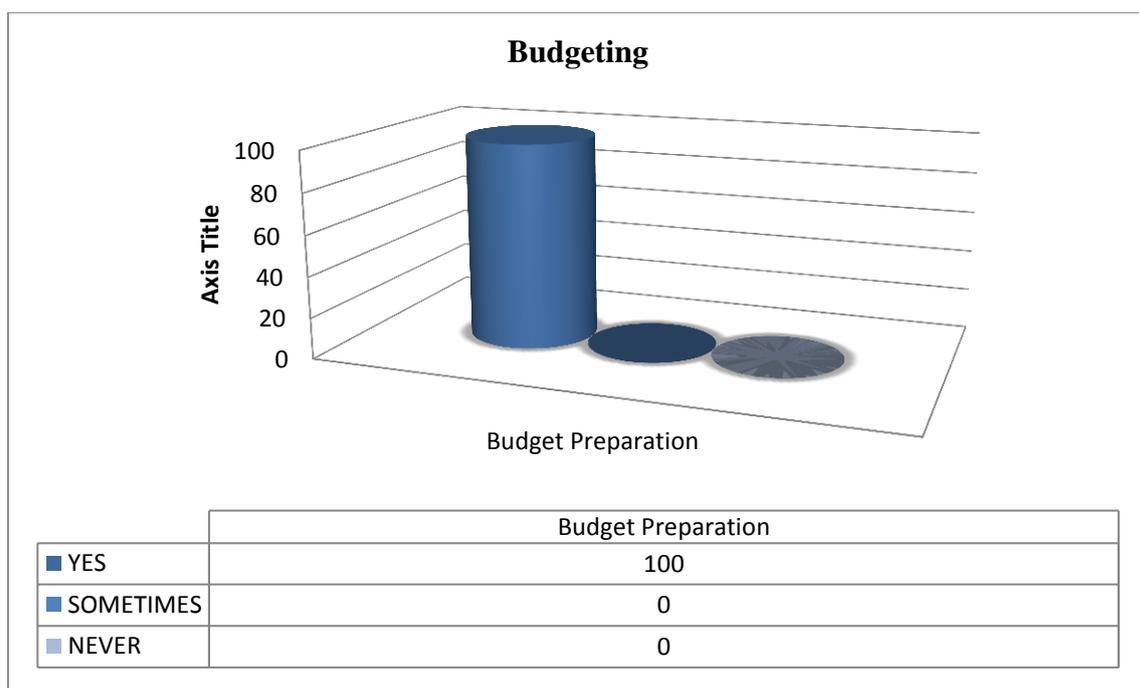
The poor quality of education provided, by the majority of schools in poor rural areas can also be attributed to the governors’ inability to raise sufficient funds to develop and maintain infrastructure applicable to schools in cities and towns. It may also be a reason for our appalling school conditions.

### 4.2.3 Budgeting

An important financial function of the SGB comprises the drafting of a budget (Section 38 (1)) of the SASA, which sets out the estimated income and expenses of the school for the following financial year (*cf.*2.2.1). The following figure depicts the percentage of schools that prepare annual budgets.

➤ *Annual budget preparations by schools*

**Figure 4.13: Preparation of Annual Budgets**

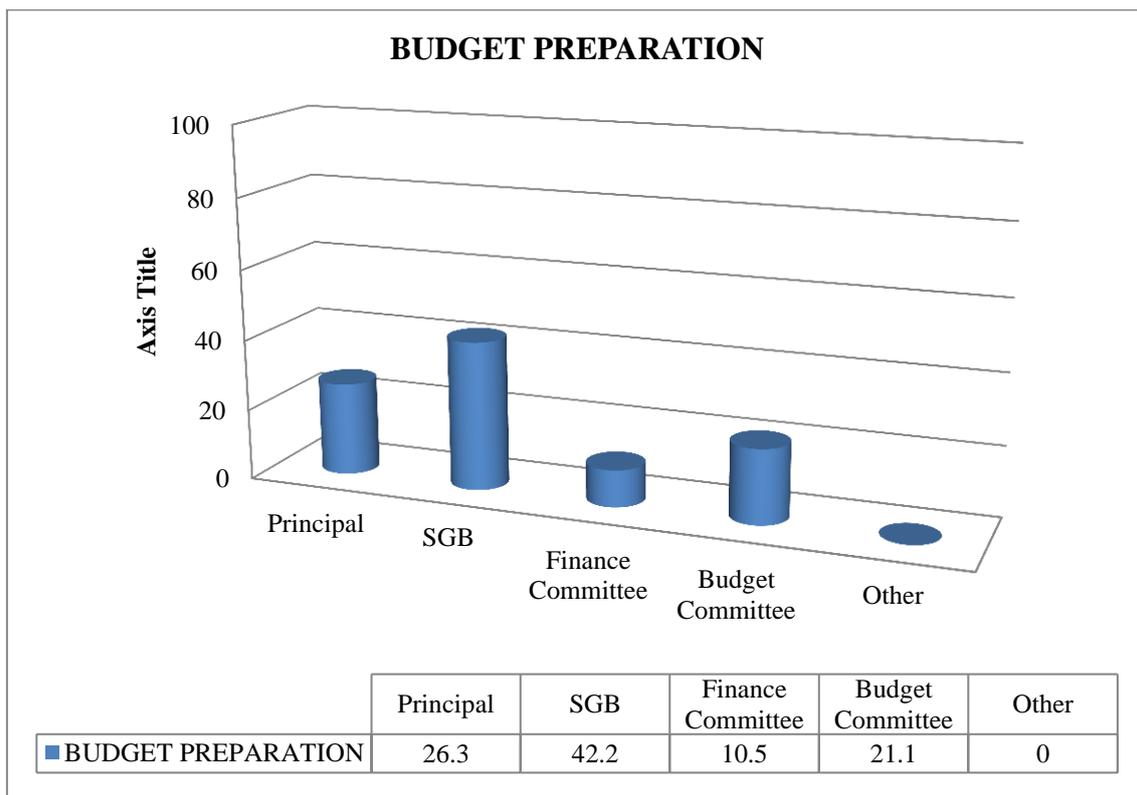


According to Figure 4.13, all sampled schools (100%) prepare annual school budgets. Public schools are, in terms of Section 38 of the SASA, No. 84 of 1996 as amended, required to prepare annual budgets according to prescriptions determined by the member of the Executive Council in a Provincial Gazette.

The budget serves as a guide to spending the school funds. It should reflect the school has prioritised educational objectives, to achieve the efficient use of funds, subjected to regular, effective financial monitoring. It is therefore pleasing to note that schools are executing this legal mandate, ensuring proper utilisation of school funds.

➤ *Responsibility for preparing the budget*

**Figure 4.14: Budget Preparation**



Data collected from questionnaires, clearly elicits there is confusion regarding budget preparation, with the majority of respondents (42,1%) declaring that it is the SGB that prepares the budget. A further 26.3% respondents point out that school budgets are prepared by principals, while 21.1% reported it is prepared by the budget committee; only 10.5% respondents indicated that the finance committee is responsible for the preparation of budget.

According to Section 38(1) of the SASA, the SGB is responsible for preparing the budget. It is not the sole responsibility of the school principal as indicated by some schools (26, 3%) but, due to the literacy level of some SGBs, school principals find no

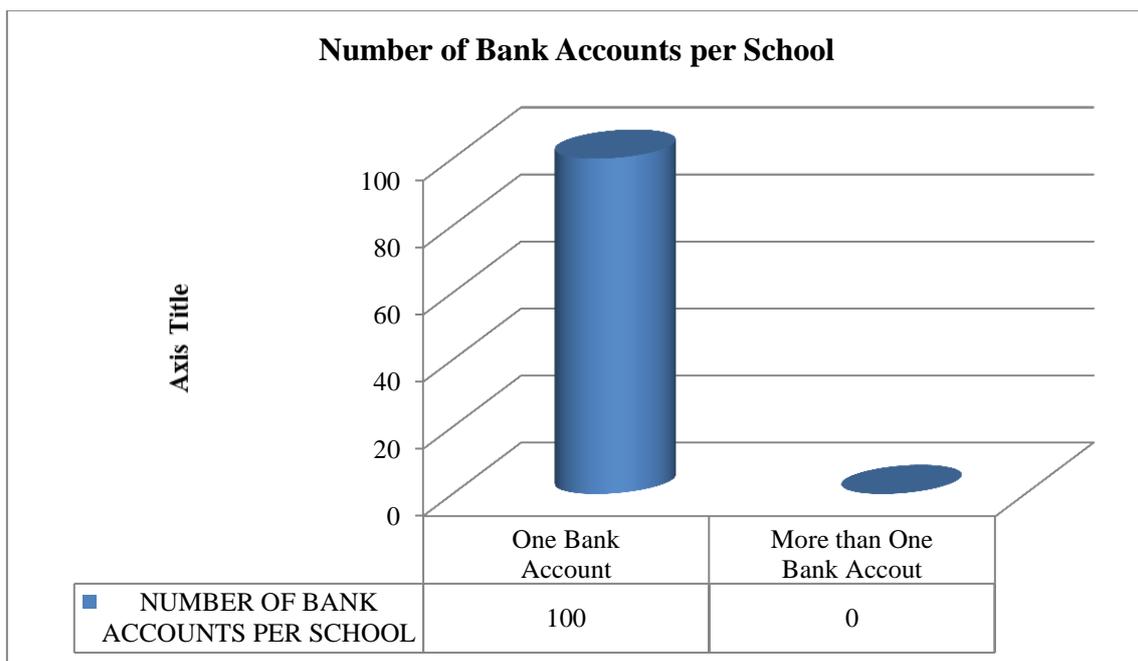
alternative but to take over the budgeting task. Depending on the ability level of the SGB, parents in particular, it is sometimes just not worth the effort, time or money to try to train them to prepare and manage the budget. A change in legislation may help to solve the situation.

#### 4.2.4 Expenditure and financial controls

Financial controls refer to all the processes, procedures and policies that are put in place to ensure that funds are efficiently and effectively utilised in order to meet the goals and objectives of the school. Financial controls can be achieved through both internal and external controls.

##### ➤ School bank accounts

**Figure 4.15: Number of Bank Accounts per School**

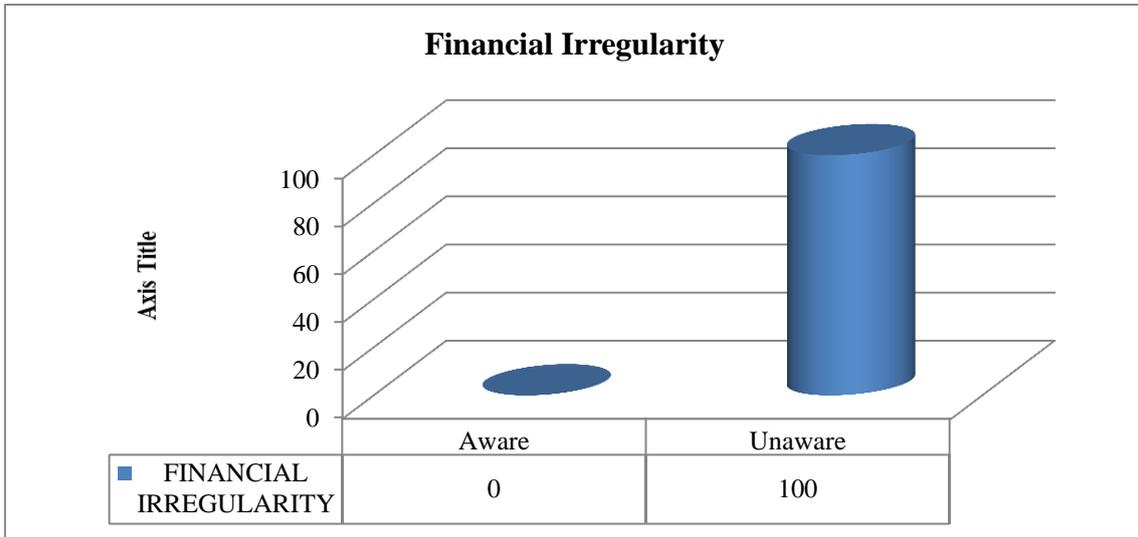


In accordance with Section 37(3) of the SASA, it was found that all schools (100%) maintain only one bank account and that there are policies and procedures in place to control the schools' monies and assets. Availability of more than one bank account is a manifestation of corrupt activities; hence, this one account per school is easy to control.

A single bank account ensures that all monies deposited and withdrawn are accounted for and therefore easy to perform an audit trail.

➤ *Financial irregularity*

**Figure 4.16: Financial Irregularity**



The above figure shows that none of the respondents (0%) reported any knowledge of financial irregularity in the period of the past five years in their schools. This implies that schools are presumably managing their finances in accordance with the law, but there is no guarantee, as this is not an absolute governance indicator.

➤ *Asset management and maintenance*

**Figure 4.17: Asset Management and Maintenance**

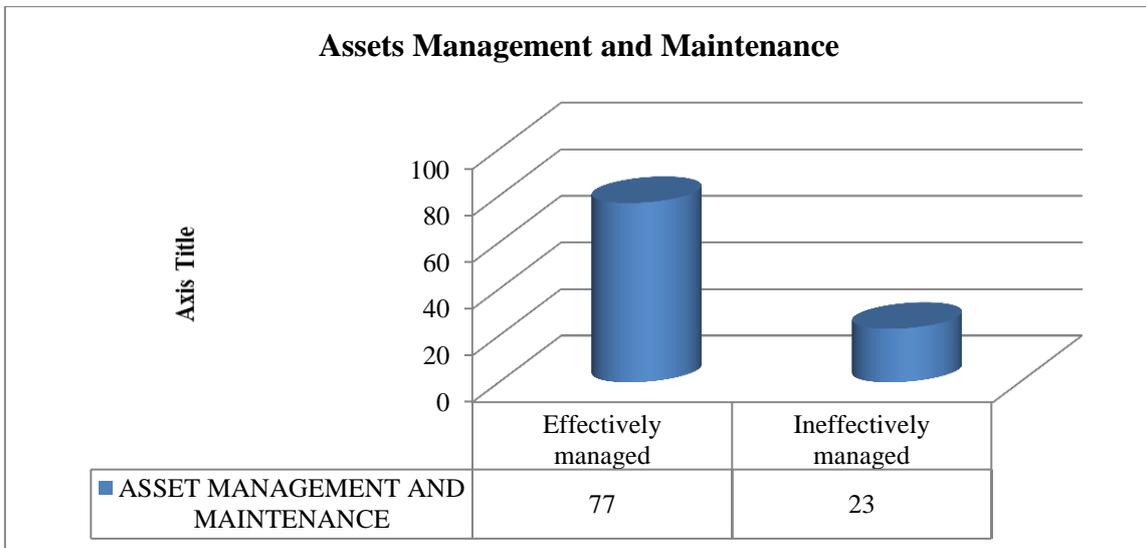


Figure 4.17 depicts an impressive picture showing that 77% of the schools are managing and maintaining their school assets effectively, with only 23% reporting ineffective management and maintenance of assets. It can therefore be deduced that school assets are under control.

➤ *Lack of financial knowledge, skills and expertise*

**Figure 4.18: Financial Knowledge, Skills and Expertise**

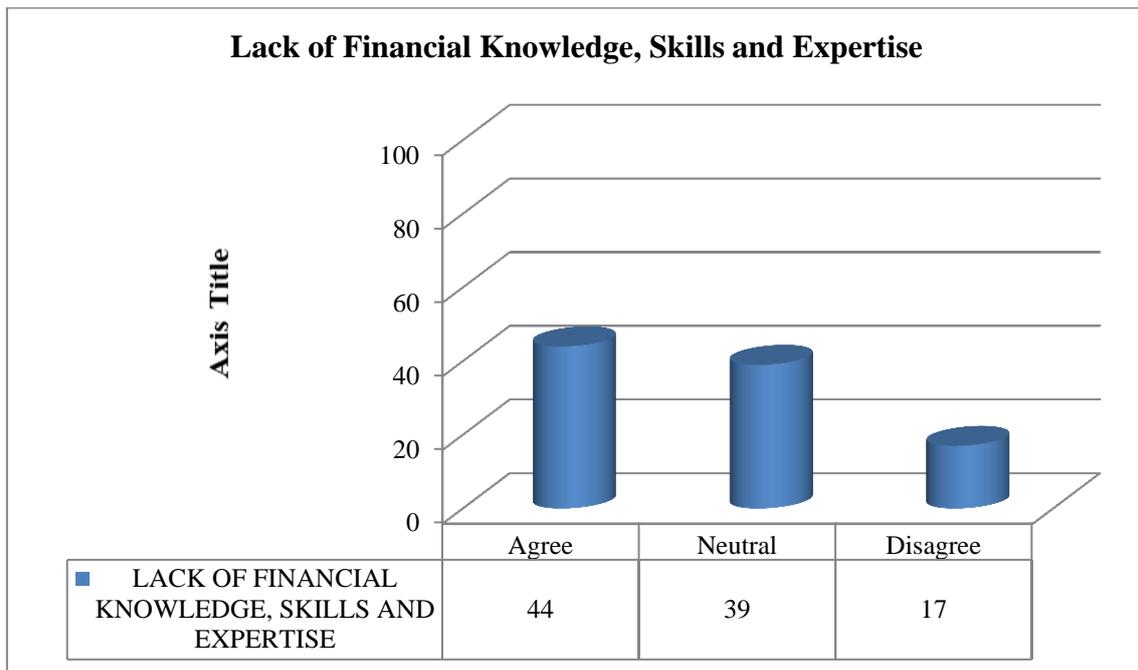
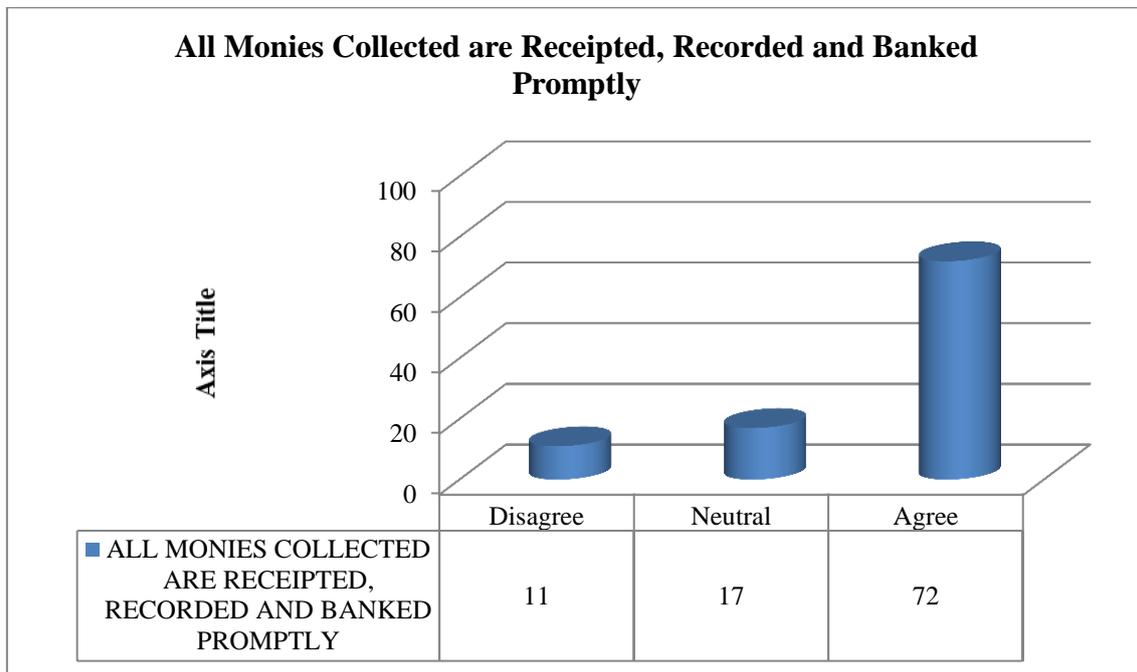


Figure 4.18 indicates that 44% of the SGB members surveyed lack of financial knowledge, skills and expertise. Furthermore, 39% are not sure about themselves while only 17% reported to having any financial knowledge, skills and expertise. Lack of financial knowledge, skills and expertise inhibit public financial accountability, an obstacle that stifles the provision of quality public education. The importance of financial skills cannot be overemphasised given that finance is a key to the survival of our schools.

➤ *Receipting, recording and banking of monies collected by the school*

**Figure 4.19: Receipt, Recording and Banking of School Monies**



According to Figure 4.19 a significant number of schools (72%) receipt, record and bank all monies collected by the schools, while 17% are not sure of their position. It is disheartening to find out that 11% of the schools did not comply with Section 38(2) of the SASA, which stipulates that all money received by a public school including school fees and voluntary contributions must be paid into the school fund. Failure to deposit received money into the school fund constitutes financial irregularity and measures must be taken by the DoE to end such practices.

**4.2.5 Monitoring and Evaluation**

The most important element of financial accountability is financial reporting. That entails producing regular financial reports for those with an interest and a right to know. It proves that leadership has control over financial decisions and accounting for funds by producing documentary proof of receipts and payments and providing a financial report as part of being accountable for how public money is spent. The SASA demands that the SGB report to the parents of learners how funds were budgeted and utilised (cf.2.2.4).

➤ *Financial reports by SGBs*

**Figure 4.20: Financial Reports**

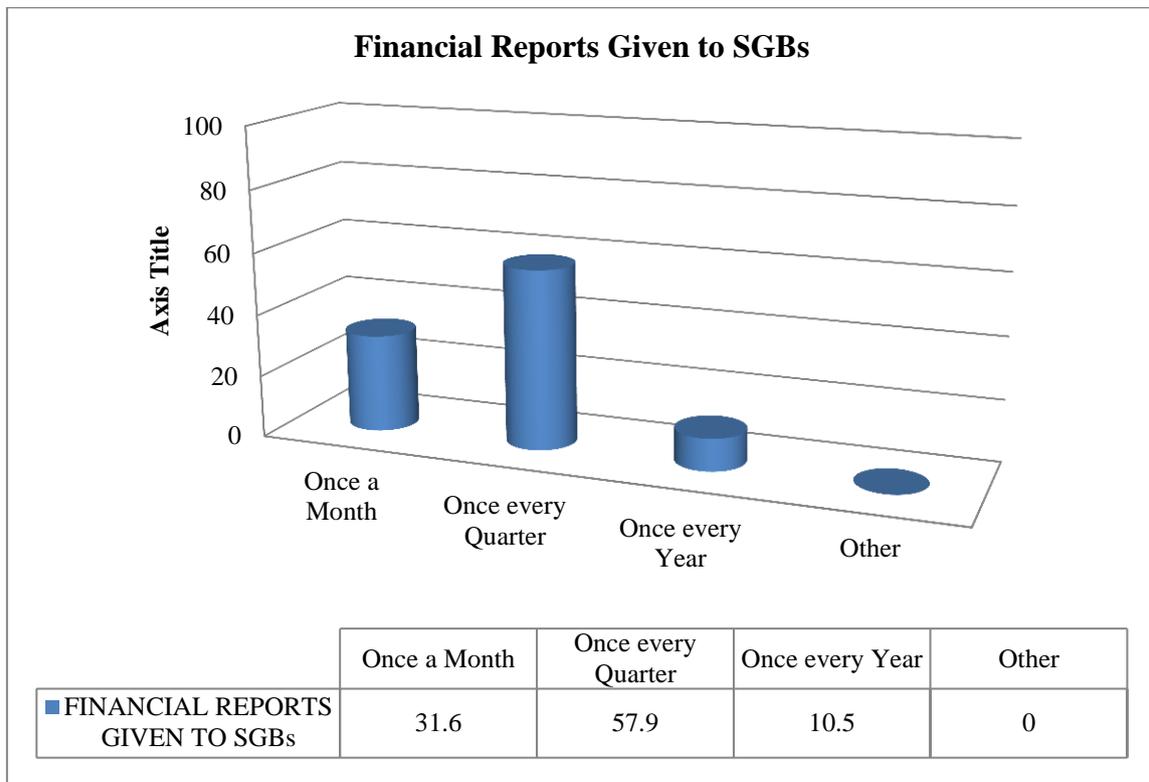
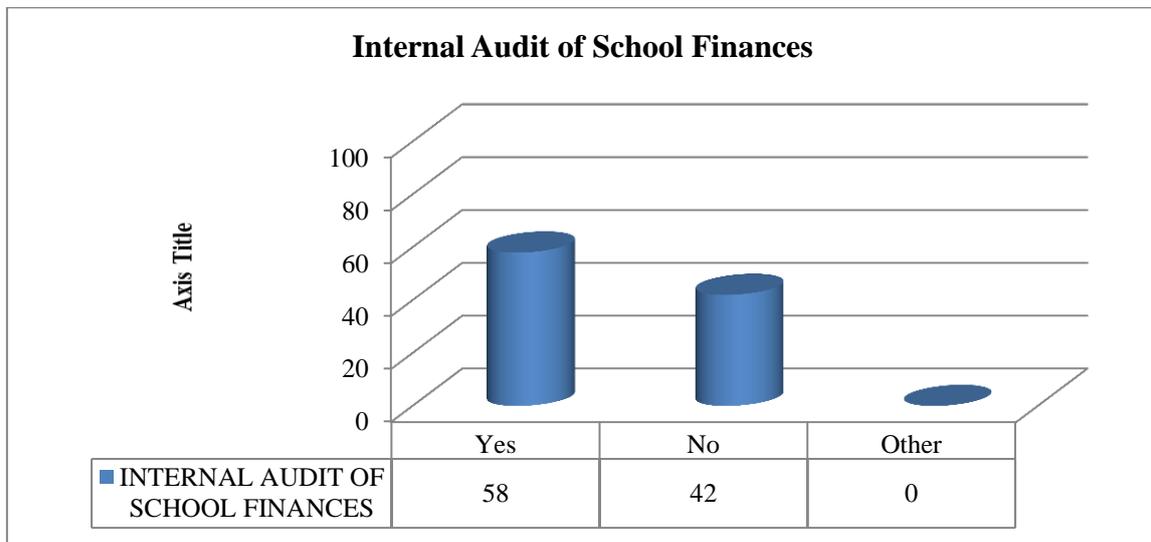


Figure 4.20 shows that all respondents claimed to have forwarded financial reports to SGBs, though they differ in the number of times; from once a month (31,6%) through 57,9% on a quarterly basis, to only 10,5% once a year. This is cause for concern. According to the Limpopo DoE (2011: Par 4.6), the SGB and the finance committee should meet once per month to effectively execute its responsibilities, while paragraph 8.9.3 requires the finance officer to present a financial report to the SGB in every meeting. This implies that financial reports should be given to members of the SGB at least once a month.

➤ *Internal auditing*

**Figure 4.21: Internal Audit of School Finances**



As illustrated in Figure 4.21, 58% of the schools make use of internal auditors to ensure that school money is not abused or wrongly spent, while 42% do not utilise the services of internal auditors. Internal auditors promote compliance with the laws and regulations and seek to achieve effective and efficient utilisation of financial resources. It is important that all schools utilise the services of internal auditors to ensure that financial resources are well managed. It is a cause for concern that 42% of the respondents report lack of internal audit trail.

➤ *Presentation of audited financial statements to parents*

**Figure 4.22: Presentation of Audited Financial Statements**

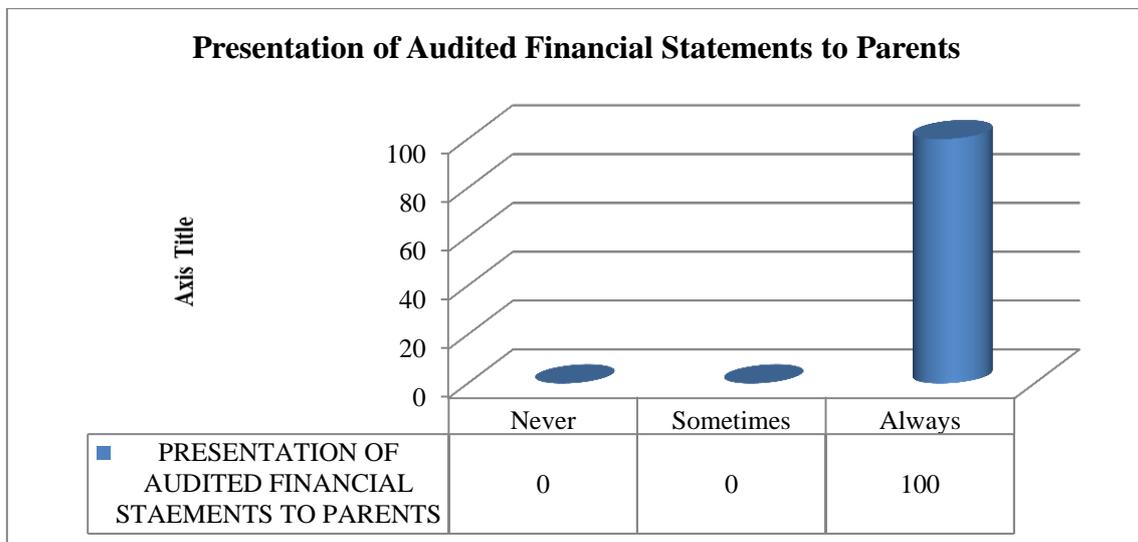
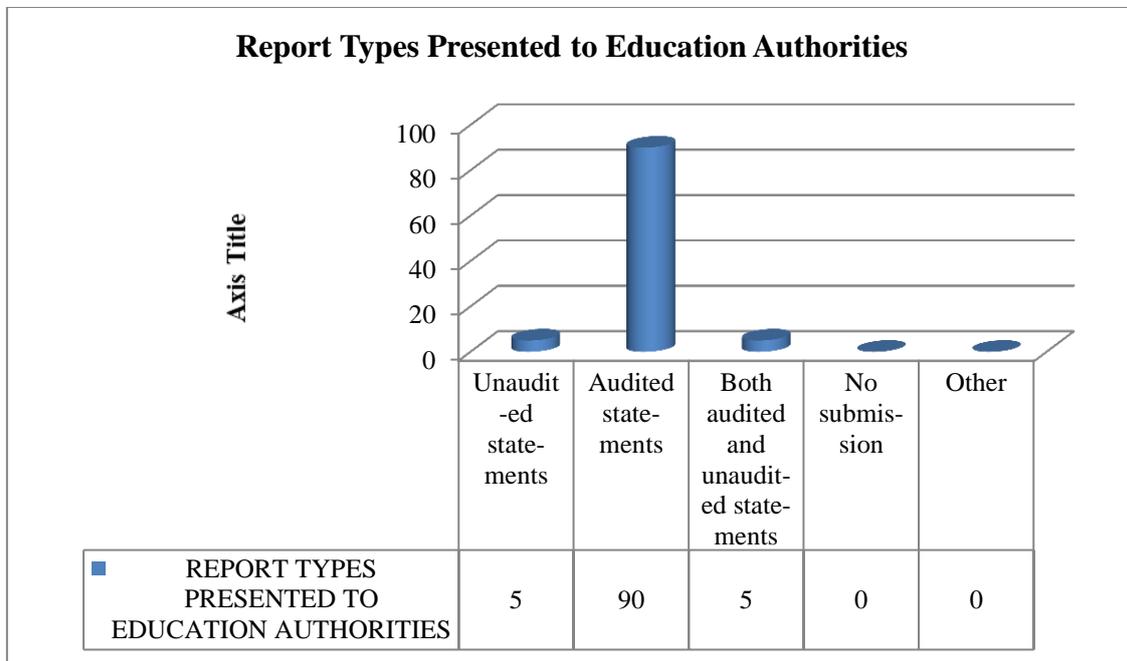


Figure 4.22, reveals all respondents (100%) reported they are presenting audited financial statements to the parents of the learners. This can be regarded as the most important financial accountability activity of the SGB as it creates an opportunity for the school to give its account of the school’s financial position in terms of achieving the intended goals and objectives. It also shows that schools are transparent in the use of public finds and this reporting must be sustained.

➤ *Report types presented to education authorities*

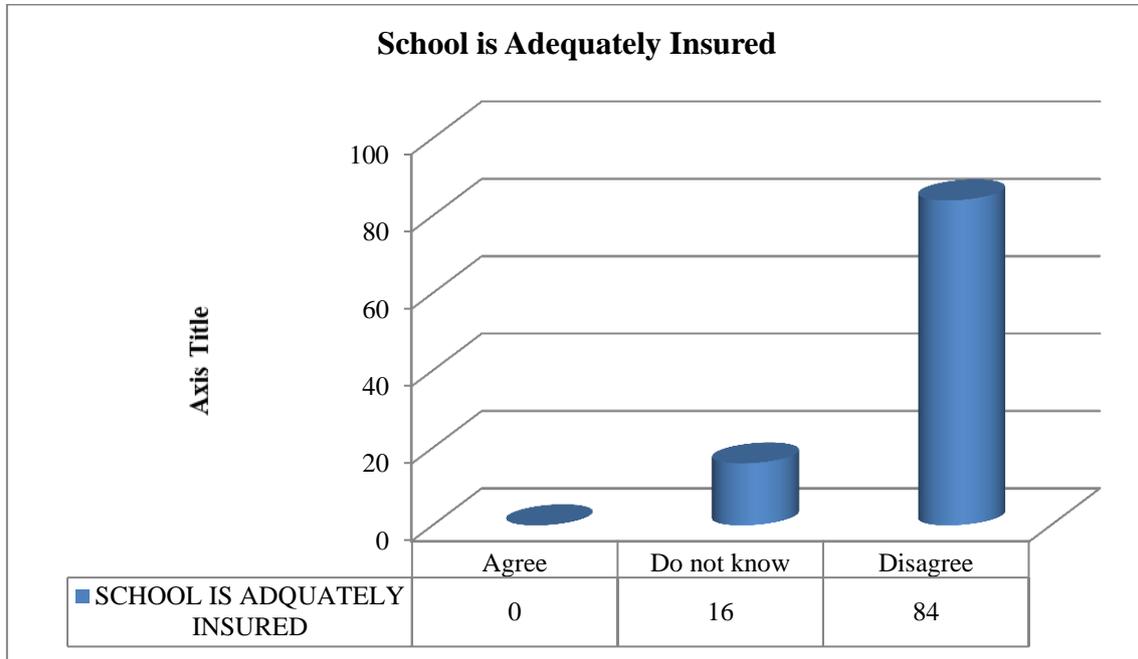
**Figure 4.23: Report Types Presented to Education Authorities**



According to Figure 4.23, the majority of respondents (90%) indicated that the audited financial statements were presented to education authorities while an additional 5% reported that they forwarded both audited and unaudited financial records, with only 5% reporting that they only submitted unaudited statements. Section 43(1) of the SASA mandates SGBs to appoint auditors to audit records and financial statements of the school, while Section 43(5) makes it an obligation for such records to be submitted to the authorities. According to Section 45(b) of the Public Finance Management Act (29 of 1999) provides for transparency in the use of resources. This implies that stakeholders should be informed about the funds of the school.

➤ *School insurance*

**Figure 4.24: School Insurance**



According to figure 4.24 most of the respondents (84%) reported that their schools are not adequately insured against exposure to risks such as theft, vandalism and fraud, with 16% of the respondents not knowing whether their schools are insured or not. Failure to insure schools adequately is a matter for concern and this has increased a high level of risks to learners, school staff and parents. Schools struggle to purchase assets and when such assets are stolen, it takes years to replace them.

### **4.3 Qualitative Data Analysis**

The researcher also used qualitative research methods, because the researcher wanted to obtain detailed descriptions of the actual financial management problems experienced by the SGBs. Although the researcher serves in the SGB by virtue of being the principal, it was important to remain objective in the data gathering and data analysis process. Being aware of researcher bias, he only reflected what participants told him and did not incorporate his own experiences it in the SGB.

Qualitative data was gathered through focus group interviews and derived from questionnaires, documentary reviews and the researcher's own observation. In presenting the views of participants, fictitious names were used to ensure anonymity and confidentiality.

#### **4.3.1 School governance**

According to Section 16(1) of the SASA No. 84 of 1996, the governance of every public school is vested in its governing body and may perform only such functions and obligations and exercise only such rights as prescribed by the SASA. Questions asked in this category related to how satisfaction regarding the schools' management of finances and whether SGBs are subjected to training workshops on leadership, financial management, ethics and accountability. Responses gathered from the focus group interviews revealed that all governors are satisfied with the management of finances in their respective schools. One respondent from the focus group interviews, the school principal commented:

*“We always send our financial books for auditing every year and we never received a complaint from the auditors. Our audited financial statements are always submitted to the circuit office on time.”*

Review of financial statements revealed that although no mismanagement is reported, expenditure was in most instances not in line with the schools' budgets. The schools' budgets and the audited financial statements could not be reconciled.

On the question whether governors are equipped with the financial skills, the responses were clearly indicating that governors, more especially parent governors, were not aware of their financial responsibilities and obligations. Responses revealed that claims for payment were approved without valid source documents attached and cheques signed without questioning. A school treasurer proclaimed:

*“Our school principal usually drives to my house on Thursday afternoons for me to sign cheques. I never ask him to bring requisitions as well because I trust him. My main duty is to sign, ‘I am a signatory’.”*

From the response, it was evident that some governors do not have the capacity to function and the principals in these instances take advantage of their lack of knowledge. Signing cheques without verifying approval by the SGB chairperson is in itself a manifestation of corruption. It became evident that the Limpopo DoE did not effectively comply with Section 19 of the SASA, which provides that SGBs should also be provided with continual training to promote the effective performance of their functions or to enable them to assume additional functions. Most of the participants felt that the little training given to them by the circuit officials was not effective as the trainers themselves were not experts in school financial management. The language used in training as well as the timing and venue all posed challenges to various participants. One SGB chairperson remarked:

*“We travelled a long distance only to receive three hours training in a school hall, and in a language that we do not understand and appeals for the use of our home language did not help much. Training materials were written in English and the trainers themselves failed to clarify us on some of the issues raised convincingly. Very little was covered on the issues relating to our responsibilities with regard to managing school finances.”*

Training in financial management is fundamental in preparing and equipping school governors with financial skills. Some governors have little knowledge of financial accounting; continually training them in a language they understand better will enhance better management of school finances.

#### **4.3.2 Budgeting**

SGBs have a legal mandate to prepare a school budget every year. Section 38(1) of the SASA requires SGBs to prepare a budget each year according to prescriptions determined by the MEC, which shows the estimated income and expenditure of the school for the following school financial year.

Questions related to the preparation of annual budgets indicated that all participants prepared school budgets. However, from the interviews it was observed that the majority of schools did not adhere to the prescriptions. Responses gathered from the interviews with the SGB chairpersons and treasurers differed slightly from the

responses gathered from the principals and finance officers. From the parents' perspective, the budget is done by the principal and the finance officer. One SGB chairperson claimed:

*“We do not know how to prepare a budget and moreover, most of us can neither read nor write. We are never involved in the drawing up a budget. The principal prepares it and only informs us of the expected income and how he intends to spend it. What else are we supposed to do?”*

The scenario points to the fact that parents serving in SGBs do not really understand their financial roles in terms of the school budget. They concurred that the principal does everything for them. One SGB chairperson even proclaimed:

*“I do not recall convening a parents' meeting to discuss the budget. It is prepared by the principal and submitted to the circuit office. She concluded by saying that very few parents honoured invitations to parents' meetings and therefore we no longer bother to convene parents' meetings anymore. Women claim to be taking care of their young grandchildren if not working in the fields, whilst men claim to be taking care of their livestock.”*

According to Section 38 of the SASA, a governing body of a public school must prepare a budget each year; present it to a general meeting of parents for consideration and approval by a majority of parents present and voting. Data collected revealed that even though some schools stated that they convened parents' meetings to present budgets, there were no copies of invitations and no minutes to support their claims.

### **4.3.3 Expenditure**

Questions with regard to expenditure related to correct procurement procedures and the school budget. The revised prescripts (par.8.6) demands that all procurement should be done on a three-quota system and that the finance committee should serve as a bid adjudication committee and recommend the appointment of service providers. Responses gathered from the focus group interviews revealed procurement procedures were, in most instances, fraught with corruption because some contracts tended to favour friends and relatives, and there was no transparency. It was found that school principals made unilateral decisions in terms of awarding contracts or procuring goods

and services for the school. Neither minutes of bid adjudication committees nor proper procurement records were kept. A school finance officer posited that it was the principal's responsibility to make purchases in town:

*“The principal, apart from staying in town, owns a van, which he drives to and from school on a daily basis. We are staying away from town, and public transport in our area is not reliable. He must help us; we always pay him for doing that.”*

It was also found that expenses incurred by schools were not in line with the school budgets for those years. Schools only engage in budgeting for the purposes of compliance requirements to the department and do not really address the needs of the school. From the participants' accounts, it emerged that schools do not administer petty cash. The principals, in most instances, make use of their monies to pay for small or petty amounts and later claim payment from the school. Cheque payments were sometimes made in the absence of payment authority and supporting documents, which is a material violation of the provisions of the prescripts for management of school funds.

#### ***4.3.4 Financial controls***

Financial controls refer to all the processes, procedures and policies that are put in place to ensure that monies are spent in the right way. Questions in this regard related to the development and implementation of school policies for effective and efficient management of school finances and assets. It was found that all schools developed school finance policies. Just like budgets, most policies were not followed to the letter. Most of the respondents commented that they lack financial knowledge, skills and expertise. Finance policy was only drafted for compliance purposes. There was evidence that the finance policies of three schools were similar and one principal acknowledged that they copied from the same school. One respondent from the focus group interview, the school treasurer said:

*“It is ridiculous for the department of education to expect us to prepare school policies, finance policy in particular, when the majority of us parents are illiterate and do not even know what a policy looks like.”*

Furthermore, none of the schools was aware of any existing financial irregularity or reported such activities during the past five years. Schools opened and maintained only one cheque account.

It was, regrettably clear from the interviews that there are no effective and efficient internal control structures to maintain financial standards of the schools. Assets registers provided by the DoE were still blank and no document for annual asset verification was kept and maintained by any of the schools. SGBs are unable to account for missing assets purchased from the school funds, as evidenced by the financial records.

#### ***4.3.5 Monitoring and Evaluation***

Questions in this regard related to financial reporting, which is the most important element of financial accountability. It entails producing regular financial reports for those with an interest and a right to know. According to focus group participants, audited financial statements are presented to the parents of the learners. However, the researcher could not find any invitation to or minutes of the parents' meetings where audited financial statements were presented to the parents of the learners.

Copies of unqualified audited financial statements for the year 2011 were made available to the researcher, with only four schools already having 2012 audited financial statements. Some claimed that they were still awaiting the auditors to complete and report to them. Data gathered also revealed that none of the sampled schools adequately insured their schools against exposure to risks, such as theft, vandalism and fraud.

Mixed explanations were proffered when asked if finance books were made available to interested people for perusal. Some participants maintained that there was no need for such perusal because the private auditor would have done the job properly. Perusal of finance books by interested people was seen as "witch-hunting". A school principal stated emphatically:

*"Registered accountants and auditors always do a good job for us. If people do not trust us, then they must trust the report done by the auditors. We are not thieves; we cannot use school monies*

*for our own personal benefits. If auditors do not report any mismanagement of funds, then who else should peruse our school financial records?”*

#### **4.3.6 General**

According to the focus group participants, Norms and Standards for School Funding are a thorny issue. Participants claimed that the DoE failed to deposit money on time and that a smaller amount than initially promised was deposited. This was confirmed by schools' bank statements and 'Indicative letters' received. This poses problems for schools to finance budgeted items. They also complained about the National School Nutrition Programme; allocated monies were not deposited for the payment of helper mothers and firewood as expected.

Educators (principals as well as finance officers) and parents alike all indicated a need for regular financial management training. They do not have the capacity to execute their financial responsibilities effectively.

#### **4.4 Conclusion**

This chapter presented both the statistical and qualitative analysis of data collected through interviews, perusal of documents and the researcher's observations. Gaps in terms of budgeting, expenditure, financial controls, monitoring and evaluation as they relate to financial accountability, were revealed.

Data gathered indicated that SGBs do not have the necessary capacity to execute their financial management obligations. School budgets are simply prepared for compliance purposes and not adhered to it. In some instances, budgets are prepared by a few individuals and are never presented to a general meeting of parents for consideration and approval by the majority of parents present and voting. Financial accountability of schools is compromised by inadequate training of governors and poor attendance of meetings by parents. To this end, overall, governance, more especially, accountability and oversight on matters of finances is at stake, except in selected schools interviewed.

This is a cause for concern. The next chapter underscores the critical issues raised and provide compelling recommendations.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The SASA mandated the establishment of SGBs, which are important mechanisms of changing the shape of post-apartheid schooling. However, various studies have revealed that school governance in South Africa is about the single most important factor in education that appears to experience apparently insurmountable challenges. Financial management and financial accountability - the '*sine qua non*' of effective and efficient management of school finances, remains a challenge.

The SGB has a vital role to fulfil in overseeing the financial management of the school fees and any other money, which may be paid into the school's account. This role includes planning, reviewing, controlling and approving the school budget in accordance with the school's needs. Ultimately, the governing body is accountable to the providers of the funds, namely, parents, private donors, the DoE and the business sector concerning the expenditure of funds (*cf.*2.4.2).

The main objective of this study was to investigate the problems experienced by SGBs in Mogoshi Circuit in executing their financial management function and to suggest possible strategies of addressing the problem under study. Data gathered from questionnaires, focus group interviews and document reviews, revealed that Mogoshi Circuit is also facing serious financial management problems. School governors failed to comprehend their roles and responsibilities pertaining to the management of school finances fully.

#### **5.2 Conclusions**

In Chapter 1, an overview of the study was outlined. Background to the study and general orientation were put in context. This chapter sought to identify those challenges

that could inform policy makers, education departments and SGBs to develop guidelines for more effective school financial management practice.

Chapter Two presented a review of literature on the topic under study. It reflected conceptual and theoretical framework underpinning the study on issues of financial accountability. Shocking governance, ethics and accountability issues were seen to be problematic in schools in as far as accountability and management of schools' finances are concerned. These included incidents of poor budgeting and inadequate reporting.

The focal point of Chapter 3 was to outline the research design, methodology, and procedures for the investigation. Research population and sample as well as the sampling procedure adopted were also specified. In order to interact with the participants in their natural and participant-oriented environment, a qualitative research design was employed. Quantitative study was also undertaken to analyse variables, factors and opinions of individuals entrusted with the management of public school finances. Challenges encountered during data gathering were insignificant and some were easily overcome as the researcher forms part and knows the school management environment well. The data was analysed using qualitative and quantitative research lenses, hence a generation mix of both graphical and non-statistical data results.

In Chapter Four, the quantitative and qualitative data was analysed gleaned from the questionnaires, focus group interviews as well as document reviews in an attempt to investigate the problems experienced by SGBs in executing their financial management functions. A clear picture emerged that most SGB members had problems in fulfilling their obligations of governance, which include their personal interest; time devoted to their own work/business commitments; and that they simply had very little expertise in fulfilling the financial functions of the school.

It was found that majority of elderly people in rural areas were illiterate or semi-illiterate, thus making it difficult for them to communicate with the authorities in writing or even keeping accurate financial transactions. The participants in this study

acknowledged that they did not have the capacity to execute their governance roles efficiently and effectively.

### **5.3 Recommendations**

This study has revealed a number of management and governance issues, which are cause for concern in the functioning of SGBs. The following strategies are recommended to enable SGBs to function in accordance with the prescriptions of the SASA, and any other legislation that may have a direct bearing on school governance.

#### **5.3.1 SGB Training**

Elected SGB members are often provided with a once off or hit and run unaccredited training, which is relatively useless. Inadequate training renders school governors ineffective and compromises financial accountability in schools. It is imperative that school governors receive continuous and proper training that will completely equip them to execute their governance roles and responsibilities effectively and efficiently. Such training, which should not be too theoretical, needs to take into account the following factors:

##### **➤ *Timing and duration***

Accredited training of school governors need to take into consideration the circumstances and implications with regard to timing and duration. It has to be done during specific times of the day that are most suitable for the majority of school governors. Governors in secondary schools, for instance, comprise school learners, who may not be able to attend SGB training when classroom lessons are in session and similarly, single parents, not able to attend evening training sessions.

➤ *Language*

The language used in both training materials and facilitation is supposed to be the language that can be easily read and understood by the trainees. It is of little importance to train governors in a language that they do not understand and later hold them accountable. Training governors in a language that is mostly spoken by the majority is highly encouraged.

➤ *Venue*

It is advisable that training of governors, which include clustering of schools, be held at the most convenient and viable venue. This encourages prompt and maximum attendance. It is, however, also important that continuous training and support be held at the schools where the governors are serving.

➤ *Competency of facilitators*

The literature review already highlighted that some facilitators who are supposed to train governors, lack the necessary competencies and expertise. Such facilitators, who often interpret the prescriptions of the SASA incorrectly, do more harm than anticipated. It is recommended that suitably qualified facilitators be sought to ensure that governors receive quality training that would enhance effective and efficient school governance.

### **5.3.2 *Circuit-Based Financial Units***

There are no specialised structures at circuit level responsible for checking and reporting on the authenticity of submitted school financial records, hence many schools only submit such reports for compliance purposes only. The establishment of circuit-based financial units equipped in financial management skills for provision of oversight, monitoring and support to schools within the circuit is of utmost importance. These units are to meet regularly with the school finance committees of various schools to

ensure effective and efficient management of school finances. They are supposed to undertake regular checks of schools' finances and perform internal audits.

### **5.3.3 Finance Policies of Schools**

Finance policies of various schools do not comply with the applicable legislation and to a certain extent lack key control mechanisms, such as budgetary control, while some school finance policies are only developed for compliance purposes and are never implemented. If schools have to manage and account for their finances effectively and efficiently, finance policies must be developed, adopted by all stakeholders and implemented accordingly.

Schools' finance policies may eliminate or reduce mismanagement of school funds by providing guidelines on how stakeholders are to exercise their powers and decisions for managing the school's finances. It is therefore highly recommended that individual school finance policies be submitted to circuit-based financial units for perusal and approval before money can be spent.

### **5.3.4 Asset Management**

Management of assets in schools is done in a sporadic manner. SGBs do not have formal, planned and organisationally structured practices to manage assets of the school. Significant assets, such as computers are not insured while some school assets are removed from the school premises without approval and some are never returned. Schools spend lots of money to purchase assets, which are seldom maintained and secured.

A school asset policy, which clearly outlines asset loan/return and disposal procedures, is of paramount importance to curb theft and misuse of assets. It is recommended that SGBs appoint persons, who will be responsible for the custodianship of school assets. These role players are to keep and maintain accurate registers of asset. This should be informed by Computerised Asset Register (CAR) with all entries in compliance with the

PFMA No. 1 of 1999 standards and practices, which is integrated and user-friendly. Such a CAR should have passwords only accessible to relevant individuals to maintain confidentiality and credibility of the updated asset data source, inputs and outputs.

#### **5.4 Areas for Further Research**

This study has found that school governors in Mogoshi Circuit experience insurmountable challenges, which include budgeting, financial reporting, ethics and accountability. Governors do not have clearly defined roles and most school principals are faced with a challenge of having to both professionally manage and govern their schools. It is therefore important that school governance architecture must be further explored, especially at Doctor of Philosophy (PhD) research level, to accrue deeper analysis of the root of the problem, with a purpose in mind to strengthen it.

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## ANNEXURES

### Annexure 1: Application to Conduct Research – Department of Education

Student: K P Manamela

P O Box 921

Contact: 0833070231

Polokwane

0700

4 June 2012

The HOD

Department of Education

Corner Biccard and Excelsior Street

Private Bag x 9498

POLOKWANE

0700

Sir / Madam

#### APPLICATION TO CONDUCT RESEARCH AT SELECTED LIMPOPO SCHOOLS

Permission is hereby sought by the undersigned student to conduct research at selected Limpopo schools in Mogoshi Circuit, Capricorn District. I am a Master of Public Administration registered with the University of Limpopo, and as a requirement, students must conduct empirical research in partial completion of their studies.

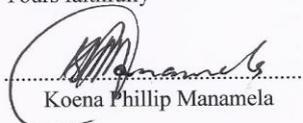
My research topic: "INVESTIGATION INTO THE FINANCIAL PROBLEMS OF SCHOOL GOVERNING BODIES IN MOGOSHI CIRCUIT, CAPRICORN DISTRICT, LIMPOPO PROVINCE" seeks to identify those challenges that could inform policy makers, education departments and SGBs to develop guidelines for more effective school financial management practices. It is likely to contribute to new knowledge of how school governing bodies should effectively execute their financial management task.

I will, in order to protect the privacy, confidentiality and anonymity of research participants, not reveal the identity of the participants and will satisfy the most stringent of ethical standards.

Attached please find a confirmation letter from the University of Limpopo.

Your positive response will be highly appreciated.

Yours faithfully

  
Koena Phillip Manamela

## Annexure 2: Permission to Conduct Research



**LIMPOPO**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

### DEPARTMENT OF EDUCATION

Enquiries: Dr. Makola MC, Tel No: 015 290 9448. E-mail: [MakolaMC@edu.limpopo.gov.za](mailto:MakolaMC@edu.limpopo.gov.za).

P O BOX 921  
POLOKWANE  
0700

Dear Manamela K.P

**RE: Request for permission to Conduct Research**

1. The above bears reference.
2. The Department wishes to inform you that your request to conduct a research has been approved- **INVESTIGATION. INTO THE FINANCIAL PROBLEMS OF SCHOOLS GOVERNING BODIES IN MAGOSHI CIRCUIT, CAPRICORN DISTRICT, LIMPOPO PROVINCE.**
3. The following conditions should be considered
  - 3.1 The research should not have any financial implications for Limpopo Department of Education.
  - 3.2 Arrangements should be made with both the Circuit Offices and the schools concerned.
  - 3.3 The conduct of research should not anyhow disrupt the academic programs at the schools.
  - 3.4 The research should not be conducted during the time of Examinations especially the forth term.
  - 3.5 During the study, the research ethics should be practiced, in particular the principle of voluntary participation (the people involved should be respected).

Page 1 of 2

Cnr. 113 Biccard & 24 Excelsior Street, POLOKWANE, 0700, Private Bag X9489, POLOKWANE, 0700  
Tel: (015) 290 7600. Fax: (015) 297 6920/4220/4494

*The heartland of Southern Africa. Development is about people!*

3.6 Upon completion of research study, the researcher shall share the final product of the research with the Department.

4. Furthermore, you are expected to produce this letter at Schools/ Offices where you intend conducting your research as an evidence that you are permitted to conduct the research.

5. The department appreciates the contribution that you wish to make and wishes you success in your investigation.

Best wishes.



Thamaga MJ

Head of Department



Date

### Annexure 3: Application to Conduct Research - Circuit

Student: K P Manamela

P O Box 921

Contact: 0833070231

Polokwane

0700

30 January 2013

The Circuit Manager

Mogoshi Circuit

Private Bag x 02

JUNO

0748

Dear Madam

#### APPLICATION TO CONDUCT RESEARCH AT SELECTED MOGOSHI SCHOOLS

Permission is hereby sought by the undersigned student to conduct research at three primary schools and three secondary schools in Mogoshi Circuit, Capricorn District. Principals, SGB chairpersons, treasurers, finance officers and co-opted members per school will each be required to complete a questionnaire.

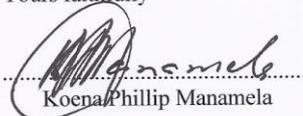
I am a Master of Public Administration registered with the University of Limpopo, and as a requirement, students must conduct empirical research in partial completion of their studies. My research topic: "INVESTIGATION INTO THE FINANCIAL PROBLEMS OF SCHOOL GOVERNING BODIES IN MOGOSHI CIRCUIT, CAPRICORN DISTRICT, LIMPOPO PROVINCE" seeks to identify those challenges that could inform policy makers, education departments and SGB's to develop guidelines for more effective school financial management practices. It is likely to contribute to new knowledge of how school governing bodies should effectively execute their financial management task.

I will, in order to protect the privacy, confidentiality and anonymity of research participants, not reveal the identity of the participants and will satisfy the most stringent of ethical standards.

Attached please find a questionnaire and a letter of approval from the Limpopo Department of Education.

Your positive response will be highly appreciated.

Yours faithfully

  
Koena Phillip Manamela

## Annexure 4: Application to Conduct Research - Schools

Student: K P Manamela

Contact: 0833070231

P O Box 921

Polokwane

0700

30 January 2013

The Principal

Mogoshi Circuit

Sir / Madam

### APPLICATION TO CONDUCT RESEARCH AT YOUR SCHOOL

Permission is hereby sought by the undersigned student to conduct research at your school. I am a Master of Public Administration student registered with the University of Limpopo, and as a requirement, students must conduct empirical research in partial completion of their studies.

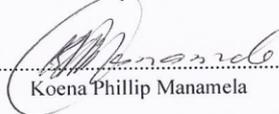
My research topic: "INVESTIGATION INTO THE FINANCIAL PROBLEMS OF SCHOOL GOVERNING BODIES IN MOGOSHI CIRCUIT, CAPRICORN DISTRICT, LIMPOPO PROVINCE" seeks to identify those challenges that could inform policy makers, education departments and SGB's to develop guidelines for more effective school financial management practices. It is likely to contribute to new knowledge of how school governing bodies should effectively execute their financial management task.

I will, in order to protect the privacy, confidentiality and anonymity of research participants, not reveal the identity of the participants and will satisfy the most stringent of ethical standards.

Attached please find a copy of approval from the Department of Education. Included in the package please find 5 questionnaires to be completed by you, SGB chairperson, treasurer, finance officer and co-opted member. I will be happy to answer questions relating to the above, so feel free to contact me.

Your positive response will be highly appreciated.

Yours faithfully

  
.....  
Koena Phillip Manamela

## Annexure 5: Questionnaire – Covering Letter

Student: K P Manamela

Contact: 0833070231

P O Box 921

Polokwane

0700

30 January 2013

Dear Participant

Mogoshi Circuit

### QUESTIONNAIRE SURVEY

I hereby wish to take this opportunity to welcome you as a participant in my research project. Kindly note that random sampling of schools was done and your school was fortunate to be selected amongst many other schools in Mogoshi Circuit.

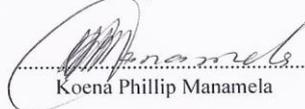
My research topic: "INVESTIGATION INTO THE FINANCIAL PROBLEMS OF SCHOOL GOVERNING BODIES IN MOGOSHI CIRCUIT, CAPRICORN DISTRICT, LIMPOPO PROVINCE" seeks to identify those challenges that could inform policy makers, education departments and SGB's to develop guidelines for more effective school financial management practices. It is likely to contribute to new knowledge of how school governing bodies should effectively execute their financial management task.

Please be assured that your participation in this project will not have any specific implications on you or your school and I will, in order to protect your privacy, confidentiality and anonymity of all research participants, not reveal the identity of the participants and will satisfy the most stringent of ethical standards.

Attached please find a copy of approval from the Department of Education and a questionnaire.

Your positive response will be highly appreciated.

Yours faithfully

  
Koena Phillip Manamela

## **Annexure 6: Questionnaire**

### **QUESTIONNAIRE SURVEY ON FINANCIAL ACCOUNTABILITY**

#### **GENERAL OVERVIEW**

The Limpopo Department of Education like other Government Departments has been mandated to provide quality education as a service to the people without compromise. The South African Schools Act No. 84 of 1996 and other related legislations have enacted to ensure that the intended objectives of Government regarding education are being realised. However, the Limpopo Department of Education is also faced with enormous challenges in its endeavour to provide effective and efficient service delivery.

#### **RESPONDENTS**

The intended respondents in this regard are the SGB members and finance officers in the Limpopo Department of Education with specific reference to Mogoshi Circuit. These respondents were chosen solely because they are the relevant participants for this study as they are situated in schools where they are expected to fulfil the mandate of the Department of Education.

#### **GUIDELINES**

Kindly be informed that the information gathered during this research will be handled as highly confidential, within the confines of research ethics and as such, the anonymity and dignity of the respondents will be protected. Please answer all the questions as requested and for each question, please indicate with an X where applicable and write down your answer in the space provided, and lastly note that the value of this questionnaire depends entirely on your honesty.

## PROCESS

The researcher will personally collect the completed questionnaires from the office of the Mogoshi Circuit Office.

## COMMUNICATION

The questionnaire is written in simple English for the respondents to read the questions and respond accordingly.

## DISCLAIMER

The questionnaire has been drawn up for a research project undertaken to fulfil the requirements of a Master's Degree in Public Administration at the University of Limpopo, and therefore, your participation will be greatly appreciated.

## QUESTIONNAIRE

Please answer the following questions by crossing (x) the relevant block or writing down your answer in the space provided.

### Example of how to complete this questionnaire

Gender

Male	
Female	X

i.e. if you are female

## SECTION A – BACKGROUND INFORMATION

This section of the questionnaire refers to background or biographical information. Although we are aware of the sensitivity of the questions in this section, the information will allow us to compare groups of respondents. Once again, we assure you that your response will remain anonymous. Your co-operation is appreciated.

A. 1. In which age group would you place yourself?

Below 40 years	40 – 45 years	46 – 50 years	51 – 55 years	56 years and above

A. 2 Gender

Male	
Female	

A. 3 Ethnicity

Black	
White	
Coloured	
Indian or Asian	

A. 4. Please indicate your highest educational qualification

Grade 11 or lower (Std 9 or lower)	
Grade 12 (Matric, Std 10)	
Post-Matric Diploma or Certificate	
Bachelor's Degree	
Post-Graduate Degree(s)	

A. 5 Which of the following categories apply to you?

Housewife/husband	
Self-employed	
In full time paid employment	
Seeking paid employment	
Pensioner	

The following two questions apply to teachers only.

A. 6. Please indicate the level of your professional training

PTC/Primary Teachers Certificate	
JSTC/Junior Secondary Teachers Certificate	
PTD/ Primary Teachers Diploma	
STD/Secondary Teachers Diploma	
NPDE/National Professional Diploma in Education	
Ace/Advance Certificate in Education: Specify	

A. 7. Please indicate the number of years in the field as an educator

Less than 10 years	11 – 15 years	16 – 20 years	21 – 30 years	31 years and more

**SECTION B: SCHOOL GOVERNANCE**

B. 1. How satisfactory is your school’s management of public funds?

Highly Satisfactory	
Satisfactory	
Unsatisfactory	
Highly Unsatisfactory	

Furnish reasons why you say it is satisfactory or unsatisfactory.

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B. 2 Is the management of the school equipped in financial skills?

Yes	
No	

B. 3 Are they subjected to training workshops on leadership, financial management, ethics and accountability?

Yes	
No	

B. 4 If yes, how often

Monthly	
Quarterly	
Yearly	

B. 5. Does your school have a:

Finance/Budget Committee?	
Supply Chain Committee?	
Internal Audit Committee?	

B. 3. Are these committees mentioned in 2 functioning effectively?

Yes	
No	

If no, why?

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B. 4 To what extent do you agree with each of the following statements? Please indicate your answer using the following 5-point scale where:

1. = Strongly disagree (SD)
2. = Disagree (D)
3. = Neutral (N)
4. = Agree (A)
5. = Strongly Agree (SA)

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
The SGB is effectively trained to manage the school's finances efficiently.	1	2	3	4	5
The school sometimes issues blank cheques for purchases in town.	1	2	3	4	5
All cheques issued by the school are crossed.	1	2	3	4	5
Post-dated cheques are, where necessary, issued by the school.	1	2	3	4	5
The finance officer is one of the signatories	1	2	3	4	5
The school uses the imprest system of funding petty cash items as a way of controlling petty cash	1	2	3	4	5
The responsibilities of all stakeholders are clearly defined.	1	2	3	4	5
The SGB has the ability to raise funds for the school.	1	2	3	4	5

### SECTION C: BUDGETING

C. 1 Does the school prepare an annual budget?

Yes	
Sometimes	
Never	

C. 2. Who prepares the annual budget?

School principal	
SGB	
Finance committee	
Budget committee	
Other (please specify)	

C. 3. Do you take part in the drafting and finalisation of the school budget?

Always	Often	Sometimes	Seldom	Never

C. 4. Annual budgets are presented to the parents of the learners for consideration and approval.

Never	
Sometimes	
Always	

C. 5. How do you rate parents` attendance (turn up) of meetings to discuss school budget?

less than 25 %	
between 25% and 50%	
between 50% and 70%	
above 70%	
not applicable	

C. 6. To what extent do you agree with each of the following statements? Please indicate your answer using the following 5-point scale where:

- 1. = Strongly disagree (SD)
- 2. = Disagree (D)
- 3. = Neutral (N)
- 4. = Agree (A)
- 5. = Strongly Agree (SA)

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
The budget is subjected to regular, effective financial monitoring and evaluation.	1	2	3	4	5
Sound internal financial control systems are established and implemented.	1	2	3	4	5

C. 7. In your opinion, would you explicitly say your school allocates funds in a fair and transparent manner?

Yes	
No	

If yes or no why?

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#### SECTION D: EXPENDITURE

D. 1. To what extent do you agree with each of the following statements? Please indicate your answer using the following 5-point scale where:

- 1. = Strongly disagree (SD)
- 2. = Disagree (D)
- 3. = Neutral (N)
- 4. = Agree (A)
- 5. = Strongly Agree (SA)

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
Control measures are in place to ensure that authorisation is given for all purchases.	1	2	3	4	5
Supply chain/procurement procedures are always followed.	1	2	3	4	5
Petty cash is generally abused.	1	2	3	4	5
Expenditure is done in accordance with the provisions of the school's budget.	1	2	3	4	5

D. 2 Briefly summarise your responses explaining your position or stance in these matters.

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**SECTION E: FINANCIAL CONTROLS**

E. 1. In your view, what would you say are the major responsibilities of the school finance committee?

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E. 2 To what extent do you agree with each of the following statements? Please indicate your answer using the following 5-point scale where:

- 1. = Strongly disagree (SD)
- 2. = Disagree (D)
- 3. = Neutral (N)
- 4. = Agree (A)
- 5. = Strongly Agree (SA)

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
There are policies and procedures in place to control the schools' monies and assets	1	2	3	4	5
The school maintains only one bank account.	1	2	3	4	5
Assets registers are effectively maintained.	1	2	3	4	5
SGB members lack financial knowledge, skills and expertise	1	2	3	4	5
All monies collected are receipted, recorded, and banked promptly.	1	2	3	4	5
There is financial report presented to the SGB on regular basis.	1	2	3	4	5
The SGB is always happy with the financial report.					

A. 3 Was there any financial irregularity spotted or reported in the period of the past five years in your school?

Yes	
No	

If yes, what was it, and how was it resolved?

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**SECTION F: MONITORING AND EVALUATION**

F. 1 How often are financial reports given to SGB?

Once every month	
Once every quarter	
Once every year	
Other(please specify)	

F. 2. Is there any internal audit of school finances?

Yes	
No	
Other (specify)	

F. 3 Audited financial statements are presented to the parents of the learners each year.

Never	
Sometimes	
Always	

F. 4. Indicate the kind(s) of financial reports presented to parents

Unaudited financial statements prepared by the school	
Audited financial statements	
Both audited and unaudited financial statements	
Other(please specify)	

F. 5. Indicate the kind of reports presented to the education authorities

Unaudited financial statements prepared by the school	
Audited financial report	
Both audited and unaudited reports	
No submission is made	
Other(please specify)	

F. 6. To what extent do you agree with each of the following statements? Please indicate your answer using the following 5-point scale where:

- 1. = Strongly disagree (SD)
- 2. = Disagree (D)
- 3. = Neutral (N)
- 4. = Agree (A)
- 5. = Strongly Agree (SA)

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
Budgets and financial statements are made available for perusal and comment by the school community	1	2	3	4	5
The school is adequately insured against exposure to risks such as theft, vandalism and fraud.	1	2	3	4	5
Audited financial records are submitted to the Head of Department within six months after the end of each financial year.	1	2	3	4	5
Finance books are made available to interested people for perusal.	1	2	3	4	5

**SECTION G: GENERAL**

G. 1. In your view, what would you say are the major financial management problems?

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**Annexure 7: Interview Guide**

Student: K P Manamela  
Contact: 0833070231

P O Box 921  
Polokwane  
0700  
5 April 2013

Dear Participant

**INTERVIEW GUIDE**

I want to thank you for taking the time to meet with me today. I am a Master of Public Administration registered with the University of Limpopo, and as a requirement, students must conduct empirical research in partial completion of their studies.

The interview should take less than an hour. I will be taping the session because I don't want to miss any of your comments. Although I will be taking some notes during the session, I can't possibly write fast enough to get it all down. Because we are on tape, please be sure to speak up so that we don't miss your comments.

All responses will be kept confidential. This means that your interview responses will only be shared with research team members and we will ensure that any information we include in our report does not identify you as the respondent. Remember, you don't have to talk about anything you don't want to and you may end the interview at any time.

I will be pleased to answer any questions about what I have just explained.

.....  
Participant's signature

.....  
Witness' signature

.....  
Date

## **Interview Questions**

The questions are grouped into five themes.

### Theme 1: School Governance

How satisfactory is your school's management of public funds?

Is your school governing body subjected to training workshops on leadership, financial management, ethics and accountability? Briefly explain.

### Theme 2: Budgeting

Does your school prepare an annual budget? Briefly explain your role in budgeting.

Who is responsible for the preparation of the school budget?

Briefly explain the budgeting process at your school.

### Theme 3: Expenditure

Briefly explain how expenditure at your school is executed.

Is expenditure done in accordance with the provisions of the school budget? Motivate your answer.

### Theme 4: Financial controls

In your view, what would you say are the major responsibilities of the school finance committee?

Briefly explain the policies and procedures that are in place to control the school's monies and assets.

### Theme 5: Monitoring and evaluation

Does your school annually submit records and financial statements for auditing?

How often are financial reports given to SGB and the parents of the learners?

Are finance books made available to interested people for auditing?

Briefly explain risk management measures that are used by your school to prevent theft, vandalism and fraud.

Is there anything more you would like to add?

Thank you for your time.

**Annexure 8: Editor's Confirmation Letter**

**SOLI DEO GLORIA  
EDITOR'S CONFIRMATION LETTER  
TO WHOM IT MAY CONCERN**

I hereby state that I have edited the document:

**INVESTIGATION INTO THE FINANCIAL PROBLEMS OF SCHOOL  
GOVERNING BODIES IN MOGOSHI CIRCUIT, CAPRICORN DISTRICT,  
LIMPOPO PROVINCE**

**by**

**MANAMELA K P  
200400829**

**MINI-DISSERTATION**

**Submitted in fulfilment of the requirements for the degree of  
MASTER OF PUBLIC ADMINISTRATION**

**at the**

**UNIVERSITY OF LIMPOPO  
TURFLOOP GRADUATE SCHOOL OF LEADERSHIP**

**Supervisor: Prof. M H Kanyane**

*Disclaimer*

*At time of submission to student, language editing and technical care was attended to as requested by student and supervisor. Any corrections and technical care required after submission is the sole responsibility of the student.*

Kind Regards

Dr J P Sammons  
D.Litt.et Phil (University of Johannesburg)

SOLI DEO GLORIA  
Language Editing

Email: [sdgproofed@gmail.com](mailto:sdgproofed@gmail.com)

DATE: 23 September 2013