

Budget control and monitoring challenges for school governing bodies

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DECLARATION

I hereby declare that:

BUDGET CONTROL AND MONITORING CHALLENGES FOR SCHOOL GOVERNING BODIES

is my own work, that all the resources used or quoted have been indicated and acknowledged by means of complete references, and that this thesis has not been previously submitted by me for a degree at any other university.

Lizelle De Bruin

DEDICATION

**I HUMBLY DEDICATE THIS DISSERTATION TO MY LATE GRANDFATHER.
“THANK YOU FOR ALWAYS MOTIVATING ME AND BELIEVING IN ME
EVEN WHEN IT LOOKED IMPOSSIBLE AT TIMES. I KNOW THAT YOU
WOULD BE PROUD OF ME”.**

I also dedicate this work to my beloved husband Gerhard De Bruin. “Thank you for your patience and support through-out the 3 years of study. You are my pillar of strength”.

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Moreover, I would like to express my deepest appreciation to my principal, Mr M. M. Minnie, for the all-round support he provided in the past 3 years.

To all the principals, finance officers and IDSOs who took part in this study, please note that your contributions are highly valued.

Last but not least, my profound gratitude to Dr M Dean-Jackson for editing this dissertation so excellently.

ABSTRACT

This study focussed on the budget control and monitoring challenges for school governing bodies. The study engaged a qualitative in-depth research into the challenges school governing bodies experience regarding budget control and monitoring based on the fact that budget control and monitoring are dimensional tools of financial management aimed at ensuring proper financial management and accountability. The research, grounded on social constructivism and employing a phenomenological pragmatic approach for data collection was purposely and conveniently confined to town schools in the Ekurhuleni District. Data was collected using interviews with school principals, finance officers and a treasurer and Institutional Development and Support Officers.

Findings from the data indicated that while there were areas where school governing bodies did well, they faced numerous challenges in budget control and monitoring. It was found that there were challenges regarding the budgeting process in so far as budget preparation, budget implementation, and budget control and monitoring. Miscellaneous challenges influencing the budget control and monitoring process found included poor financial reporting, the low level of parental literacy which seemed to influence the meaningfulness of and realistic nature of the budgeting processes and the generic, inadequate and poor training school governors were provided with.

Recommendation from the study mainly concern the provision of customised, focussed and needs-based training in financial and budget management after determining the skills audit to determine training and capacity building needs of school governors, holding principal to account for financial management as *ex officio* members of governing bodies, reviewing the quintile classification of schools based on the poverty index and considering the backgrounds of learners at town schools, who mostly are from previously disadvantaged backgrounds and ensuring that schools report on finances in languages parents understand and linking budgeting process to schools' educational goals.

KEY WORDS: financial management; budget; budgeting; budget process; budget monitoring; budget control; finance committee(s); financial management functions; financial control and monitoring

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NOTES

- 1) Although referred to as budget control and monitoring, this concept could as well be termed budget monitoring and control. This is because of the overlap and complementary nature of these concepts. Further, budget control implies budget monitoring activities and conversely.
- 2) The reference technique and the reference list are written according to the NWU referencing guide (2012) available at <http://www.nwu.ac.za>.
- 3) Where page numbers are not indicated in sources cited, this is because these are source from website that do not indicate page numbers or refer to the content and thrust of the source cited.

CHAPTER 1

ORIENTATION

1.1 INTRODUCTION AND RATIONALE

The state is obliged in terms of Section 34(1) of the South African Schools Act No 84 of 1996¹ (Republic of South Africa, 1996) to fund schools from public revenue in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in education provision. Despite funding from the state to schools, which has increased in real terms since the enactment of the Schools Act, there are concerns regarding the adequacy of resources for the provision of quality education at public schools (Bloch, 2010:8). Section 36 of the Act acknowledges this, and recognises the insufficiency of state funding to make up for the past backlogs. The Schools Act thus directs 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”. The School Governing Body (SGB) does this through, *inter alia*, fundraising, seeking donations, sponsorships and school fees. In addition, Section 21 of the Schools Act provides for schools to apply for additional functions, which include purchasing learning support material, paying for municipality services and seeing to the maintenance of school facilities.

The implication of schools having funds is that they will invariably be in positions where they handle funds from different sources and this, combined with the fact that financial resources are generally scarce, makes it, according to Bisschoff and Mestry (2009:58), vital for SGBs to understand and practice proper management of school finances. This implies applying proper financial management processes based on implementing correct financial management systems and functions. An important consideration in the prescripts of the Schools Act, according to Section 37(2), is that all monies received by a public school, including school fees and voluntary contributions must be paid into the

¹ Hereafter referred to as the Schools Act.

school fund and that the SGB of a public school must open and maintain a banking account. Perhaps most important and relevant to the provision of quality education, is the prescript of Section 37(6) that the school fund, all proceeds thereof and any other assets of the public school must be used only for:

- educational purposes, at or in connection with such a school;
- educational purposes, at or in connection with another public school, by agreement with such other public school and with the consent of the Head of Department;
- the performance of the functions of the governing body; or
- another educational purpose agreed between the governing body and the Head of Department.

To this end, Gordon (2012:11) who is the National Chief Executive Officer of *The Governing Body Foundation*, contends that specific expectations can be seen when managing finances such as overseeing funding, administering and controlling the school property, and setting in place any number of finance policies. Therefore as Mestry (2006b:28) points out, managing finances requires the establishment of a school fund, preparing a budget annually, collecting and administering school fees, keeping the financial records, appointing an accountant and supplementing the school's resources as prescribed by Section 37(1). Managing finances also implies executing proper financial management systems and implementing good financial management principles, which Lewis (2003:7) lists as:

- *Custodianship*, which refers to the stewardship or safekeeping of the organisation's resources and making sure that they are used in accordance with legislation and, in the case of this study, the Constitution of the SGB.
- *Accountability*, which relates to seeing to it that the resources of the organisation are used effectively and for purposes they were intended,

which implies a moral or legal duty to explain how funds, equipment or authority has been used.

- *Transparency*, which implies that systems must be established whereby all financial information is recorded accurately and presented clearly, and can be easily disclosed to those who have a right to request it.
- *Consistency*, which means that the financial systems of an organisation should be consistent over the years so that comparisons can be made, trends analysed and transparency facilitated.
- *Integrity or honesty and reliability*, which implies that there should be no doubts about how funds are utilised, and that records are a true reflection of reality and proper procedures.
- *Non-deficit financing*, which means that an organisation should not set out to achieve its objectives until it is confident that it will have sufficient funding to cover all of its activities; and
- *Standard documentation*, which means that the system of maintaining financial records and documentation observes accepted accounting standards and principles.

Included in proper financial management systems, is budget management, which includes budget control and monitoring functions. These functions relate to the meaning of a budget and the budgeting process. Engelbrecht, Jooste, Muller, Chababa and Muirhead (2002:20) define a budget as the framework for spending money and for assessing financial performance. This, Maritz (2005:21) refers to as a description of the amount of money that an organisation plans to raise and spend for a set purpose over a given period of time.

The fact that a budget relates to plans for raising and spending money, implies a controlling and monitoring process. Therefore managing school funds starts with preparing an annual budget for presentation to a general meeting of parents for approval. With a prepared budget, a financial operational system which will enable responsibilities to be given to the SGB and finance committee

for proper budget control and monitoring can be developed (Maile, 2002). The budget will then be used to control and monitor all finances (income and expenditure) to ensure that financial obligations are met.

With the budget in place, monitoring will be the first and most important action that will need to take place. When finances are monitored according to the obligations of the budget, controlling of the income and expenditure will lead to effective fulfilment and usage of financial resources. According to Conradie (2002:139), having a budget in place for monitoring and controlling school finances, recording and summarising of financial information for various purposes must be dealt with in a professional manner. Controlling the budget process is a daily task with regular monitoring of expenditure (Mestry & Naidoo, 2009). In essence, this implies setting up monitoring and controlling mechanisms to ensure a match between income and expenditure. These entail a book-keeping system, which is a system for keeping the records or books of all the money that comes into an organisation and all the money that goes out of it so as to be able to give regular reports to all stakeholders, be able to make informed decisions about budgets and spending and have documentary proof of receipts and payments of all money (Shapiro, n.d.¹:3). Once this is in place, regular monitoring comes into effect through constant balancing of financial records and reporting.

It is, however, evident from numerous studies that financial management in general is less than effective at schools. Among other reported difficulties, the following are common:

In one study, Mestry (2006a) found that financial management difficulties entailed the role of the principal which was perceived as being characterised by lack of collaboration with members of the school governing body, with principals being unprepared to share the responsibility of school governance lest they lose their power, and intentionally withholding information on school finances.

Mestry and Naidoo (2009) found that there was a lack of capacity to execute the budget control and monitoring function. These authors also found that there

seemed to be a *laissez-faire* attitude in budget management at mainly secondary schools due to reasons that include inadequate funding, which resulted in finance committees having to work with low funds and possibly perceiving budget management as a “thankless task with no challenge”.

Xaba and Ngubane (2010) found that while schools prepared budgets, there was lack of transparency in their preparation, possibly due to lack of capacity. They also found that monitoring and control was done for purposes of reporting to the Department and not necessarily for purposes of ensuring accountability. It can be inferred from this that in such circumstances, there would be mismanagement and possible misappropriation of funds.

These reports are indicative of challenges in budget control and monitoring processes at schools. To this end, Chaka (2005:4) argues that SGBs do not have a well-grounded understanding of effective financial management as it is a highly specialised function. Furthermore, Mestry and Naidoo (2009:51) state that there are mainly four reasons why schools lack the necessary competencies required to monitor and control finances. Firstly, parents at some schools are not used to making extra contributions to school funds and some of these parents have to get used to the idea of the payment of school fees or learn to trust the system of school fees and the management of school funds by parents as members of SGB. This implies, in other words, that parents should trust the SGB, as a legally constituted body mandated to carry out financial responsibilities as set out in Section 37(1) of the Schools Act, which is expressed, according to Section 42(a) of the Act, as relating to “a position of trust” (also see Heystek, 2012:14).

Secondly, expectations have been raised by the Constitution and the Schools Act that school education under the new democratic government would be free, which is taken literally by deprived citizens who then expect government to deliver free education. However, according to Gordon (2012:11) parents who pay school fees do so voluntarily (also see Jansen, 2012). It is not compulsory to pay school fees, but once the majority of parents present at the meeting have voted to charge school fees, and agreed on the amount, then paying school

fees become compulsory for parents of all learners at the school (Schools Act, Section 41).

Thirdly, the fact that large numbers of parents are reportedly illiterate (Bush & Heystek, 2003:136) makes it difficult to communicate with them in any manner other than parent meetings. Unfortunately these meetings are normally not well attended, especially in rural areas where distance and transport are aggravating factors (Duma, Kapueja & Khanyile, 2011:50). However, it is imperative that parents become involved in school matters, including finances. In this regard, Mangena (2012:16) makes a clear point about the necessity of parent involvement in school finance: *"It appears that unless parents in the majority of schools in South Africa get organised through the SGB mechanism, putting themselves in a better position to interact with the principal, SGB and teachers, the mess in school finance is not likely to be resolved"*. The principal and SGB should also ensure that parents are kept informed of budgetary finance and that they understand the rationale behind such (Soobrayan, 2012:15). Basic Education Minister Angie Motshekga, stated at the media launch of School Governing Body elections, 30 Jan 2012: *"Schools with effective and efficient SGB members are most likely to secure greater success than those with limited parental involvement"* (Naptosa Insight, 2012:10).

Finally, the new school governance approach as envisaged by the Schools Act is also relatively new to the majority of school communities. These communities still need training in the finer skills and competencies of school governance. In an article entitled *"Parents may govern – but there must be trust"* (Naptosa Insight, May 2012), Professor Heystek of the Faculty of Education at the Stellenbosch University, comments as follows regarding responsibilities of school governing bodies: *"SASA (Section 20) sets a lay-out of what is expected from governing bodies"*. Heystek continues as follows: *"This legislation may therefore unintentionally lead to the disempowerment of most governing bodies if these governing bodies are not empowered with adequate training"*.

This clarifies what should be done to ensure that newly appointed school managers understand their role as governors. To this end, Anthony Pierce, KZN

head of the National Professional Teachers' Organisation of South Africa (Maile, 2002:329), states: *"If the intention of the department is to ensure better school management it is imperative that they provide the newly appointed school managers with basic skills in personnel and financial management"*.

In light of the foregoing exposition, it appears that schools experience difficulties in managing their finances effectively. This is deduced from what can be regarded as known about the study phenomenon namely, legislation pertaining to the topic, especially that related to Section 21 schools², what school funds should be used for and how as well as the implications of good financial management and financial planning in terms of budget control and monitoring. Secondly, financial management at schools is not what it should be – and it is known that budget control and monitoring are key dimensions of effectiveness in this regard.

What is not known is specifically what challenges budget control and monitoring present to schools. This is based on the understanding that these are operational financial management dimensions carried out, not by the SGBs *per se*, but by finance committees at schools. As pointed out earlier, most studies report on general financial management difficulties. Only one study dealing quantitatively with budget control and monitoring was found (Mestry & Naidoo, 2009) and even then, the said study did not deal specifically with challenges pertaining to budget control and monitoring. This study therefore, intended to extend investigations in this regard, and engaged a qualitative in-depth research into the challenges school governing bodies experience regarding budget control and monitoring. This was based on the fact that budget control and monitoring are dimensional tools of financial management aimed at ensuring proper financial management and accountability. Therefore the primary research question for this study was:

- *What challenges do school governing bodies experience regarding budget control and monitoring ?*

² Schools allocated self-governance status in terms of Section 21 of the Schools Act.

This question in essence, seeks to explore how school governing bodies control and monitor their budgets. Therefore the question was translated into the following secondary questions:

- What does budget control and monitoring entail at schools in the Ekurhuleni District?
- What challenges do school governing bodies experience regarding budget control and monitoring at schools in the Ekurhuleni District?
- How can effective budget control and monitoring at schools be ensured at schools in the Ekurhuleni District?

The primary question to this study foregrounded and gave expression to the purpose statement of the study.

1.2 PURPOSE STATEMENT

The intent of this study was, through a qualitative phenomenological inquiry, to gain insight into the challenges school governing bodies experience regarding budget control and monitoring. The study was purposely confined to the Ekurhuleni District of the Gauteng Department of Education for ease of access and logistic reasons since I am based in the district and have personally observed challenges at schools regarding the study phenomenon. The purpose of the study was operationalised into the following objectives:

- To determine what budget control and monitoring entail at schools in the Ekurhuleni District;
- To understand the challenges school governing bodies experience regarding budget control and monitoring at schools in the Ekurhuleni District; and
- To provide suggestions as to how effective budget control and monitoring at schools can be ensured at schools.

The study was underpinned by a conceptual orientation that describes parameters within which budget control and monitoring would be understood in the context of schools and school governing body operations.

1.3 CONCEPTUAL ORIENTATION

The inquiry into challenges school governing bodies experience in terms of financial budget control and monitoring was underpinned by the following conceptual framework:

Financial management

Financial management as it relates to schools is defined as “*the performance of actions (regulatory tasks) connected with the finances of a school, with the main aim of achieving effective education, carried out by a person in a position of authority*” (Metsry & Bisschof, 2009:3). School financial management can thus be seen as serving a purpose of taking control of educational outcomes as a result of a variety of tasks that must be performed in different areas (Conradie, 2002). For this reason, and for purposes of this study, school financial management is regarded as a management task performed with the authority of the school governing body and aimed at making use of school finances to achieve effective education, and focuses therefore, on budget control and monitoring as dimensions of taking charge of educational outcomes through balanced and accountable use of finances.

Financial planning

Financial planning is a regulatory management task aimed at creating techniques for budgeting and budgetary control as well as planning for income and expenditure of an organisation (Conradie, 2002:139). Financial planning therefore refers to the budgeting process, which Mestry and Bisschoff (2009:99) aptly describe as “the process of planning and allocating resources to achieve organisational objectives” and is thus:

- a plan for income and expenditure for the next year;

- a way of determining what resources are provided by the state;
- a process of allocating resources to improve the quality of education; and
- a way of controlling expenditure.

Therefore the budget can be seen as a planning instrument for financial planning and through financial planning, the budget can relate to estimations of income and costs with a view to realising the school organisation's short and long term ideals or aims and objectives (Conradie, 2002: 140).

Budget monitoring

Budget monitoring involves comparing actual expenditure and income against estimated income and expenditure (Mestry & Bisschoff, 2009:121). As part of financial monitoring, budget monitoring involves who should be accountable to whom and about what (Maile, 2002:330). Therefore the budget serves as a financial monitoring tool to compare the expenditures of money to the organisation's goals and objectives (Xaba & Ngubane, 2010). Budget monitoring will lead to feedback where necessary changes will be made to prevent any irregular expenditure. This mainly implies that budget monitoring is a continuous process of *“keeping a check on the difference between the planned financial status at a given time and the actual financial status at that time”* (Du Plessis, 2012b:109). The outcome of this exercise is the determination of the difference between the planned financial status at a given time and the actual financial status, known as the variance, which is an accounting tool used to identify any under- or overspending against the budget, which is then investigated with a view to proposing rectifying or corrective action (Kennedy, 2011:11).

Budget control

According to Mestry (2006a:127), the school performs all actions through its governing body, which actually means that the governing body acts on behalf of the school. 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 (Van Wyk, 2004). Thus the SGB controls any flow of money. Kennedy (2011:3) defines budget control as “*a tool which will enable schools to keep track of what has been spent and help schools manage their financial risks*”. Therefore budget control seems to relate to applying corrective measures and indeed enhancing good practice applications of budgetary projections. Du Plessis (2012b:109) opines as much and asserts that “*an important aspect is that of exercising control over control*”. To this end, budget control emanates from exercising control over monitoring outcomes from monthly and quarterly statements and annual reports, as well as checking the availability of funds before agreeing to any expenditure.

1.4 OVERVIEW OF THE RESEARCH METHOD

This study was underpinned by the social constructivist paradigm, which seeks to understand human experience from the viewpoint of people themselves and the meaning that that people give to events (Ferreira, 2012:35). For this reason, a qualitative design informed data collection based on the phenomenological data collection strategy. However, though the measures described below (see 1.6) helped immensely, I experience particular challenges in accessing intended participants. Firstly, school authorities³ were reluctant to allow access to finance officers and treasurers of finance committees on the basis of the sensitive nature of issues related to school finances and the confidentiality of such matters. As a result, I was only able to interview willing participants comprising 10 finance officers and one treasurer and six principals from secondary schools. This was on condition that the interviews would be confidential and their participation would not be made known. As a result, no recordings were allowed and I had to take notes of responses as fast and as accurately as possible. I furthermore decided to include school principals and was able to access two and four principals from primary and secondary school respectively, selected purposely and on the basis of convenience and availability from schools in the Ekurhuleni District. In an attempt to gain more insight that would balance data collected

³ At this point I used school authorities because an undertaking was made that I would not mention the persons or their official statuses in the SGB, even anonymously.

from school principals and finance officers, I furthermore included four Institutional Development and Support Officers (IDSOs)⁴, who I found, were not personally available and as such preferred to proffer written responses to interview questions.

Despite these challenges, I ensured that proper and acceptable ethical standards as is typical of qualitative research were adhered to. These measures are described in detail in Chapter 3 of this treatise. Data collected through the interviews were then analysed after careful transcription and thematisation where codes, categories and themes were determined from pre-set categories (also detailed in Chapter 3).

1.5 CONTRIBUTION OF THE STUDY

Overcoming challenges faced by SGBs in relation to budget control and monitoring issues is as important as challenges faced by schools in providing effective and high quality education. Consequently, I envisaged that this study would uncover the challenges regarding budget control and monitoring at schools and provide practical recommendations to the solution of such challenges. The findings of this study, it was hoped, might assist in informing schools, especially SGBs on strategies that could be used to foster proper budgetary processes in order to deal with having limited resources, in systematic budgetary planning and decision-making related to their budgets. Furthermore, it was envisaged that the study would contribute to knowledge in the area of financial management regarding best practices in budget management for schools.

1.6 DEMARCATION AND CHALLENGES OF THE STUDY

The focus of this study was on challenges school governing bodies experience regarding budget control and monitoring. The study was conducted in the Ekurhuleni District of the GDE and was confined to a purposeful and convenient selection of participants as outlined above (see 1.4).

⁴ IDSO are officials at district offices of the Gauteng Department of Education and responsible for school development and support, of which School Governance is part of their oversight functions.

Challenges to the study mainly included factors related to participants' reluctance to participate as they perceived their participation a risk to their positions due to the sensitive nature of the study phenomenon. To ensure that this did not become a serious challenge for the willing participants in the study, I only focused on the main parameters of the study (detailed in Chapter 4) and avoided probes that would require participants to divulge what could be considered as sensitive and for which their confidentiality principles would not allow. In addition, these challenges were also addressed in the following manner:

- Firstly, adhering to ethical measures, regarding confidentiality, for example, no schools or participants were to be identified.
- Secondly, where participants felt unsure about any questions, their rights were protected and they were not coerced into answering such questions.
- Thirdly, I ensured that participants had the latitude to study the draft report so as to ensure that the report contained their authentic views. Thus, participants had an opportunity to determine whether the final report would be accurate and would not prejudice them in any way.
- Finally, they were assured that their participation was for research purposes only and would pertain to gathering information to formulate conclusions and recommendations for overcoming challenges experienced by SGBs regarding budget control and monitoring.

Notwithstanding the challenges experienced, data collected was useful and assisted me in appreciating and gaining a deeper understanding of the study phenomenon.

1.7 LAYOUT OF THE STUDY

The final layout of the study write-up consists of:

Chapter 1, which presents an overview and general orientation of the study, which included the rationale, purpose statement, conceptual orientation, the overview of the research method, contribution, delineation and challenges of the study and the chapter layout;

Chapter 2, which presents the literature review pertaining to budget control and monitoring. This included the explication of the theoretical aspects of budget control and monitoring challenges for school governance bodies;

Chapter 3, which presents the research methodology;

Chapter 4, which presents the data analysis and interpretation; and

Chapter 5, which presents the summary, conclusions and recommendations.

1.8 CHAPTER SUMMARY

This chapter presented the general orientation to the study by exposing the rationale, purpose, conceptual orientation and the overview of the research method. This included the delineation and challenges of the study, possible contribution and chapter layout. The following chapter presents the literature review.

CHAPTER 2

THE ESSENCE OF BUDGET CONTROL AND MONITORING

2.1 INTRODUCTION

Financial management is a crucial function of SGBs. As such, financial management is a prescribed function of the SGB. The importance of the role of governors of schools was highlighted in a letter to principals and chairpersons of governing bodies from the Office of the Director General of the Department of Basic Education: “*School Governing Body members have an important role to play in managing the financial performance of the school*” (Soobrayan, 2012:15). The emphasis from the Director General was specifically on the management of schools’ finances.

Financial management entails a range of sub-functions that include financial planning, organising, leading and controlling. This study focuses mainly on the financial planning aspect of financial management and entails a study of the budgeting function, specifically budget control and monitoring.

This chapter presents an analysis of what the two budget aspects entail. To contextualise the two budgetary functions, the budget as the main function is first exposed.

2.2 THE SCHOOL BUDGET – CONTEXT

The school budget and its development process are essential aspects of the financial school management function, and in particular, financial planning. According to Maritz (2005:4), planning helps one to identify what the organisation’s future goals are; how much money will be needed to achieve these goals; and how or where one will find enough money to achieve these goals and keep the organisation going in the future. In other words, the school budget is based on present and future related finances and thus budgeting is a forward-looking process which should be guided by the school’s vision for the future and a realistic assessment of risks (Clarke, 2007:82; Ngubane, 2009:21). For this reason, Maritz (2005:5) defines financial planning as a process that a

school organisation uses to work out what resources it has available, what resources it needs and where extra resources could be found. Heystek (2012:70) points out that financial planning includes the creation of the necessary decision-making structures to enable the smooth-functioning of a school and he states that such structures include the finance committee and other supportive structures like the marketing and advertising committee. Maritz (2005:5) further states that financial planning consists of two most important tools, namely the financial strategy and budgeting. To this definition, Lewis (2003:19) adds that financial planning is both a strategic and operational process linked to the achievement of objectives and involves building both longer-term funding strategies and shorter-term budgets and forecasts. To this end, Lewis (2003:20) lists aspects of financial planning as:

- the vision, which represents the very long-term goals of the organisation;
- the mission, which clarifies the purpose and values of the organisation in a few, general, sentences;
- the objectives, which are the building bricks which help an organisation achieve its missions and give focus to the organisation's work;
- the strategy, which tries to set out the overall approach the organisation is going to take to achieve its objectives; and
- the plans, which emanate from the strategy being sub-divided into several more specific and detailed plans for each activity, function or project and are the basis for budgets.

Maritz (2005:5) points out that the financial strategy is concerned with ensuring that an organisation knows what its financial needs are and where it will get the necessary funding to meet those needs, which in general, has to do with the medium and long-term financial needs of the organisation and involves ways to increase income, reduce expenditure and the consequent financial planning steps.

Budgeting can be defined as the process of developing a budget for the school, is done during the financial planning phase and is considered to be an essential management tool (Heystek, 2012:70; Shapiro, n.d.¹:5). Ngubane (2009:22)

concludes that budgeting is a process of allocating finite resources to the prioritised needs of an organisation. Du Plessis (2012a:80) posits financial planning as a management task or process reflecting the revenues and expenditure of various programmes in the school. A budget can therefore be regarded as a product of the budgeting process and is defined as:

- an amount of money that an organisation plans to raise and spend for a set purpose over a given period of time (Lewis, 2003:21);
- devolution of power to the school level of authority to make decisions related to the allocation of resources (Conradie, 2002:121);
- the mission statement of a school expressed in monetary terms (Mestry & Bisschoff, 2009:102);
- a management tool or mechanism by which the finance committee of a school can estimate and plan, utilise and coordinate and control and evaluate the human, material and other resources of the school in financial terms (Du Plessis, 2012a:80);
- a plan for income and expenditure for the next year, which determines what resources are provided by the state and a process of allocating resources to improve the quality of education and a way of controlling expenditure (Mestry & Bisschoff, 2009:99); and
- a detailed plan, expressed in monetary terms of activities that have to take place within a specified period (Oosthuizen, 2009:220).

From the definitions above, it can be averred that *a budget entails a plan of resource acquisition, allocation and utilisation expressed in monetary terms for a specified period, usually a financial year*. It can also be concluded that the main purpose of the budget *is, in monetary terms, to advance the best interests of the school and by extension, the best interests of the learners*. This is well-articulated in Section 37(6) of the Schools Act, which states that all financial resources at schools should be used solely for “*educational purposes, at or in connection with such a school*”. For this reason, it is important for the school

budget to be well-managed. A headline in the *Shine News* (Makananisa, 2011) highlights what could happen in the absence of proper financial management. It reads: “*Modimolle Primary School finance committee cannot account for R800 000*” and relates to poor financial management and the resultant allegations of financial misappropriation and embezzlement.

In managing the budget, the knowledge of how budgeting is done is critical. This brings to the fore an understanding of different budget types. Shapiro (n.d.¹:15) distinguishes between three budget types namely:

- A survival budget, which works on the minimum required in order for the organisation or project to survive and do useful work;
- A guaranteed budget, which is based on the income guaranteed at the time the budget is planned; and
- An optimal budget, which covers what one would like to do if one could raise additional money.

The most significant aspect of managing the school budgeting process relates to the practical aspects of initial activities. To this end, budget compilation is crucial in that it is the stage that prepares the school for collective and collaborative financial planning. To this end, Naidu, Joubert, Mestry, Mosoge and Ngcobo (2008:176) posits that budget compilation requires a distribution of forms detailing needs to staff members and SGB members who are responsible for particular activities. Consequently at this stage, the budget will comprise sections or cost-centres such as academic activities, co-curricular activities and staff salaries. Regarding such cost centres, Du Plessis (2012a:91) emphasises that the principal and finance committee must then allocate funds in terms of priorities. An important consideration is the collective nature of budgeting. Du Plessis (2012a:91) cites Rothman (1996) who states the disadvantages of not involving the staff in the budgeting process as leading to problems like “*wasteful expenditure by educators, interruption in the teaching programme as a result of insufficient quantities having been ordered and redundancy of stock items that were incorrectly ordered*”.

The process outlined above culminates into the compilation of the master budget – which includes all sub-budgets from all cost centres, which will then be presented to the SGB and finally to the general parent meeting for approval.

Considering the budget types outlined above, gives an indication of how much care must go into the budgeting process. In fact, for schools, it appears that there would be a need for a mix of budget types, depending on circumstances prevailing at the time. However, in light of the status of most schools being Section 21, and allocated funds by their provincial departments of education, it would be prudent for them to use the guaranteed budget as well as the optimal budget. This is based on the fact that their budgetary allocations from the departments of education are guaranteed and because these are dependent on their quintile classifications, which makes their enrolments and fundraising prominent features aimed at raising additional funds as allowed by the Schools Act. The decisions on the type of budgets to be used would also be dependent on the technique best suited to the schools' circumstances. Various techniques are used in drawing up a budget and it is important to have insight into each technique so as to enable the school to select the most appropriate budgeting technique. This is also based on differing circumstances at schools where one technique can be put to good use because of its suitability or even a consideration of a mix of techniques as would be dictated upon by unique realities of circumstances schools find themselves in.

2.2.1 Budgeting techniques

Numerous budgeting techniques are available for use in organisations such as schools and as alluded to above, it can be averred that the choice of technique or combination thereof would be a function of the circumstances of schools. For example, the size of the school, the possibility for income generation through fundraising projects and most important, the needs of the school would be critical. For instance a small farm school's budgetary needs would differ greatly from a big suburban school's budgetary needs. Consequently, the budgeting techniques would also be different. Furthermore, the fact that most schools

have been allocated Section 21 statuses and are essentially no-fee paying schools, requires a careful and meticulous manner of budgeting.

There are numerous techniques for budgeting, *inter alia*, line item, programme, limited, fixed and flexible, incremental and zero-based.

2.2.1.1 The line item budget

Shapiro (n.d.¹:13) defines line items as the actual items listed in a budget, for example, under the category 'training costs', stationery might be a specific line item and under the category 'governance', training for SGB members may be a specific line item. Thus according to Du Plessis (2012a:89), a line item budget is the type of budget where the name of each line item is set (for example training material) as is the amount of money that can be spent on each item. A line budget specifies the name of each line item as well as the available funds that have been budgeted for. The authority to move money from one line item to another must be granted by the SGB, for example, where funds are to be taken from the line of the training material and placed or made available for office supplies (Du Plessis, 2012a:89). A distinguishing feature of line item budgeting is that each line item receives separate consideration, thereby putting the focus of budgeting on analysis, authorisation and control (Naidu *et al.*, 2008:175).

2.2.1.2 Programme budget

The programme budget is a more sophisticated type of budget (Du Plessis, 2012a:89). The school plans strategically, identifies certain programmes to achieve its objectives and determines the cost of each programme (Naidu *et al.*, 2008:176; Conradie, 2002:143). At the end, the results will be evaluated to ascertain whether the desired objectives have been accomplished (Du Plessis, 2012a:89). In essence then, programme budgeting is the process of preparing, compiling and monitoring the cost of a programme (Du Plessis, 2012a:81). An important aspect of programme budgeting is the strategic planning element. Eventually, the amount needed for school operations as per budget, are determined by the needs of the school, which also makes it immediately clear

how much a school would need for realising its objectives for any particular period of time.

2.2.1.3 **Fixed budget**

A fixed budget is a budget designed to remain unchanged irrespective of the level of activity actually attained (Master Minds, n.d.:8.3) It can be seen as a priority-based budget because it attempts to match the stated aims and priorities of the school with the allocation of funding (Du Plessis, 2012a:90). According to Van Rensburg, Ambe, Evangelou, Govender, Koortzen and Ziemerink (2008:231), a fixed budget is a quantified plan that projects future revenues and costs for one level of activity and *“though it helps in planning, it is not always useful for controlling costs and measuring performance as actual level of activity may differ significantly from the planned level”*. Du Plessis (2012a:90) argues that a disadvantage of this fixed budget on a priority may ‘lurch’ as priorities change.

2.2.1.4 **Flexible budget**

This budget technique can also be considered as a rolling budget (Conradie, 2002:143). The rolling budget is seen as more flexible in that the 12 month budget of targets and resources is divided into quarterly periods. This budget technique allows the SGB to divert resources from one part of the school to another without any demotivation found from stakeholders (Conradie, 2002:143). For this reason, Van Rensburg *et al.* (2008:231) opine that a flexible budget is a quantified plan that projects revenues and costs for varying levels of activity and *“is a much more useful tool for control and performance evaluation whereby a manager can look at the actual level of activity and then determine what revenue and costs should have been at that level”*.

The flexible budget is a budget, which by recognizing the differences between fixed, semi-variable and variable costs, is designed to change in relation to the level of activity attained and it provides a meaningful basis for comparison of the actual performance with the budgeted targets (Master Minds, n.d.:8.3). Flexible

budgets represent the amount of expenses that are reasonably necessary to achieve each level of output specified. In other words, the allowances given under the flexible budgetary control system, serve as standards of what the costs should be at each level of output. The need for preparation of the flexible budget arises when the need for certain resources arises, such as for example, when there is a need for sport equipment.

Of all the budget techniques, Shapiro (n.d.¹:16) argues that two main techniques for budgeting are the incremental budget and the zero-based budget.

2.2.1.5 Incremental budget

When this budgeting technique is used, the amount spent on an item in the previous year is taken as the point of departure and added to an incremental formula (Conradie, 2002:142). Furthermore, Conradie adds that the formula may be a fixed percentage equal to the expected inflation rate or a percentage equal to the expected increase/decrease in turnover. Shapiro (n.d.¹:16) describes this type of budget as one in which the figures are based on those of the actual expenditure for the previous year, with a percentage added for an inflationary increase for the new year.

Lewis (2003:24) postulates that an incremental budget has the advantage of being fairly simple and quick to implement and is most useful for organisations where activity and resource levels change little from year to year. To this end, incremental budgeting is preferred by many schools due to its simplicity (Naidu *et al.*, 2008:175). For this reason, Van Deventer and Kruger (2003:237) state that the governing body builds the yearly budget on the previous year's budget. Du Plessis (2012a:88) argues in this regard that parents who must accept the budget, feel more comfortable to accept a figure calculated in terms of real activities than a generally calculated figure. However, Lewis (2003:24) contends that a frequent criticism of this approach is that it does not encourage fresh thinking and may perpetuate existing inefficiencies and it also makes it difficult

to justify the figures to donors since the original calculations may be long forgotten.

2.2.1.6 ***Zero-based budget***

According to Shapiro (n.d.¹:16), in zero-based budgets, past figures are not used as the starting point and

the budgeting process starts from 'scratch' with the proposed activities for the year. The result is a more detailed and accurate budget, but it takes more time and energy to prepare a budget in this way.

Therefore, with the zero-based budget, the total cost of every single item in the budget is calculated in full by departing from zero and adding on all justifiable and verifiable expenses pertaining to the specific budget post (Conradie, 2002:142). It is like budgeting for the item for the first time, assuming there is no previous value to start from. According to Van Deventer and Kruger (2003:237), the zero-based budget is the most comprehensive form of budgeting, where each of the expenses at a school is re-evaluated and re-considered each year. According to Kennedy (2011:6), when making use of zero-based budgeting, the assumption is that one will be starting the new financial year with a blank piece of paper – rather than using last year's budget, which becomes a new financial plan, having re-evaluated the entire income and spending. Naidu *et al.* (2008:176) contend that this technique is time-consuming but has an advantage of ensuring that expenditure on each item is justified. In practical terms, the zero-based budget requires that before any item is budgeted for, existing stock should be checked before any new budget allocation is approved for that item. The following example in table 2.1 below illustrates a basic zero-based budgetl:

Table 2.1 An example of a basic zero-based budget for travelling costs involving private vehicles

Trips to the district office – 20 @ R1.30 per kilometre for 60km	R1 560
Trips to departmental meetings – 4 @ R1.30 per kilometre for 80km	R 416
Trips to the bank – 60 @ R1.30 for 10km	R 780
Buying requisites at local shopping centres – 50 @ R1.30 per kilometre for 10km	R 650
TOTAL	R3 406

In the case of transactions illustrated above, there is no consideration of how much it previously cost to travel to the different points and how much it cost to buy requisites at local shopping centres. In other words, the amounts estimated as they would appear in a budget, are not based on any comparative analysis with previous amounts for the same activities. This then is an example of basic computation of a zero-based budget on particular items for which funds would be expended.

Du Plessis (2012a:90) points out that when making use of the zero-based budget, the following advantages are applicable:

- It allows for new initiatives to be incorporated into budgets.
- It should prevent inequalities of the past from continuing.
- It introduces an evaluative or reflective element into the financial planning process.

Equally to be kept in mind, are the disadvantages of zero-based budgeting, which are that it can be very time-consuming and therefore a costly process; there is no consistency between budgetary periods; making year-on-year comparisons is difficult; some sub-budget holders may be better at the bidding process and at justifying their costs than others; and as much as many costs are fixed, a year-on-year true zero-based budget is not really possible.

A scrutiny of the various budget techniques exposed above, indicates that while one budget technique may be simple to use, it may not be the best and might need to be complemented with features of another. It can be argued that these budget techniques can only be useful if schools' circumstances are taken into consideration. This is also necessitated by the fact that schools can have sub-budgets to contend with.

According to Mestry and Bisschof (2009:117), a public school's budgeting system comprises various sub-budgets. The most prominent sub-budgets are the *cash budget* and the *capital budget*.

The cash budget is an estimation of the cash inputs and outputs of a person or business over a specific period of time (The e-conomic online accounting, 2013). A cash budget is also described as a method of projecting, monitoring and controlling how cash is spent (Aldridge, 2013). Van Rensburg *et al.* (2008:231) describe a cash budget as a schedule of expected cash receipts and payments during the budget period. In the case of a school, clearly a cash budget would give an indication of the school's liquidity in terms of income and expenditure over a specific period. This information would be used for taking effective decisions regarding financial matters at school. AS Accounting for AQA (2010.:366) posits that this is usually done on a month-to-month basis, for consecutive three, six or twelve months, in order to show the estimated bank balance at the end of each month throughout the period and it consists of the sections indicating receipts for the month, payments for the month and a summary of the bank account.

The *capital budget* is a budget that details, according to Mestry and Bisschof (2009:117) and Lewis (2003:22), only capital expenses such as the purchase of fixed assets like computers and laboratory equipment, vehicles, office furniture and equipment for building construction and major renovation works, especially if they are purchased by the school and not by the Department. Lewis (2003:22) suggests that "*as capital expenses usually involve major expenditure and non-recurrent costs, it is better to list and monitor them separately*". Lewis (2003:22)

further adds that it is important that the implications for the income and expenditure budget should be noted – such as running costs for vehicles.

For purposes of demarcation in this study, focus is on the cash budget because by its very nature, it reflects both expected income and expenditure. In this regard, it includes expenditure on costs for some capital expenditure like costs for some projects, especially minor ones. As pointed out earlier, AS Accounting for AQA (2010:366) defines a cash budget as setting out the expected cash/bank receipts and payments, usually on a month-by-month basis, for the three, six or twelve months, in order to show the estimated bank balance at the end of each month throughout the period.

From the exposition of the budget and the budgeting process, it becomes clear that budget control and monitoring are critical functions that bring in an important aspect of financial accountability, which requires “*producing regular financial reports for those with an interest and a right to know, proving that leadership has control over financial decisions and accounting for funds by producing documentary proof of receipts and payments*” (idasa, 2004). Engelbrecht *et al.* (2002:18) suggests that financial accountability is realised through a financial administration system that is designed to answer questions such as:

- Where are funds spent?
- Why are funds spent?

Just how important financial accountability is, can be gleaned from the case of a school in Pretoria, where the SGB laid a claim with the Public Protector against the principal for ‘stealing’ millions (Mhlana, 2013). In fact the principal was alleged to have spent “*R600 000 on stationery in 2012, but pupils spent the year without sufficient books*”. In another case showing lack of financial accountability, the chairperson of the SGB alleged that the principal used school funds for her personal gains. He stated:

There are some things that we as the SGB have refused to sign for. We do not know who approved some of the expenditure for those things. For

instance, she uses her credit card to buy groceries and then claims the money from the school. Parents have demanded that the principal be suspended until the forensic report is complete.

It is therefore clear that financial monitoring and control are critical dimensions of financial planning and ultimately management. These two concepts are interrelated and in their execution do overlap. However, for purposes of clarity, they are discussed separately.

2.3 BUDGET MONITORING

Budget monitoring lays the foundation for effective monitoring and control of school budgets. This is exposed in the conceptualisation of this phenomenon and the discussion of dimensions related to budget monitoring.

2.3.1 Conceptualisation

Monitoring is the continuous or periodic review of a programme or project to assess problem areas and recommend remedial actions (Arikawe, 2009:8). Budget monitoring is thus a continuous process of *“keeping a check on the difference between the planned financial status at a given time and the actual financial status at that time”* (Du Plessis, 2012b:109). Shapiro (n.d.²:24) describes budget monitoring as a *“continuous process by which we ensure the action plan is achieved, in terms of expenditure and income”*. These pronouncements on what budget monitoring is, imply that budget monitoring compares actual expenditure and income against estimated income and expenditure (Mestry & Bisscoff, 2009:119). According to Mestry (2006:128a), monitoring refers to the exercising of power in a transparent way and thus involves who should be accountable for what was or what should be done. This also means as espoused by Mestry (2006a:128) citing Department of Education (1997), that monitoring is a joint process of accountability in which all members of the SGB have an equal right to participate and give their own opinion.

According to Conradie (2002:138), monitoring determines whether the plan guiding how money was to be spent to reach a specific goal, was the most economical way of having achieved it and addresses questions such as:

- Was the finance committee responsible when carrying out the expenditure of the budget?
- Were objectives achieved when looking at the set standards when financial planning was done?

An important aspect of budget monitoring is what it is actually done for. According to Lewis (2003:10), monitoring not only involves comparing actual performance with plans, it also evaluates the effectiveness of plans, identifies weaknesses early on and enables taking corrective action if required. In more specific terms, Du Plessis (2012b:109) points out that budget monitoring involves the following:

- Checking expenditure against budget allocation.
- Checking whether resources are being effectively mobilised.
- Evaluating and reorganising if and when necessary.
- Addressing small problems immediately.
- Noting whether there is a surplus or deficit at the end of the year and whether there is any possibility of building reserves.
- Checking the availability of funds before agreeing to any expenditure.

It can thus be concluded that budget monitoring involves comparisons at any time during the financial year of the school, the actual money expended against the estimated income and expenditure or more precise, budget variance reporting (Swartz, 2009:17). To be able to do this, Swartz (2009:17) posits that there must be development of a control system or monitoring instrument, on a month by month basis, where the actual income and expenditure are compared with the budgeted income and expenditure and any variance is identified, investigated and explained in order to avoid over-expenditure. Lötter, Waddy,

Naicker and, Goolam (n.d.:62) suggest that *“a good way to ensure that this happens is for the treasurer to prepare a Budget Control Statement for each meeting of the governing body”* which will ensure that *“the budget is monitored, reviewed and discussed at each meeting”*. Budget monitoring per definition is therefore a sure way of ensuring that school finances are used for the purpose of advancing the interests of the school and therefore, the learner. Where this is not done, it is possible for finances to be used for purposes other than those for which finances are budgeted for. For example, the principal of one school in the Gauteng Province was subjected to charges of misconduct because *“an independent forensic report has found that the West Rand school principal contravened the SA Schools Act as well as departmental policies by authorising a school trip for three school governing body (SGB) members to Zimbabwe”* (*The Star Staff Reporter*, 2012:1). The amount used for this purpose was said to be about R30 000 and this prompted the department to direct that legal action be taken to recover the money from SGB members who were involved in this misuse of funds. It can thus be averred that with budget control and monitoring, this would not have happened.

Emanating clearly from the foregoing exposition is the determination of variance between actual income and expenditure and estimated income and expenditure. In very simple terms, this implies, checking what the difference is between what the school planned for in financial terms, and what the school has and is using in the same terms. This therefore makes variance analysis a key aspect of budget monitoring.

2.3.2 Budget variance and analysis

According to Lewis (2003:50), budget monitoring involves the actual budget versus the actual report and takes budgeted income and expenditure for the reporting period and compares it with the actual income and expenditure for the same period. He further states that the difference between the two figures is known as the variance. A variance is therefore an accounting tool used to identify any under- or over-spending against the budget, which is then investigated with a view to proposing rectifying or corrective action (Kennedy,

2011:11). Naidoo (2005:36) opines that a budget variance is “*the difference, for each cost or revenue element in a budget, between the budgeted amount and the actual income or revenue*”. Furthermore, Naidoo (2005:36) states that income that has exceeded the expectation in the budget projection will be shown as a positive variance while income that has fallen short of the expectation, will be shown as a negative variance for the cash flow. To this end, Lewis (2003:51) further explains variance analysis as involving looking at the significant variations from the budget and seeking to explain why they exist and what can be done to remedy the situation. Thus variances are often described as either ‘favourable’ (generally good news) or ‘adverse’ (generally bad news). He describes these variance classifications thus:

- *Favourable* relates to the instance when actual income is higher than the budgeted amount, or when actual spending is lower than budgeted for, which is actually not always good news.
- *Adverse* relates to an instance when actual income is lower than the budgeted amount, or when actual spending is higher than spending budgeted for.

Variance analysis re-emphasises the importance of budget monitoring. The cases reported earlier present good examples of poor or lack of monitoring. Astoundingly, there seems to be many cases exemplifying this. For example, Monama in *Sowetan Live* (2011) reports that: “*parents of pupils at a Pretoria High School are planning to march to the MEC's offices to demand the removal of the chairwoman of the school governing body (SGB), whom they accuse of intimidating the principal, buying liquor on the school's account and mismanaging funds*”. In this particular case, Monama reports:

Parents accuse SGB chairwoman Motlalepule Mabena of bullying Mamelodi High School principal Daisy Phahlane, blowing R5,000 on liquor, using the school's petty cash for her personal needs and R7,000 disappearing from the school account.

In her defence, the ‘accused’ chairwoman of the SGB stated:

I am aware of the allegations against me and they are all lies. That group of parents are being lied to by the principal because she knows how much I have on her, including theft of school money. She is using them to protect herself. Thousands of rands went missing from the school account and she knows I know. She went behind my back on several occasions to sign cheques that I knew nothing about. The chequebook stays in her handbag. I do not honeymoon with the principal. I can account for every cheque I signed. I approved the R5,000 for the party with the principal, I was not aware that they were going to buy alcohol. Yes I cashed the R500 for petty cash and I gave it back to the principal but she did not record it in the books.

This, and many other reported cases are examples of the effects of poor monitoring of school finances and detracts from the purpose of using school funds for promoting the best interests of the school. This is even more evident in reasons for budget variances and implies the usefulness of analysing the causes of variance and whether it is a permanent or a temporary variation.

2.3.3 Causes of budget variances

Naidoo (2005:38) opines that variances in an organisation's budget could be attributed to any number of external as well as internal factors. According to Lewis (2003:51), variance can be the result of one or more of a change in price, a change in volume, a change of plan or a change in timing. Naidoo (2005:38) uses the following example: *"In a school context one can identify economic factors such as economic downswings that could result in unemployment which in turn could affect the parents' abilities to pay school fees"*. Du Plessis (2012b:114) states that other external environmental factors may affect the budgets of schools. He cites an external example such as political pressure or initiatives that may lead to the establishment of a new school in the neighbourhood, resulting in the falling of enrolments, with concomitant pressure on the school fees budget.

Internally, errors may be caused by miscalculation or data miscomputing and inconsistencies in the flow of invoices, resulting in a temporary over or under-expenditure which should correct itself in the following month or two (Du Plessis, 2012b:114). A further internal factor responsible for variances and widely acknowledged in practice is that of 'budget slack' (Naidoo, 2005:39). Naidoo (2005:39) explains the term budget slack with an example where the *"fundraising committee might underestimate the funds that it could raise, whilst the maintenance committee might overestimate the funds it would need to maintain the buildings and grounds"*. As already alluded to, some financial managers set budgets they are unlikely to achieve. Naidoo (2005:39) clearly stipulates that miscalculations in setting budgets need to be investigated and corrected. Consequently, the school's finance policy should stipulate the duties and responsibilities of the finance committee and of individuals who handle and utilise money and other assets of a school (Du Plessis, 2012b:114). Motsamai, Jacobs and De Wet (2011:105) assert in this regard: *"The existence of a financial policy will inevitably lead to sound financial management"*, which for purposes of this study, includes budget control and monitoring.

The following simplified example assists in understanding the influence of variances on the budgeting process as presented by Govender, Bisschoff and Oosthuizen (2004:54):

A school called Tito Thiro drew up the following budget for a project for a period of four months and after each month, budget monitoring was done to draw up a progress report to determine how the project was progressing in financial terms. The following report includes a clear indication of a variance as illustrated in table 2.2 below.

Table 2.2 School variance report

TITO THIRO Secondary School: Variance report on 30 Jan 2012 Project: CAPS Education for Grade 10 for 2012									
COST ITEM	Budget for the duration of the whole project	Budget for Oct 2011	Budget for Nov 2011	Budget for Dec 2011	Budget for Jan 2012	Actual for the current month	Accumulative actual	Variance for the month	Variance on total budget
Transport to district offices	1 000	500	500	-	-	300	300	200	700
Fee for facilitator from RAU	2 000	2 000	-	-	-	2 500	2 500	500	500
Newspapers	500	100	-	-	400	80	80	20	420
Duplication	8 000	100	100	5 000	2 800	100	100	-	7 900
Other teaching aids	2 000	-	1 000	1 000	-	-	-	-	2 000
Videos	1 000	-	-	1 000	-	-	-	-	1 000
Audio tapes	800	-	100	500	200	-	-	-	800
TOTAL	15 300	2 700	1 700	7 500	3 400	2 980	2 980	280	12 320

Adapted from Govender *et al.*, 2004:54

The variance report clearly indicates that by the end of January 2012, the school had spent R2 980 of the budget. For January, overspending amounted to R280. This is calculated as follows:

$$\text{BUDGET: R2 700} - \text{actual R2 980} = (\text{R280}).$$

The last figure is in brackets and it represents overspending and thus is detrimental to the project. This then indicates that there are deviations from the budget and calls for action to address or apply corrective measures. This is the key to scrupulous and proper budget monitoring – being able to pinpoint

variances and taking corrective action timely enough to avoid further variances that might throw off the course of expenditure against the budget.

To ensure that financial management is a success and that variances can be overcome, a basic monitoring process that can be followed is suggested by Naidoo (2005:39) as illustrated in figure 2.1 below.

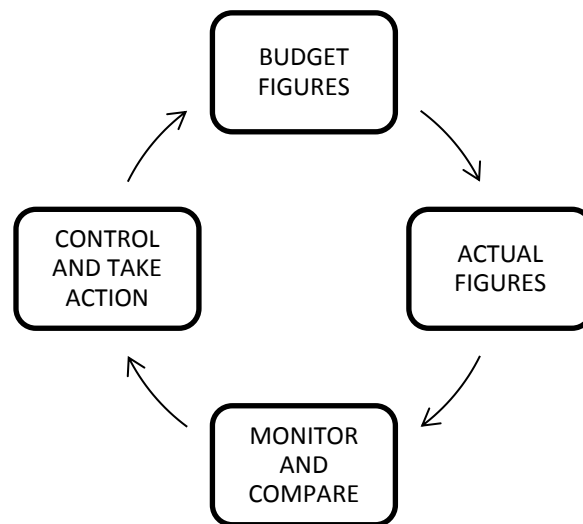


Figure 2.1 Basic monitoring process (Naidoo, 2005:39)

The main aspect of budget monitoring and variance analysis is represented in the third block which directs monitoring and comparing of budget figures with actual figures in the expenditure practice. The block for the budget figures as depicted above, refers to a desired state of finances at a particular stage of the budget year, while the monitoring and comparing relate to the evaluation of actual versus desired financial statuses of schools.

The process involved in budget monitoring, especially the need for consistency and detail suggests the reasons for schools actually engaging in it.

2.3.4 Reasons for budget monitoring

According to the Financial Operating Procedure developed by the University of St Andrews (2010:3), budget monitoring ensures that resources are used for their planned purpose and are properly accounted for to internal or to external bodies. This is to ensure the economic, effective and efficient use of resources

and the identification of potential opportunities and/or problems and the taking of corrective action. According to Maritz (2005:17), the basic reason for financial monitoring is to help the management of the organisation to plan and control finances. In this regard, Kennedy (2011:10) points out that the school budget is used to monitor how actual performance compares with what was planned (Kennedy, 2011:10). Monitoring, according to Govender *et al.* (2004:46), illustrates the financial responsibility of the finance committee.

Arikawe (2009:8) points out that the rationale for budget monitoring involves providing information on the progress of a programme or project as it relates to performance, costs and time schedule relative to the original plan, identifying constraints to performance, their sources and their impacts on the programme/project plan and preparing a report that highlights the findings of the various analyses by presenting a range of logical options requiring decisions by management.

It can be averred that the anomalies reported earlier regarding poor budget monitoring would clearly be noticed and identified timely for action to be taken if proper monitoring was undertaken as a matter of course or procedure in the SGB.

The reasons for budget monitoring also indicate the careful and meticulous way in which it must be done.

2.3.5 How is budget monitoring done?

In order to monitor the budget, the budgeted income and expenditure and actual income and expenditure should be tabulated on a budget report to calculate variance. However, before getting to the stage of calculating variances on the budget income and expenditure and actual income and expenditure, it is important to understand how to budget for income and expenditure as well as how to report the actual income and expenditure.

According to Conradie (2002:144), when budgeting for income and expenditure, the finance committee must consider all possible sources of income. In this

regard, reference could be made to the financial records of the previous year in order to identify as many sources of income as possible. To facilitate a brief budget, similar income sources must be grouped under a single heading with a detailed explanation in a separate schedule, known as an addendum to the budget.

The following table illustrates the basic budget form indicating estimated income as set out according to the identified source:

Table 2.3 Basic budget

SOURCE OF INCOME	ESTIMATED INCOME
School fees	R100 000
Donations	R10 000
Departmental subsidies	R75 000
Tuck shop sales	R15 000
Total income	R200 000

Source: Conradie, 2002:144

Conradie (2002:144) claims that as budget monitoring is important to adjust variances on a monthly basis, then the annual income should be projected to monthly income. The following table shows the monthly income from the source of income:

Table 2.4 Monthly income

SOURCE OF INCOME	ANNUAL INCOME	PROJECTED MONTHLY INCOME
A	B	$C = B/12$
School fees	R100 000	R8 333
Donations	R10 000	R833
Departmental subsidies	R75 000	R6 250
Tuck shop sales	R15 000	R1 250
<i>Total income</i>	<i>R200 000</i>	<i>R16 666</i>

Source: Conradie, 2002:144

The annual income is divided by 12 to arrive at the expected monthly income for each source of income (Conradie, 2002:145). This will give the finance committee an idea of when income can be expected and how much it will be. Projected monthly income at any point in time is a function of how much of the income has been received up to date.

As any source of income is received at the end of each month (actual income), the projection for the rest of the year has to be adjusted (Conradie, 2002:145). As the year progresses, the actual income at the end of each month will necessitate a new calculation of the projected monthly income (Govender *et al.*, 2004:48).

The following table shows an example of the source of income with the actual income of each of the four months illustrated:

Table 2.5 Four months based on income

SOURCE OF INCOME	ANNUAL INCOME	FEB ACTUAL INCOME	MARCH ACTUAL INCOME	APRIL ACTUAL INCOME
A	B			
School fees	R100 000	R5 000	R6 000	R2 000
Donations	R10 000	R1 000	R500	R200
Departmental subsidies	R75 000	NIL	NIL	R25 000
Tuck shop sales	R15 000	R2 500	R100	NIL
Total income	R200 000			

Source Conradie, 2002:145

The finance committee must then determine the need for certain expenditure in terms of its relative contribution toward realising the school's aims and objectives. This will be as reflected in table 2.6 below.

Table 2.6 Priority list of expenditure

ITEM NO	PRIORITY LIST OF EXPENDITURE	ANNUAL BUDGET
1	Advertisements	R2 600
2	Bank charges	R2 000
3	Cleaning materials	R10 000
4	Duplicating costs	R15 000
5	Media centre	R8 000
6	Municipal charges	R24 000
7	Sports activities	R18 000
8	Stationery	R14 000
9	Teaching departments	R42 000
10	Telephone	R6 000
11	Textbooks	R50 000
	<i>TOTAL</i>	<i>R191 600</i>

Source: Conradie, 2002:146

The priority list of expenditure is placed in alphabetical order for easy reference. Comparing the amount budgeted for expenditure with the amount budgeted for income, it can be seen that there is an expected surplus of R8 400 (R200 000 – R191 600 = R8 400). According to Conradie (2002:150), it is a safe policy to budget for a small surplus, because unforeseen expenditure may occur or less income than budgeted for may be realised. However, AS Accounting for AQA (2010:365) states that the budget should be set at realistic levels, in order to make the best use of the resources available.

Calculating the budget variance involves, as pointed out above (2.3.2), comparing the actual income and expenditure, with the budgeted income and expenditure. Mestry and Bisschoff (2009:122) illustrate a simplified variance statement pertaining to the telephone usage as portrayed in table 2.7 below.

Table 2.7 Variance statement

Budget item	Budget total	Expected to date	Actual to date	Variance to date	Variance%
Telephone	1 200	600	700	-100	-16.67%

Source: Mestry & Bisschoff, 2009:122

As illustrated above, the expected expenditure of R1 200 was budgeted for the telephone use and R700 was used or paid. This indicates a variance of -100, which indicates overspending on the telephone use by R100. The sum total of all negative variance figures would therefore indicate overspending by the aggregated sum, whereas if the variance carries a + sign, this would indicate under-spending. A natural reaction would of course generate excitement if there is a + sign – at least no loss is recorded. However, this would indicate, among other reasons, poor budgeting, either in terms of overpricing items or item use or haphazard budgeting, and thus planning. In this regard, Du Plessis (2012b:133) contends that this could be because “*whoever set the budget in the first place underestimated the types, amounts and timing of expenditure to be incurred during the period in question*”. This could also indicate

mismanagement and embezzlement of funds. At this stage, it must be stated that budget monitoring has achieved effectiveness in revealing variance – negative or positive. The next and critical stage is that of investigating the causes of the variances and not trying to hide, reason away, ignore or apply hidden corrective measures. This is the ultimate aim of good financial management and in particular, effective budget management.

Du Plessis (2012b:112) states that when monitoring the budget, checking of expenditure is done. For effective budget monitoring, the amount budgeted for expenditure is compared with the amount budgeted for income on a monthly basis or at whatever intervals are deemed appropriate (Conradie, 2002; Du Plessis, 2012b; Ngubane, 2009). As budget monitoring takes place, the actual column of the budget will be filled in, comparing its figures to the estimated figures and then filling out the variance column as appropriate (Du Plessis, 2012b:112). Du Plessis (2012b:112) states that minor and reversible variances may be handled at the lowest level, whereas major and potentially damaging ones must be brought to the attention of the finance committee. This provides reasons for the significance of budget monitoring.

2.3.6 The significance budget monitoring

Budget monitoring is a significant ‘checks-and-balances’ tool for financial management at schools. Its significance involves many areas of school operations including those detailed in the following subsections.

2.3.6.1 Budget monitoring creates opportunities for corrective action

In terms of the budget process, budget monitoring is a necessity and an important activity that enables the school finance committee and the SGB to take timely corrective action should actual income and expenditure show significant deviations from projected income and expenditure (Mestry and Naidoo, 2009:111). The finance committee and SGB need to track the results and monitor new developments if changes are needed (Smith, 2007:10). Kennedy (2011:10) reports that regular reviews will highlight areas where action

needs to be taken in order to keep finances on track and stay within the original financial plans.

Mestry and Bisschoff (2009:123) gives practical advice by stating that questions should be asked when monitoring the budget and state that “*it [this]⁵ will clearly identify problem areas where changes need to take place*”. Maile (2002:328) further draws attention to a question that may also be asked namely, “*Are there any specific problems or difficulties in the budget process, for example, late or inadequate information, poor communication or unclear responsibilities*”?

Taking corrective action is part of a cyclic pattern of activities in budget monitoring. It is important to see this as a continuous process that seeks to ensure a balance between the actual financial activities of a school and the projected estimates as reflected in the budget. It must also be emphasised that this process will always be prudently done through monitoring of various budgets such as departmental budgets, administration budgets, extra-curricular activities’ budgets and will be reconciled into the whole school budget, usually referred to as the master budget. This exercise ensures that all parties involved in the use of funds, do so within controlled and expected parameters of operation. For example, taking corrective action in the case mentioned elsewhere in this text, would have resulted in early detection and corrective action instead of having the school principal allegedly “*blowing R5,000 on liquor, using the school's petty cash for her personal needs and R7,000 disappearing from the school account*”. Indeed, corrective action in this instance would involve, not only ensuring that funds are not misused, but also taking some hard practical actions, including, reporting to relevant authorities for early intervention, which could include legal action against the principal as prescribed in her employment contract and the Schools Act for members of SGBs who are not employed by the department.

⁵ Own insertion.

2.3.6.2 Budget monitoring increases the accountability of management and the school governing body

Conradie (2002:154) makes the point that the school management is also accountable to the parents as to its cost-effectiveness. The SGB has to ensure that proper monitoring mechanisms are in place in order to indemnify itself and its members (Mestry & Bisschoff, 2009:167). If a problem arises and the SGB or finance committee and school management could not pick it up when the budget was monitored, the SGB members are bound to lose their professional integrity (Van Wyk, 2004:51). This is a pertinent feature of the case highlighted in sections above.

The answers to all questions asked when monitoring the budget reflect the overall management approach at a school. According to Maile (2002:330), all stakeholders are seen to be important participants in the governance of the school, thus all concerned need to account for their involvement in this process. Therefore the principal, SGB, educators and community members involved in the financing and implementation of the budget should be held accountable for dealing with resources in order to ensure effective education. Davidoff and Lazarus (cited by Maile, 2002:330) state “ *... the way in which accountability is executed will indicate what type of management approach is used*”.

By budget monitoring, the SGB and school are able to give account of school achievements and shortcomings in terms of financial matters. This in turn, induces commitment and preparedness for stakeholders like parents to be willing to contribute financially to the school. This is on account of their receiving accurate financial data and convincing reasons backed by specific and authentic financial data and ensures that parents do not end up accusing the school of mismanagement and even misappropriation of school finances. A headline in the *Sowetan* (Ratsatsi, 2012:2) shows what could happen in the absence of accountability. It reads thus:

She took our school's cash – Parents plan to march to demand SGB official to be fired.

Ntseto (2009:229) found in his study that not all schools managed their school funds strictly in accordance with their budgets, which also emphasises the need for budget monitoring. This and many other anecdotes relating to difficulties with financial management at schools would be minimised with proper and careful budget monitoring, especially since it ensures that irregularities and wastefulness are discovered early enough for corrective action to be taken. This, in addition, implies that budget monitoring measures and reflects the effectiveness of financial management at schools.

It must also be stated that monitoring the budget enhances and simplifies the overall accountability of school governance and management in terms of exacting external control and reporting to stakeholders as required by Section 43 of the Schools Act.

2.3.6.3 Budget monitoring measures the effectiveness of the school's financial management

Budget monitoring, being a comparison of amounts allocated for specific items and real expenditure on such amounts, provides an idea of the capacity of the SGB to monitor financial matters of the school (Conradie, 2002:154). The SGB effectively serves as monitor of the school's finances and the activities related to expenditure will thus arguably be dependent on their expertise and their honest and fair execution of duties (Mestry & Naidoo, 2009:112). The effectiveness of financial management entails focusing attention on the delivery of programmes to achieve the goals of education (Maile, 2002:331). Thus monitoring should only be on the basis of an outcome, result or delivery of a task. In other words, the participant given responsibility should exercise his/her powers in a just and effective manner. The outcome would be effective if it measures up to the standards established when financial planning took place. In this regard, when a monitoring process is correctly implemented, successful financial management will be noticed (Ngubane, 2009:22).

In the final analysis, budget monitoring enables school management to achieve its mandate, which Van Wyk (2004) cited by Swartz (2009:4) states as being “to

support management in the allocation of limited resources with the purpose of ensuring economy and efficiency (and effectiveness) in the delivery of outputs required to achieve desired outcomes that will serve the needs of the community (school)".

As the exposition above brings to light, proper and effective budget monitoring ensures and measures the effectiveness of a school's overall financial management. This then means that there are areas of budget monitoring that must be attended to.

2.3.7 Budget monitoring areas

Budget monitoring facilitates and enhances the process of financial monitoring. In fact, the two concepts are so related that they in many instances overlap in terms of areas for monitoring. The financial monitoring process involves recording, analysing and reporting on the finances of the organisation (Maritz, 2005:16). This is without any doubt the most time-consuming and labour-intensive activity in the financial management process because it is a never ending and on-going activity (Maritz, 2005; Du Plessis, 2012b; Naidoo, 2005; Conradie, 2002). Monitoring the budget is also a continuous process that goes on throughout the year. This implies knowing exactly what, when and how to monitor. To be conversant with these requirements, it is important for the SBG and the finance committee to develop and have a school finance policy.

Maritz (2005:17) provides the following as a broad overview of the different areas applicable to the budget and thus, financial monitoring:

- *Record keeping/bookkeeping:* The most important element of financial monitoring is access to accurate and up-to-date information. Every single financial transaction must be recorded for this to happen. Shapiro (n.d.¹:3) states that a good bookkeeping system makes it possible for an organisation to be financially accountable to all its important stakeholders.

- *Preparation of financial statements:* Bookkeeping information is used to produce different kinds of financial statements, including a cash flow statement, statement of activities and a statement of the school's financial position.
- *The income statement:* The income statement measures the amount of money that has come into the school's financial system and that has been paid out by the school's financial system over a specific period of time.
- *Financial analysis:* Compares the planned expenses depicted on the school's budget with the actual expenses to see if the spending of the budget is on track.
- *Financial reporting:* If one of the resources which the school has budgeted for are in some sort of financial crisis, the finance committee might require frequent reports. Financial reporting is a legal requirement according to the Schools Act (Section 43). Regular meetings requiring financial reports should be held to ensure that effective monitoring takes place. To this end, variance reports will show the difference between actual income and expenditure and budgeted income and expenditure (also see Shapiro, n.d.²:16).

Weekly, monthly, and quarterly performance reports measure how successful the school has been in achieving its financial goals and objectives. Variances from the budget are typically presented in a performance report so that unexpected results can be quickly identified (Waite, 2010:2). Any reports need to be timely so that the person responsible for an activity becomes aware of variances as soon as possible (Du Plessis, 2012b:113). This notion implies that financial monitoring, comprising record keeping, preparing financial statements, financial analysis and financial reporting is a process and should occur in a systematic manner.

2.3.8 The monitoring process

A monitoring process, as earlier pointed out, is “*inbuilt in the implementation process in order to identify constraints and devise strategies to overcome them*” and involves “*checks to establish whether the objectives and targets are being met*” (Obondoh, Nandago & Otiende, 2005:28). Being a process therefore, budget monitoring involves a series of actions and procedures executed to achieves the monitoring function – checking on expected income and expenditure against actual income and expenditure.

Nieman and Bennett (2002:117) compiled a monitoring process involving the following basic steps:

- Setting of duties according to formulated objectives.
- Measuring of actual and planned actions.
- Comparing actual actions to planned outcomes.
- Taking corrective action if necessary.

Maile (2002:328) postulates that budget monitoring is a process that is inextricably linked to budget control. An important reason for producing a budget is that management is able to use budgetary control to monitor and compare the actual results. To this end and according to Maile (2002:328), this is so that action can be taken to modify the operation of the business as time passes, or possibly to change the budget if it becomes unachievable. Obondoh *et al.* (2006:37) refer to the monitoring process as tracking and postulate that it involves what to track and where and that it relates to resource inflows [expenditure], usage of resources, effectiveness of policies, performance, quality and outcomes of services [impacts], spaces available for participation by parents, effectiveness of participation by educators, children and parents, plans and budgets in terms of process, structure and content, management practices and decision-making processes and the planning and implementation process.

Budget monitoring is not an isolated activity in the management of school finances. In fact, the whole monitoring process attains significance in the explication and understanding of budget control.

2.4 BUDGET CONTROL: CONCEPTUALISATION

To transit to the conceptualisation of budget control, it is prudent to reiterate the conceptualisation of budget monitoring. From the preceding section, budget monitoring was conceptualised as the constant or continuous checking of the actual income and expenditure of a school against the budgeted income and expenditure. Therefore budget monitoring forms the basis for budget control

Budget control can best be understood from the linguistic connotation of the word 'control' in a management sense. According to Van der Westhuizen (2002:217), controlling involves determining whether intentions embodied in plans, policies and rules are being carried out properly or successfully and involve three basic steps namely, establishing standards, measuring performance against the standards and correcting deviations from standards and plans. Van der Westhuizen (2002:222) emphasises that setting control measures is of use only if corrective steps are taken in cases of deviations being observed. Therefore the ultimate purpose of budget control should be to take corrective action when there are significant variances, which implies according to Van der Westhuizen (2002:222), to *"ensure that the execution of the plan is carried out smoothly and if there is any deviation, the plan should be adjusted"*.

Smit and Cronje (1997:397) point out that control is the final step in the management process and is an important link in the cycle of the management of finances. In this sense, budget control can be seen as ensuring that budgetary and financial intentions as embodied in financial plans, policies and rules are correctly executed and successfully achieve the aims of the school. To this end, Mestry and Bisschoff (2009:121) contend that controlling relates to safeguarding funds and ensuring that they are spent as authorised. The aim then of budget control seems to be tied to applying corrective measures and

indeed enhancing good practice applications of budgetary projections. Du Plessis (2012b:109) opines as much and asserts that “*an important aspect is that of exercising control over control*”. This emanates from exercising control over monitoring outcomes from monthly and quarterly statements and annual reports, as well as checking the availability of funds before agreeing to any expenditure.

Therefore budget control seems to involve and deal with two elements. Firstly, it deals with the issue of financial responsibility within an organisation and secondly, it deals with the issue of decision-making and implementation.

2.4.1 Financial responsibility

Financial responsibility relates to the control exercised by the finance committee or senior management level at school (Lewis, 2003:51). The people on these levels are usually directly involved in making the finance policy, ensuring that it is being used, making sure that budgets are realistic and meet the goals of the school’s objectives, and ensuring that spending is monitored and that the school’s assets are protected (Maritz, 2005:14). According to *BusinessDictionary.com* (2012), financial responsibility refers to the control of an organisation’s operations through the establishment of standards and targets regarding income and expenditure. Such standards and targets, it can be averred, relate to regulatory frameworks for income and expenditure and it can also be concluded that they are inextricably tied to budget projections and thus, budget control. In this regard, Oosthuizen (2007:125) refers to the process through which managers regulate organisational activities in order to make them consistent with expectations established during the planning process.

Therefore a system of control is necessary to ensure that the actual financial performance is in keeping with the expected educational objectives (Van der Westhuizen, 2002:144). Taken from Maritz’s statement above, financial responsibility does not only focus on the responsibility of individuals towards finances, but also to protecting the school’s assets. It can thus be concluded that financial responsibility in the sense of budget control, involves the

responsibility of ensuring a proper balance between actual and projected income and expenditure, by a person(s) delegated such responsibility. To this end, the principal in his official capacity, the SGB, the treasurer and the finance committee play an important role.

2.4.2 Decision-making and implementation

Decision-making and implementation is concerned with the day-to-day management of financial affairs. It thus concerns people who apply policy, authorise expenditure, prepare and monitor the budget and make financial proposals (Maritz, 2005:14). Decision-making and implementation includes the ability to spend money and to make financial decisions. Budget control in this sense, involves decision-making with regard to that which has actually been achieved in order to introduce corrective measures where possible (Lewis, 2003:52).

Budget control, therefore, involves all decisions taken regarding the processes, procedures and policies that are put in place to ensure that money is spent in the right way and that the goals and objectives of the school are met and achieved through financial expenditure (Maritz, 2005:14). Therefore this aspect of budget control, seeks to ensure that only the legitimate parties or people are in charge of the disbursement of funds. If this does not happen at a school, it is likely to lead to conflicts and actions that detract from the operations of the school to advance the education of learners. A case in point is one where the SGB of a school in Cosmo City was disbanded and took the department to court demanding reinstatement (*The Star*, 2011:1). According to the report in this article, parents in the SGB claimed in court papers that the principal of the school who had since been moved from the school apparently by the Gauteng Department of Education “*had mismanaged funds, using school funds to buy baby clothes for the vice-principal and groceries for her family*” and stated that:

It became apparent that funds of the school were used to buy groceries for the principal’s family. Several transactions were made by the principal.

She refused to give us financial documents like cheque books and insisted the previous SGB should have signing powers.

For this reason, it is important that financial management and for purposes of this study, budget control and monitoring be assigned to legitimate structures capable of executing mandated decision-making and implementation processes. This informs in precise terms, reasons for budget control.

2.4.3 Reasons for budget control

In every educational environment there are different levels of budget control. This ensures that specific people are responsible for all the organisation's finances (Champher, 2003:42). This also establishes the practical financial rules, policies and procedures that are used in the organisation to make sure that it continues to function properly (Maritz, 2005:13). Budget control ensures that money is spent in the right way and that the school's goals are achieved through expenditure (Maritz, 2005; Du Plessis, 2012b; Naidoo, 2005; Conradie, 2002). Smit and Cronje (1997:397) assert that the reason for budget control is to ensure that organisations are progressing towards achieving their objectives and that their resources are being used productively. Control is done to keep deviations from planned activities and performance levels to a minimum so that the mission and objectives of the organisation can be achieved with as few hitches as possible (Smit & Cronje, 1997:398).

Shapiro (n.d.²:20) lists the following reasons for budget control, while also adding an element of accountability:

- Regular financial reports are given to all those who have a right to know what the organisation is doing with its funds.
- The organisation can account for funds by producing documentary proof of receipts and payments.
- The organisation can show that the money is being spent on its aims and for the particular work it was intended to cover.
- The organisation does not take on financial obligations it cannot meet.

- The organisation has taken all necessary precautions to prevent misuse of funds, and to keep funds and records relating to them safe.

Engelbrecht *et al.* (2002:30) add that effective control provides early warning signals. These experts further suggest a checklist to counteract the emergence of warning signals in the control process and state that:

- No purchasing should happen without approval.
- Payments due to creditors should be settled within 30 days.
- Mechanisms should be in place to ensure that deposits and income reports correspond with each other.
- All transactions should be trailed or there should be an audit trail.

Considering these suggestions, it is clear that there would be no cases at schools where money is used for purposes other than those for which it was budgeted and that it should be fairly easy to detect anomalies in expenditure and thus apply the necessary corrective measure timely.

Campher, du Preez, Grobber, Looek and Shaba (2003:41) add accounting, reporting and implementation of corrective action as reasons for budget control. Therefore it can be concluded that these aspects of controlling the budget are facilitative of the accountability function of the SGB in relation to the management of school finances.

Much as budget control is important and is done for reasons exposed above, it has to be done through an effective method.

2.4.4 Executing budget control

In order to delegate and to lead the financial management procedures effectively, principals and members of the finance committee must also be familiar with the correct procedures used at the school for successful budget control. Van Deventer and Kruger (2003:240) state that effective financial activities lead to handling the school fund account, receiving, recording and administering school finances and financial accounting and reporting. To

understand how budget control is executed, the school finance policy is imperative.

2.4.4.1 ***Finance policy***

All activities and processes involving the use of and collection of school funds must be informed by the school's finance policy. The finance policy contains all procedures for the handling of money at the school (Western Cape Education Department, n.d:8). In other words, the finance policy details everyone's responsibilities, procedures and rules involved with school finances. This will be facilitative of checking if finance activities are in line with the finance policy and whether they advance goals as well as whether they are being achieved.

Kallaway, cited by Swartz (2009:3), describes the finance policy as a statement of intent, decisions, courses and action and/or resources allocation designed to achieve a particular goal or resolve a particular problem. Shapiro (cited by Ngubane, 2009:28) stipulates that an overall school finance policy contains policy items that relate to a number of areas, *inter alia*, school fees policy, donations policy, post-dated cheques policy, authorisation for cheque payments policy, signatories to the bank account policy and bank overdrafts policy.

Rangongo (2011:56) cite numerous authors who espouse the fact that the school's finance policy should as a minimum requirement, provide a reflection of processes and procedures involving, *inter alia*:

- cash management, which includes safe storage of cash, daily banking of funds received, proper accounting records, financial transactions supported by source documents and monthly reconciliation of the cash books with bank statements;
- internal controls, which include internal checks, audits, separation of duties and information on the audit committees and finance committee;
- audit trails aimed at verifying any transaction and kept for a minimum of five years;
- procurement procedures which must relate to the approval of expenditure or purchases above pre-determined limits, ratification of

expenditure above pre-determined limits by the SGB and rules and procedures relating to putting to tender expenditure or purchases above pre-set limits;

- asset management including safeguarding of assets, annual stock taking and if necessary, setting boards of enquiries; and
- reporting, which relates to budget variances, income and expenditure and audited financial statements to relevant stakeholders.

The finance policy therefore, ensures that the principal, the SGB, the finance committee and all relevant school stakeholders are in full knowledge of how finances are managed at school in terms of, especially, budgeting, income and expenditure, monitoring, control and reporting. Of even more significance, all parties know, in a documented manner, all procedures involved in the use, accounting and reporting of school finances. This is very important, especially considering the cases highlighted elsewhere in this text, which clearly demonstrate poor finance policies or even, poor implementation of policies – which seems to relate to poor budget control and monitoring. With all being involved and understanding what is expected of them, benefits should surely accrue to the school.

Cant, Strydom, Jooste, and Du Plessis (2008:547) argue that it is an advantage for the organisation where all members involved with any management are actively working or cooperating together as a team. This can only lead to a positive outcome in the management of finances. Cant *et al.* (2008:547) continue by adding the following advantages of this kind of financial management cooperation:

- It encourages systematic thinking about the future;
- It leads to improved coordination between different departments and levels of finance management;
- It establishes performance standards for measuring results;
- It provides a logical basis for decision-making; and
- It improves the management team's ability to cope with change and enables it to succeed in a rapidly-changing environment.

The importance of the finance policy creates a situation where all members will be actively involved, taking into account that members' responsibilities and actions will be monitored and controlled (Makhubela, 2005:24).

In controlling the budget, there is a need for establishing checks and balances to ensure that finances are smoothly managed. Clarke (2007:291) asserts that internal and external controls are necessary to ensure that opportunities for mismanagement, dishonesty and fraud are minimised, and that the school's money is used for the purpose for which it is intended (Clarke, 2007:291). Budgetary control can therefore be achieved through both internal and external controls.

2.4.4.2 *Internal controls*

The aim of an internal control structure is to ensure that the organisation achieves all its goals (Maritz, 2005:14). According to Snyder, Hasson and Janks (2003:2), internal controls relate to the plan of an organisation and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records. Among other internal control measures, various authors identify organisation, sharing or segregation of responsibilities or of duties, physical controls or custody of assets, authorisation and approval, documentation, arithmetical accounting, personnel, supervision and management (Snyder *et al.*, 2003; School Financial Management Unit, 2006; Pathak, n.d.), which include recording systems and procedures, retention of documents and tracing of transactions from documents. Furthermore, Maritz (2005:15) states that effective and efficient internal controls should help in the maintenance of reliable financial records, protect the assets of the organisation, authorise transactions and provide accountability. For this purpose, financial organisation is a critical aspect of establishing internal controls.

Although there are many different forms of internal controls, two of the most important and commonly referred to are discussed for purposes of this study namely, the accounting and financial procedures manual and delegation of responsibility.

■ *Accounting and financial procedures manual*

This is a document or a record of the policies and procedures for handling financial transactions. The manual describes in detail how the school's money must be handled (for example, paying bills, depositing cash and transferring money between funds) and who is responsible for what (Maritz, 2005:15). In other words, as highlighted above, this is the document that details the finance policy of the school.

Department of Education (1997:21) states that the accounting system of the school should embody internal control systems to ensure accuracy, validity and completeness of financial information. The Schools Act can also be considered as the overall financial procedures manual for schools. Chapter 4 of the Schools Act clearly states procedures for handling finances in terms of who is in control of the spending and receiving of all funds. The Act covers matters pertaining to the school fund, including the establishment of school funds, expenditures of school fund accounts, financial administration and bookkeeping, budgeting, establishing the amount of the school fund in cooperation with the parents, keeping a record of how funds are used and auditing. The fact that the SGB is charged with the administration of funds based on income and expenditure is in line with the rules allocated to it (SGB) in the Schools Act (Conradie, 2002:112). Thus, the SGB is responsible for all funding and is responsible for financial reports relating to activities performed which indeed, are legal requirements stipulated in Section 42(b) of the Schools Act.

It is important that feedback be provided in terms of income received and income expended. For that reason, it is vital that the SGB has an internal auditing mechanism in place (Mestry, 2006a:127). Reporting on school finances implies providing a financial report on how public money is spent and, as such, it shows how a school is funded and from which sources (Xaba & Ngubane, 2010:23). With regard to financial reporting, Van Rooyen, (cited by Xaba & Ngubane, 2010:23) points out that the report must be compiled and presented on a weekly and monthly basis, at meetings of the SGB and of the parent community.

■ *Delegation of responsibility*

This relates to tasks given to a number of people responsible for financial control. Maritz (2005:15) makes the point that *“the important element is that all of the people at a specific school must know exactly what they can or cannot do in terms of finances and there must be clarity on who will take final responsibility for the finances of the school”*.

According to Sections 36 to 44 of the Schools Act, it is clear that the SGB is responsible for the financial planning of the school and can delegate this function to the finance committee, which is a sub-committee of the SGB. Section 30 of the Schools Act states that the SGB may establish committees such as a finance committee, depending on the needs of the school. It can thus be concluded that the finance committee operates in the best interest of the financial needs of the school. The finance committee may be composed as follows (Western Cape Education Department, n.d: 5):

- Treasurer (chairperson – who must be a member of the SGB);
- Principal;
- Educators;
- Parents; and
- Co-opted members.

According to Western Cape Education Department (n.d:5), Rabinowitz (n.d.) and Mestry (2004:131), a breakdown of the possible duties of the finance committee can be:

- support the treasurer in administering his duties;
- draw up the budget each year;
- advise on fundraising;
- advise on ways to invest surplus money;
- advise the SGB on the amount of school fees to be charged;
- advise the SGB on exemptions from school fees;
- assist the finance officer in drawing up annual financial statements;

- recommend the hiring, retention or firing of potential or current auditors; and
- guard against illegal, unethical or incompetent activities by managers.

Deved Trust (n.d:5) furthermore suggests that the finance committee takes the lead in the budgeting process by ensuring:

- the control and monitoring of all financial matters at the school;
- that the finance policies and procedures within the school are implemented;
- that certain financial delegations are formalised to the appropriate or relevant persons within the finance committee;
- the co-ordination and preparation of the school's annual budget;
- the provision of financial advice regarding school funds to the SGB;
- the making of recommendations to the SGB on the level of school fees to be charged per learner as well as the relevant fee exemptions as per the official regulations; and
- the drafting and presentation of prescribed financial reports to the SGB.

Mestry and Bischoff (2009:87) suggest that the tasks of the chairperson of the finance committee, who could be the SGB treasurer, may be to control income and expenditure in relation to the budget; reporting irregularities to the SGB; executing duties in accordance with sound accounting principles and controls as required by the SGB; liaising with the finance officer (bookkeeper/secretary) on all financial matters; determining the accuracy of the financial records; and ensuring timely settlement of all expenses incurred by the school.

However, considering that there are day-to-day financial management operational matters, it may not always be feasible for the SGB treasurer or even the finance committee to deal with such matters. The SGB should then appoint a finance officer. According to Engelbrecht *et al.* (2002:7), the role of the finance officer will be to set up systems, procedures, processes and training to ensure good financial management. This finance officer may be a non-educator at the

school or an educator or a parent or a member of the SGB. Surely the SGB will delegate responsibilities towards the finance officer and review these duties on a regular basis. Mestry and Bischoff (2009:87) state that the finance officer will perform administrative duties such as:

- recording all financial transactions and keeping the finance committee and chairperson informed of all financial matters;
- ensuring that the school fund is administered in accordance with the directives of the SGB or Head of Department of Education;
- handling cash and petty cash transactions; and
- performing various other duties related to the finances of the school.

Western Cape Education Department (n.d:6) comprehensively espouses the duties of the finance officer as:

- receipting of income;
- maintaining the cash book of the school;
- doing the monthly bank reconciliation statement;
- ensuring the completion of monthly and quarterly reports;
- monitoring the budget against actual income and expenses;
- maintaining the various registers;
- compiling the annual financial statements; and
- any other delegated and other related tasks required by the finance committee.

According to Van Deventer and Kruger (2003:241), in terms of monitoring and controlling the budget, the principal, SGB, treasurer and finance committee are obliged to see to it that the following should be applied as regulations for purchases at a school:

- Expenditure must be checked against the funds budgeted and allocated for specific items;
- All purchases and payments made from the school fund should be authorised by the principal and the SGB;

- An official school order book, in which all purchases are recorded, should be used for purchases;
- Invoices and receipts for purchases from the school fund must be filed for auditing purposes; and
- Payments should only be made by cheque on submission of a specified account.

Delegation of responsibility also implies that a school's accounting system should make provision for the following accounting tasks (Naidoo, 2005:87):

- Identifying, allocating, analysing and interpreting financial information;
- Implementing and executing the school's finance policy; and
- Communicating the school's financial information to all stakeholders.

Finally, delegation of responsibility also requires that monthly and quarterly statements be kept (Van Deventer & Kruger, 2003:243). A final report on the income and expenditure for the financial year including a balance sheet must be submitted to the SGB for approval.

The submission of finance reports and reporting on finances provide a basis for external controls as part of budget control execution.

2.4.4.3 External controls

As implied by the term, external control suggests control emanating from outside the school. In this regard, Section 43(1) of the Schools Act stipulates that the SGB of a public school must:

- Appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 to audit the records and financial statements; and
- Submit to the Head of Department, 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.

Section 43(6) of the Schools Act goes on to state that:

At the request of an interested person, the governing body must make the records referred to in section 42, and the audited or examined financial statements referred to in this section, available for inspection.

An important point that can be made with regard to the provisions of the Schools Act stated above, is that, while external control happens after the fact, that is, the use of funds, it compels the SGB and schools to be accountable, transparent and to conduct their own comparative analysis of patterns of budgeting and expenditure.

The main form of external control as alluded to in the Schools Act, is the annual audit of the school's financial procedures and activities (Maritz, 2005:16). To this end, the auditor audits the records and financial statements referred to in section 42 of the Schools Act. According to Vern and Garfield (cited by Ngubane, 2009:24) an audit report includes:

- A letter of transmittal, including the general contractual agreement, the procedure followed, and other general information;
- A specific statement of the scope of the audit and any limitations it may include;
- A statement of the general and specific findings of the audit, along with the implications of such findings;
- A list of recommendations for any improvements, additions or deletions in the accounting system, together with the rationale for such recommendations, a schedule of tables, figures and summaries of pertinent information concerning school operations, including inventories, insurance policies and, deeds; and
- Comparisons of school operations with those of other years, including receipts, expenditures, special accounts and related information.

The challenge that faces schools relates to the authenticity of audited financial records, which may be indicative of poor control systems throughout the

financial year. This is based on the fact that the audit report represents the total implementation of control systems throughout the year. For instance, Ngubane (2009:116) found from a Head Office officer that it was clear that budgets, and therefore budget control was not done properly at most schools. In fact, there seemed to be a duplication of budgetary targets over the years, which suggests that budgets were not always a true reflection of what schools do. In this regard, Ngubane (2009:116) reports the official's comment:

Anyway, they do send audited financial records to us, which gives the impression that they do report. What I can't say for sure, is whether they report to parents and whether these reports are authentic. Often there are cases where there are allegations of fraud, "doctored reports" and parents not being given the financial reports.

It can also be added that external auditing can assist school stakeholders, particularly the department to track how schools expend the funds allocated to them. For example, Mtshali, (2012:1) reports that the Member of the Executive Council for education in Gauteng, due to an audit, was able to track how Independent Schools were using the subsidies they received from the department. Of 205 independent schools in Gauteng, 112 were found to be compliant and had sound financial management systems in place, 57 schools had minor problems that could be resolved with tighter control and/or policy implementation and 36 schools were referred for further investigation while three schools that refused to be placed under administration were referred for criminal investigation.

2.4.5 Types of budget control

There are three types of budget control which can be applied separately. These are, according to Nieman and Bennett (2007:98) pre-control, concurrent control and post control.

2.4.5.1 **Pre-control**

According to Wachs (n.d.), pre-control focuses on the resources or income of the budget and involves inspecting units or resources (which best fit the needs of the school) and adjusting the budget processes based on the limitations and doing effective research according to budgeted income. In essence, pre-control relates to controlling before the budget is actually compiled. Saymeh and Bakheet (2012:13) refer to it as feed forward control, which focuses on the regulation of inputs (human, material, and financial resources that flow into the organisation) to ensure that they meet the standards necessary for the transformation process. Thus pre-control is used to create policies, procedures, and rules aimed at eliminating behaviour that will cause undesirable work results (Anon., n.d.). Therefore in terms of budget control, pre-control relates to establishing all the necessary policies and control measures to ensure that the budget development process is aligned to the school's needs and procedures that could include rules pertaining to the work of the principal, treasurer, finance committee and the finance officer.

2.4.5.2 **Concurrent control**

According to WisegEEK (n.d.), concurrent control focuses “*on the operational activities that form part of the budget process*”. In other words, concurrent control is used to ensure a kind of uniformity of output. Thus concurrent control ensures that operational activities are done according to the stated goals or outcomes. Saymeh and Bakheet (2012:13) also state that concurrent control “*takes place while an activity is in progress*” and “*it involves the regulation of on-going activities that are part of the transformation process to ensure that they conform to organisational standards*”. Clearly this refers to the actual process of monitoring and control, which in essence focuses on ensuring that the budget matches the expenditure. This implies monitoring performance against set standards and control measures, which include accounting procedures aimed at eliminating unnecessary deviations from the budget, and taking corrective actions where such deviations occur. Concurrent control, therefore, relates to regulatory activities related to budget implementation and control.

Therefore the finance policy needs to be understood by the finance committee and the SGB before operational activities can be compared with the finance policy where actual performance will be measured with the set standards of performance (Ehlers & Lazenby, 2005:234). For this reason, Saymeh and Bakheet (2012:14) state that concurrent control *“often involves checkpoints at which determinations are made about whether to continue progress, take corrective action, or stop work altogether on products or services”*.

2.4.5.3 Post-control

Post-control or feedback control focuses on the expenditure of the budget, with the aim of discovering information regarding the success of the activities performed in order to achieve budgetary goals (Ehlers & Lazenby, 2005:234). In essence, feedback control focuses on the outputs of the organisation after the work is complete (Saymeh & Bakheet, 2012:14), in this case, the audit stage. Thus post-control provides managers with meaningful information on how effective its planning effort was. For instance, according to these authors, *“if post-control indicates little variance between standard and actual performance, this is evidence that planning was generally on target”* and *“if the deviation is great, a manager can use this information when formulating new plans to make them more effective”*.

Between planning and control, and successful management, it is clear that control plays an important role when working with finances. Smit and Cronje (1997:399) state that an organisation needs a control process because the best of plans may go wrong. This evokes understanding the significance of budget control.

2.4.6 The significance of budget control

A budget control process is significant in the educational environment for the following reasons drawn from Smit and Cronje (1997), Maritz (2005), Naidoo (2005) and Oosthuizen (2007):

- First and foremost, control leads to standardised activities in accordance with the school's objectives. Participants forming part of the planning of the financial budget as well as performing different tasks can only be effective if they fully understand what is expected of them. With regard to the financial budget, it is essential to clarify all performance standards in order to ensure that every participant knows what is expected of them.
- Secondly, control is applied to ensure that the school's resources are deployed in such a way that it reaches its objectives. If there is no control, the school's resources could be wasted or misused. With the growth of school self-management, there is a higher risk of mismanagement of school funds. With the creation of budget control, systems are put in place to eradicate or reduce the mismanagement of school funds. If proper control is provided when working with a financial budget, the mismanagement of funds will be avoided thus eliminating opportunities for fraud. For example, the situation recounted by Mestry (cited by Ngubane, 2009:2) that there are reports that some principals and SGBs have been subjected to forensic audits by the Department of Education due to the mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial reports, would be avoided.
- Thirdly, control usually results in better quality patterns over future operations. When planning the budget, a long term vision is also kept in mind so that regular revision and adjustments will influence the control of finances.
- Fourthly, control enables management to cope with change and uncertainty. If the school is to reach its objectives according to plan, control is thus a significant feature.
- Finally, control facilitates delegation and team work. The only way to measure the success of the school's performance is by means of a

control system. Without a control system it is impossible to determine the performance of the entire organisation.

Control is the process through which management ensures that the school's resources are meaningfully deployed so that the mission and objectives of the school can be attained. An overview of the control process is thus crucial.

2.4.7 The control process

The control process is continuous and involves the following basic steps according to Nieman and Bennett (2007:99) and Smit and Cronje (1997:400):

- ***Setting of performance standards according to formulated objectives***

Setting objectives is the starting point of both planning and controlling because objectives must be considered before standards can be developed. A performance standard is a projection of expected or planned performance and, over a period of time, the positive or negative disparity between planned and actual performance is monitored to compare actual performance with a possible standard. Standards are used to measure whether the organisation is meeting its objectives, for example, performance levels in the areas of quantity, quality, time, cost and behaviour. In terms of budget control and monitoring, this implies setting performance standards with regard to monitoring processes, procedures, control measures and processes. The main idea would be to set standards for achieving judicious and effective income and expenditure at school, with the intention of spending income on what it was budgeted for.

- ***Measuring actual performance***

Performance measurement reflects how successful a school is, or if it is not successful, what its level of performance is, thus reflecting a need to improve current performance. The measurement process must always be reliable, valid, linked to the objectives, concentrated on critical

performance areas and must initiate correction if necessary. This implies actually measuring the budget control and monitoring processes in terms of whether they are achieving their purpose. This would answer the question of how well the school performs with regard to income generation and expenditure against the projected values in the budget.

- ***Comparing performance to set standards***

The financial manager must compare the actual results with a performance standard. This outcome will indicate whether the school is on schedule to achieve (or has achieved) the standard and therefore its objectives.

- ***Taking corrective action or reinforce***

Concurrent controls are used to correct performance in order to meet standards. Corrective action is action aimed at achieving or bettering the performance standard and ensuring that differences do not recur in future. If actual performance does not match the performance standard, management has three options (Smit & Cronje, 1997:404) namely that actual performance can be improved to attain the standard, the strategy can be revised to attain the performance standards set or the performance standards can be lowered, or raised, to make them more realistic in the light of prevailing circumstances.

The control process necessitates an understanding of criteria for effective control.

2.4.8 Criteria for effective control

To be effective, control must comply with certain criteria. According to Conradie (2002) and Nieman and Bennett (2007), the criteria for effective control include the following:

- Control or control systems should be linked to the desired objectives of the school.

- The control process must be objective in order to eliminate subjectivity.
- The control process must be completed by considering all relevant factors and evaluating what is supposed to be measured.
- Timely control or a control system must provide information when it is needed most.
- Acceptable control or a control system is being recognised by employees as necessary and appropriate for establishing and maintaining good performance.
- All individuals exposed to a control system must fully understand the meaning of the system and specifically the implications of the set standards.
- The cost-benefit scenario regarding control must be clearly evaluated in order to establish the economic viability of the measure.
- Control is of no use if the control measures indicate deviations but no applicable corrective action follows.
- When employees are exposed to a control system in the educational environment, they will agree to it only if they have accepted it.

Kennedy (2011:12) adds to the above criteria for effective control. He states that effective budgetary control involves getting behind the figures of the budget finance and focus on economy, which relates to sourcing resources as cheaply as possible, effectiveness, which relates to ensuring that the desired goals or targets are achieved and efficiency, which means ensuring that outputs or outcomes are maximised for the resources or inputs that are used.

To be really effective, budget control must comply with certain characteristics.

2.4.9 Characteristics of an effective control system

According to Smit and Cronje (1997:418), a control system tends to become an effective system when it is integrated with planning, and when it is flexible, accurate, objective, timely and not too complex.

- ***Integration with planning***

According to Waite (2010:2), integration may be perceived to include a formal statement of a set of goals, the reasons why they are believed to be attainable, and the plan for reaching those goals and may also contain background information about the organisation or team attempting to reach those goals, which for schools may focus on education service delivery goals. In this regard, foremost and guiding the service delivery goals of the school, is promoting the best interests of the school and providing quality education to learners as prescribed by the Schools Act.

- ***Flexibility***

This means that budget control should be able to accommodate change. Timely adjustments in objectives or plans should not be regarded as deviations, but as revised objectives or plans, and the control system should be able to adjust to such revisions, within limits, without management having to develop and implement a new control system.

- ***Accuracy***

A control system should be designed in such a way that it provides an objective and accurate picture of the situation.

- ***Timeliness***

Timeliness implies that control data are not obtained by means of hasty, makeshift measurements but rather should be supplied regularly, as needed.

- ***Unnecessary complexity***

Unnecessarily complex control systems are often an obstacle because they can have a negative influence on the sound judgement of competent managers (Naidoo, 2005:104). Unnecessary control is equally demotivating for personnel and leads to resistance to control systems.

2.5 SYNTHESIS

The foregoing discussion has exposed the essence of budget control and monitoring. Clearly, the two concepts, while delineated for academic purposes, are clearly intertwined and are clearly interactive in nature. It is clear also that while monitoring the budget, control also takes place. This implies that the two concepts are inclusive of each other.

It is also clear that with prudent and careful budget control and monitoring, schools can benefit a great deal in ensuring adherence to the legal prescripts, especially as contained in the Schools Act. This also clearly demonstrates that the budget control and monitoring activities are executed as a systematic process. Firstly, this needs to be done on a split basis, which, for practical reasons at schools, can be on a monthly basis. To this end, Naidoo (2005:50) depicts the entire process succinctly as illustrated in figure 2 below.

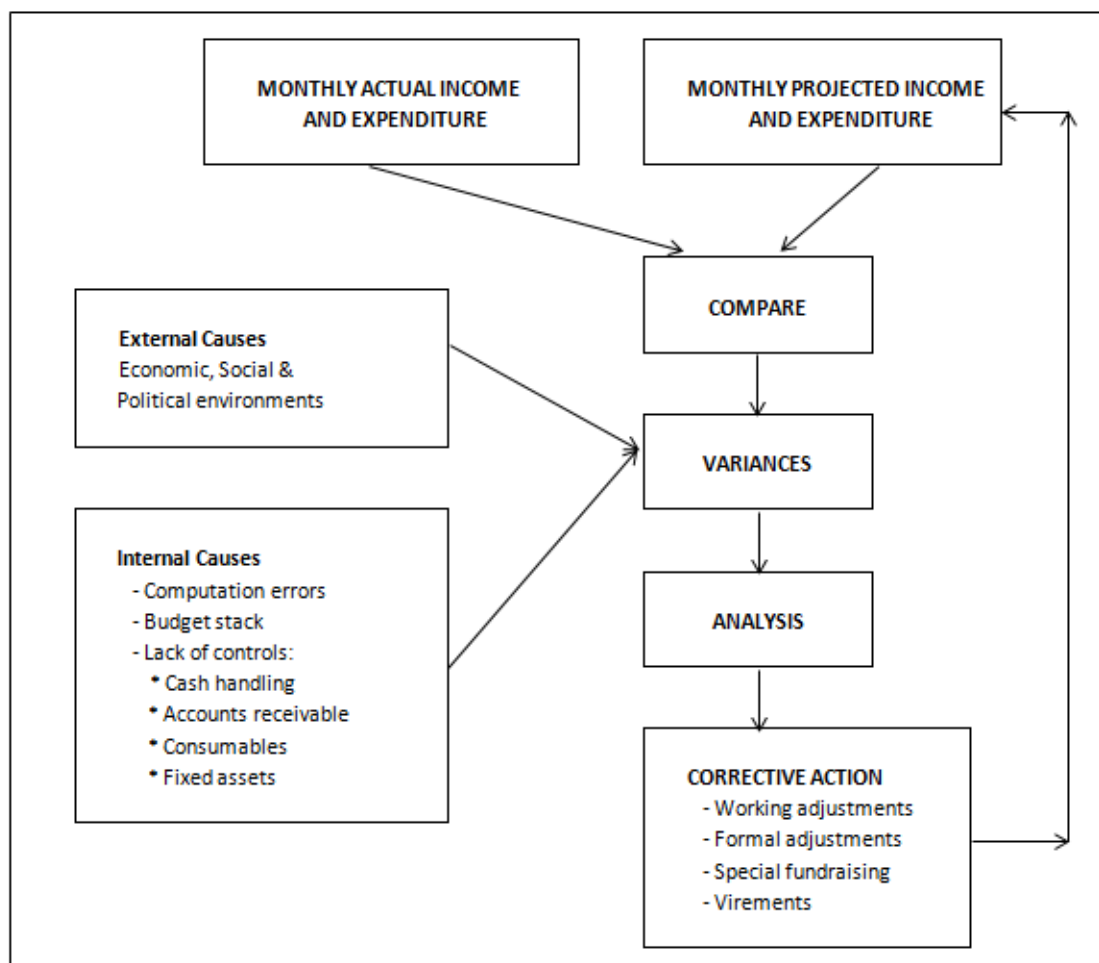


Figure 2.2 Monitoring and controlling a financial budget (Adapted from Naidoo, 2005:50)

Taken from figure 2.2, it is clear that when monitoring the financial budget, monthly actual income and expenditure will be compared with monthly projected income and expenditure. By comparing actual and projected income and expenditure, opportunities are created to ensure that members involved with the financial budget will stay on track in order to achieve set goals. By comparing income and expenditure variances will be picked-up. These variances could either be due to external or internal causes. Both external and internal causes could affect the school budget, thus the budget needs to be analysed. Whatever the cause of the variance, management needs to be efficient in ensuring that a change of plans will take place. This change of plans should correct the cause of any mismanagement and a new plan of action should be

provided in line with the set goals. In other words, corrective action should take place. This is an on-going process as corrective action should be monitored and controlled to ensure effective financial management.

Secondly, the budget control and monitoring process needs to be followed up on an overall scrutiny basis, which may be, depending on the school's practical circumstances, quarterly or even bi-quarterly and should culminate in the overall annual budgetary monitoring and control scrutiny and analysis. In this regard, University of St Andrews (2010:10) depicts the process of follows:

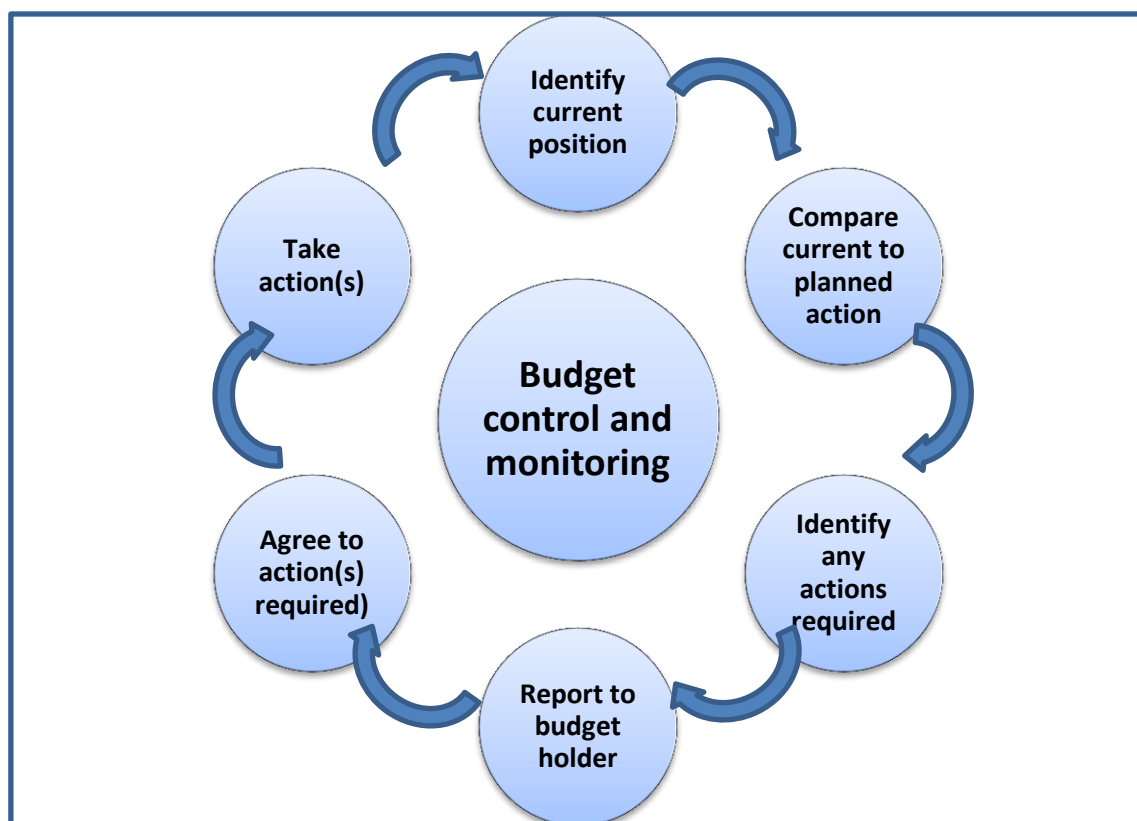


Figure 2.3 Overall budget control and monitoring

The process of overall budget control and monitoring can be seen as a reconciliation of all school budgetary processes as informed by the financial performance of different units. This can also be seen as a process of analysing the planned financial inputs against the planned educational outputs. In this regard, University of St Andrews (2010:4) describes the process as:

- Identifying the current position, which can be considered as an analysis of the current expenditure and income.
- Comparing current to planned position, which could include an analysis of the current and expected financial position and planned educational outcomes.
- Identifying any action(s) required, which could relate to variances in terms of over- and or under-spending and may lead to the need for budget review or virement action.
- Reporting to the budget holder, which entails the activities of the finance committee and or the finance officer as delegated officers having to inform the SGB of progress toward the planned position through the treasurer, as the SGB is ultimately responsible for achieving that position.
- Agreeing on action required, which means that at this stage, agreement must be reached as to how the current position can be brought in line with the planned position. Actions as alluded to above, may include re-allocation of local budgets, agreeing on areas where costs need to be reduced, agreeing where additional money is to be spent and allocating an appropriate budget.
- Taking action, which entails the SGB being required to take action that is necessary to ensure alignment to the planned budgetary position.

From the exposition above, it is clear that financial monitoring and control comprises internal and external measures and systems. For that reason, it is crucial for school governing bodies to ensure that systems created for these processes are implemented meticulously.

2.6 CHAPTER SUMMARY

This chapter presented the nature of a school budget and identified two main constructs in this regard namely, financial monitoring and control. This lays the foundation for the development of the empirical research.

The next chapter presents the empirical research design.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research methodology undertaken to gain insight into the budget control and monitoring challenges for school governing bodies. This in essence entails an exposition of how the study unfolded in terms of the research paradigm, design, strategy of inquiry, data collection, analysis and interpretation, participants and issues of trustworthiness and ethical standards. The study trajectory is summarised in figure 3.1 below.

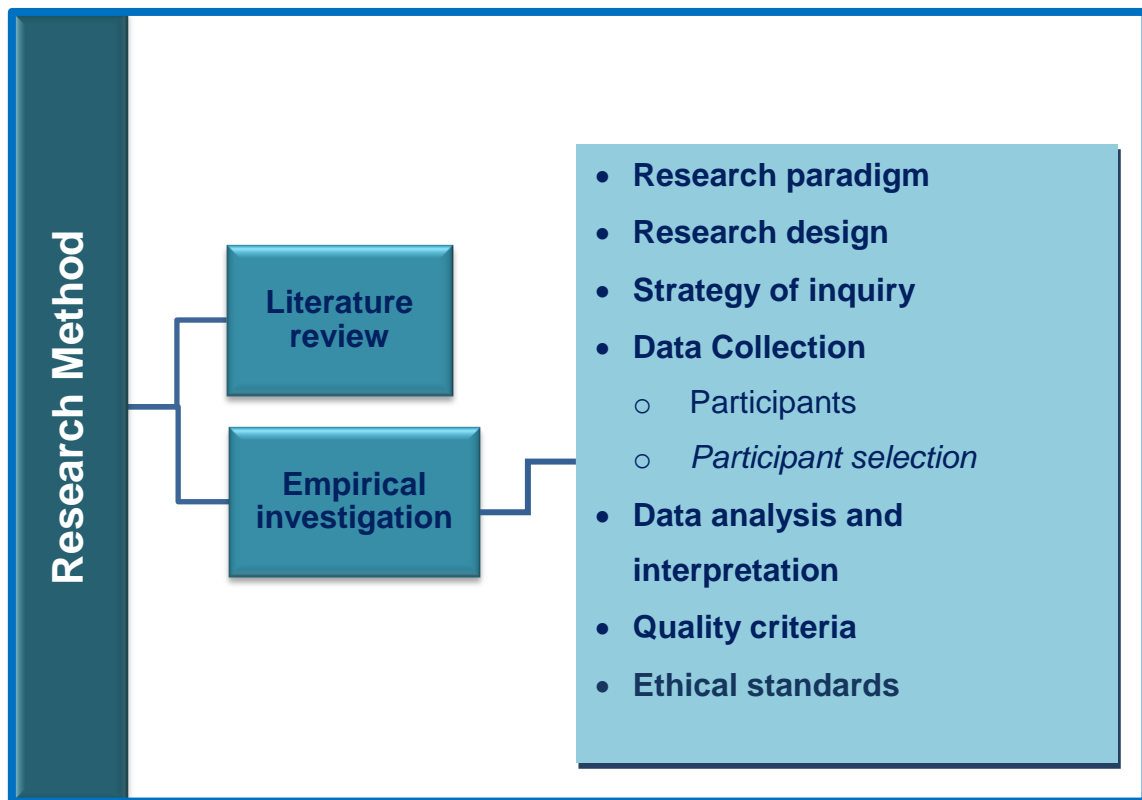


Figure 3.1 An outline of Chapter 3: the research methodology

3.2 RESEARCH METHOD

The research methodology basically entailed the literature review and the empirical investigation.

3.2.1 Literature review

The literature review explored important constructs attendant to the nature of budget control and monitoring and included the explication of the theoretical aspects of budget control and monitoring and the associated challenges for SGBs. Numerous literature sources on the study phenomena were located for review using among others, search engines and databases like the EBSCOhost, ERIC, GOOGLE and GOOGLE Scholar. The literature review is undertaken to get a clearer understanding of the nature of the problem that has been identified, and to help focus and shape the research question and it shows a path of prior research and how the current research is linked to previous researches (Fouché & Delport, 2002:127). For this reason, I engaged intensively in this process to answer the first research question relating to what budget control and monitoring entail, using the following key words:

financial management; budget; budgeting; budget process; budget monitoring; budget control; finance committee(s); financial management functions; financial control and monitoring.

3.2.2 Empirical investigation

The empirical investigation was concerned mainly with data collection from research participants in an attempt to respond to the research question of what challenges school governing bodies experience in managing their finances with reference to budget control and monitoring. Thus, the investigation involved the use of interviews as data collection mode as well as the involvement of principals, finance officers, a treasurer and IDSOs. The entire empirical investigation included activities detailed in the following subsections.

3.2.2.1 Research paradigm

This study was conducted within a social constructivist paradigm and sought to explore, understand and describe the challenges that SGBs of public schools face when controlling and monitoring their budgets. Social constructivists hold the view that people “*seek understanding of the world in which they live and*

work and thus develop subjective meanings of their experiences, meanings directed towards certain objects or things” (Creswell, 2009:8). McMillan and Schumacher (2001:396) point out that in social constructivism, people form constructions in order to make sense of for example, events, persons, processes or objects and reorganise them as viewpoints, perceptions and belief systems. Within this paradigm, McMillan and Schumacher (2001:396) further stress that the researcher relies as much as possible on people’s views of the situations being studied by focusing on specific contexts in which people live and work in order to understand subjective meanings that people negotiate through social, cultural and historical interaction with others. For these reasons, and as espoused by Creswell (2009:8), data collection was based on the assumptions that the participants construct meanings and have experiences about budget control and monitoring and thus engage with and interpret the implementation and challenges of the two processes. My main aim with the inquiry was, as pointed out by Creswell (2009:8), to “*make sense or interpret the meanings*” that participants have about the budget control and monitoring processes at schools.

In line with the assertions above, the social constructivist mind-set in this study assisted me as researcher to gain an understanding of and interpret data in that I was able to base my interpretation on how participants assigned meaning and expressed their viewpoints in so far as their experiences of the budget control and monitoring processes were concerned. In trying to interpret the meanings participants assigned to the processes in question, I consider myself to have been an ‘insider’, as it were, because using my mind to understand participants’ perceptions and experiences, I could not be separate from the study phenomena, which it must be asserted, is a feature of social constructivism and one of the fundamental tenets of qualitative inquiry (Henning, Van Rensburg & Smit, 2004:10).

Because I sought to understand and interpret the perceptions and experiences of participants about challenges experienced in budget control and monitoring, I used open-ended questions. The use of open-ended questions is in line with

social constructivism (Henning, *et al.* 2004:10). For that reason, the research design became an important aspect of consideration for the approach to data collection in that it had to be a design that allows for people to express their feelings and viewpoints and relate their experiences about the study phenomenon. In fact it was important for me to collect data that would reveal participants' experiences of engaging with the processes of budget control and monitoring because their lived experiences, so to say, would generate an understanding of challenges pertinent to these processes at schools.

3.2.2.2 Research design

A qualitative research design was used for data collection and analysis. According to Leedy and Ormrod (2002:47), qualitative research gives the researcher an opportunity to understand phenomena within their direct surroundings. Furthermore, qualitative research uses an in-depth inquiry to study a phenomenon in its natural setting, to make sense of, as well as to interpret a phenomenon in terms of meanings and understanding constructed by people (Denzin & Lincoln, 2005:3). This is in line with the paradigmatic orientation and second question of this study as pointed out above.

Furthermore, Gay and Airasian (2003:13) argue that qualitative research “... *seeks to probe deeply into the research setting with an intention of obtaining a deep understanding about the way things are, as well as how participants perceive them.*” For these reasons, this design was suitable for the social constructivist paradigm adopted in this study as it sought to explore and understand the study phenomenon within its naturalistic environment, where participants exercise budget control and monitoring activities and would be better able to proffer their viewpoints, feelings, experiences and understanding of challenges regarding budget control and monitoring at their schools. While challenges were experienced with regard to the naturalistic environments in the form of research sites in terms of access, I managed to gather data from participants in circumstances that were relaxed and enabling enough for purposes of this study.

3.2.2.3 **Strategy of inquiry**

The strategy used for data collection was phenomenological. This was deemed suitable for this study in that phenomenology fits in with the purpose of this study, its conceptual and paradigmatic set because as Fouché (2002:273) contends, phenomenology as a strategy “*seeks to understand and interpret the meaning that the people give to their everyday lives*”. Phenomenological interviews are, according to McMilan and Schumacher (2006:352), a specific type of interview used to study the meanings and essence of a lived experience among selected participants and in particular, “*investigate what was experienced, how it was experienced and finally the meanings that the interviewees assign to the experience*”. Consequently, a phenomenological strategy of data collection enabled me to understand challenges of control and monitoring from an “insider” viewpoint.

I fervently held the opinion that treasurers, finance officers and principals would provide me with information that would, as it were, reveal their perceptions and experiences as part of their ‘lived experiences’ as people involved in executing financial management at schools. Furthermore, I contended that IDSOs as officials in charge of school governance development and support and who were also in charge of monitoring the implementation of policies, both of schools and of the department of education, would be valuable data collection sources and would provide data that would give a balanced perspective of challenges regarding budget control and monitoring at schools, which would also provide scope for comparison between and among data sets collected and thus provide trustworthiness.

3.2.2.4 **Data collection**

In line with the social constructivist paradigm, the qualitative design and the phenomenological strategy of data collection, initially one-to-one semi-structured phenomenological interviews were to be used with participants selected from school finance committees. Furthermore, interviews were deemed appropriate for this study because they allow for in-depth probing of

participants' views in a relaxed naturalistic atmosphere. Interviews also, as stated by Nieuwenhuis (2007a:87), allow researchers to "*see the world through the eyes of the participant*". To this end, rich descriptive data were collected so as to aid the understanding of how budget control and monitoring at schools were carried out as well as to discover the attendant challenges thereof. In this way, useful data was gathered whereby participants were probed to "*recall information based on facts, their perspectives about the facts, feelings, motives, present and past behaviors, standards for behavior and conscious reasons for actions or feelings*" (Leedy & Ormrod, 2002:147). In addition, interviews were preferred as they would allow me control over the line of questioning (Creswell, 2009:179).

However, at the data collection stages, numerous challenges were encountered with regard to the availability of treasures of SGB finance committees. The majority of them were unavailable, for one reason or another, even though they had agreed to participate. I got a distinct impression that this development was due to the sensitive nature with which schools perceive any probe of their finances. I could furthermore, not act unethically by forcing them to participate and I also had to consider the conditions stipulated by the GDE as gatekeeper, that "*The Researcher will make every effort to obtain the goodwill and co-operation of all the GDE: officials, principals, and chairpersons of the SGBs, teachers and learners involved*" (See Appendix B).

Consequently, I had to choose a pragmatic approach to collecting data that would still be relevant to the study and would, in particular, answer the empirical research question. Creswell (2009:10) contends in this regard that pragmatism allows the researcher to choose an investigative approach that "*arises from actions, situations and consequences rather than antecedent conditions ...*" (Creswell, 2009:10). Creswell (2009:10) further argues that being pragmatic is concerned with applications – what works and solutions to problems, and therefore researchers using this approach emphasise the research problem and/or questions, and choose all the approaches or methods available to understand the problem. While interviews were still used for data collection,

principals, a treasurer at one school, finance officers and IDSO were approached and selected conveniently for interviews. Interviews with finance officers and a treasurer were conducted on condition that the interviews would be confidential and their participation would not be made known. As a result, no recordings were allowed and I had to take notes of responses as fast and as accurately as I could.. While this was a challenge, a privilege was extended to me that I could telephonically follow-up as and where necessary.

All the interviews held were semi-structured and consisted of open-ended questions (Appendix A). Being open-ended, interview questions allowed the participants, especially the finance officers, the one treasurer and the principals to express themselves freely, with me having very little control over their responses. This allowed them to relate their experiences and perceptions of challenges in budget control and monitoring, which, combined with my own pre-held experiences on how budget control and monitoring presents challenges to SGBs was of immense benefit, as McMillan and Schumacher (2006:352) assert: *“interviews permit an explicit focus on the researcher’s personal experience combined with the experience of the interviewees”*.

3.2.2.4.1 *Participants*

Though initially, participants were to be treasurers of SGB finance committees, this was changed due to the circumstances explained above. At this stage, an important consideration was gathering data that would respond to the research question and foster an understanding of challenges in budget control and monitoring at schools. In this regard, McMillan and Schumacher (2006:127) make the point that in deciding on participants, an important consideration is that of ‘information-rich’ cases and this is based on the judgement of the researcher. In consideration of this, a decision was taken to involve other available and willing members of finance committees. For this reason, I decided on a population of school principals and finance officers at school level. This decision was based on the data collection motives of identifying challenges regarding budget control and monitoring and not how individual or specific schools performed regarding budget control and monitoring.

I was convinced and sure that they would be able to provide data that would help me understand the challenges they experienced in budget control and monitoring. Principals were considered as 'key informant interviewees' (McMillan & Schumacher, 2006:351) because they were regarded as "individuals who have special knowledge, status or communication skills" they would share with me as researcher. Finance officers were also selected for similar reasons, but also because their roles in the finance committees were considered vital in that they were involved in the day-to-day management aspects of finances. The information they would share would therefore be up-to-date and precise where budget control and monitoring were concerned.

IDSOs were selected for their oversight role over school governance support and development. They, in fact, are officers at District Office level who are charged with the monitoring and support function of the implementation of school and departmental policies.

Therefore for pragmatic reasons, the following participants were involved in the study:

- Principals;
- Finance officers who were willing to participate were selected on conditions that they laid out; and
- IDSOs.

Therefore the choice of participants at this stage was considered useful to the purpose of the study and thus participant selection could be done from these participants.

3.2.2.4.2 *Participant selection*

Participant selection for the interviews was done conveniently and purposefully. Convenience selection was done on the basis of accessibility and willingness (Strydom & Venter, 2002:207) and this was influenced by the challenges mentioned earlier in this text. Purposeful selection was done on the basis of my judgement and for pragmatic reasons in deciding on participants who would

proffer relevant data in language constructions that would be appropriate for the study phenomena as well as the fact that these would be tantamount to key information sources (Creswell, 2009:178; McMillan & Schumacher, 2006:351; Strydom & Venter, 2002:207).

Having conveniently and purposefully decided on principals, finance officers and IDSOs, I was able to interview willing participants comprising 4 primary school and 6 secondary school finance officers, 1 secondary school treasurer⁶ and 4 secondary and 2 primary school principals. This added up to 6 principals, 10 finance officers and 1 treasurer from a secondary school and totalled 17 school level participants. In addition, data was also collected from 4 IDSOs, who I found were not personally available and as such, preferred to provide written responses to interview questions. In sum, the data collection process involved 21 purposefully and conveniently selected participants.

3.2.2.5 Data analysis

The first step in the analysis involved the organisation of data. This entailed some *verbatim* transcriptions and organisation of data, including written responses into chunks that could be read and re-read to get the sense of the whole. This was done with pre-determined categories, which, according to Nieuwenhuis (2007b:109), is also called *a priori* coding and means that the researcher uses pre-set categories into which data is to be sorted or coding begins with a list of categories determined in advance. McMillan and Schumacher (2006:367) lists five sources used for this purpose namely, the research question and sub-questions, the research instrument such as the interview guide, themes, categories and concepts used by other researchers, prior knowledge or personal experience of the researcher and the data themselves. In the data analysis for this study, these sources were used to set categories in advance, especially the primary question, the purpose statement, the secondary questions and the topics embedded in the questions asked as listed in the interview schedule (see Appendix A).

⁶ This was the only treasurer available who was willing to participate (see 3.2.2.4.1).

Emanating from this process, nine pre-set categories emerged namely, budgeting process, budget implementation, budget variance, budget control and monitoring, realistic preparation of budgets, budget approval, internal auditing, impression of external audit records and conflict emanating from financial management challenges.

Furthermore, the data were organised into three matrices⁷ representing the participants which were school principals, finance officers and the one treasurer and IDSOs. In reading the data, it became clear that there was a need for further analysis and especially coding and thematising, due to patterns that were emerging from the data. This resulted in four distinct themes namely, the *budgeting processes, budget implementation, budget monitoring and control and miscellaneous challenges*.

Therefore data analysis became a culmination of both pre-determined or *a priori* coding and inductive analysis, which resonates with McMillan and Schumacher's (2006:368) assertion that "*the use of predetermined categories provides only a starting point; they are provisionally applied and refined*". The inductive analysis was done following typical steps that are followed in the analysis and interpretation of data in qualitative research as suggested by Leedy and Ormrod (2005:136) and elaborated upon by Creswell (2009:185) and Nieuwenhuis (2007:109) thus:

STEP 1: *Organising and preparing data for analysis*, which entails the source of information and determining the sorting and arranging of data into different types of information. At this stage, data were first transcribed organised for analysis into three matrices, each for data collected from principals, finance officers and the treasurer and IDSOs, using the nine predetermined categories.

STEP 2: *Reading through all the data*, to obtain a general sense of the information and reflect on its overall meaning. This I did and began identifying similarities in responses and later differences and controversies. This made it

⁷ The one treasurer was included in the matrix pertaining to Financing Officers.

easier for me to write notes on the margins of data transcripts as well as to begin to organise data into segments denoting similarities or trends.

STEP 3: *Beginning detailed analysis with a coding process*, which implies that before bringing meaning to information, material would have to be organised into segments of text. Thus everything that I had gathered during data collection was placed into pre-determined categories for subsequent inductive analysis and refinement. For instance, I realised that some of the data captured could be re-classified into an independent miscellaneous category with its own segments of data for interpretation in relation to the main constructs of the study – budget control and monitoring.

STEP 4: *Using the coding process to generate a description of the setting for analysis*, which involves a detailed rendering of information based on the experiences, perceptions and challenges identified by participants in the financial budget control and monitoring processes. The coding process would then lead to the generation of final categories or themes, which are the ones appearing as major findings in the research report. In my refinement of data, the nine pre-set categories were reduced to four main categories.

STEP 5: *Advancing how the descriptions and categories will be represented*, which in this study, are in the form interpretive reporting to convey findings and analyses. This includes a liberal use of direct quotes to portray participants' actual words in line with the interpretive approach to data analysis and interpretation as well as ensuring trustworthiness. The data interpretation culminated into a report with a liberal use of direct quotes, which for purpose of impact in the report include a mix of nested and text embedded quotes.

STEP: 6: *Making an interpretation of the data*, which included comparisons of data collected with the literature review. This resonates with Leedy and Ormrod (2002:189), who states that the researcher could derive meaning from the literature review from a comparison of the findings with the information gleaned. In this way I was able to determine if findings confirm existing research or diverge from it. This whole process of analysis also helped me to analyse and

mainly to interpret the data using three matrices classifying data from principals, finance officers and treasurer and IDSOs, out of which four emerged as the final categories.

3.2.2.6 Role of the researcher

The role of the researcher is important in so far as he/she needs access to and the confidence of the participants as he/she is the primary data collection instrument (Creswell, 2009:177). My purpose of gathering data, as expounded by Creswell (2009), required of me the ability to withstand tedious situations. In this regard, I sought the collaboration of participants and because some participants were sensitive towards participating for fear of the so-called “*reprisals*” for divulging “*sensitive*” information, I assured them that their human rights would be protected, thus they would not have to answer any questions which they felt uneasy about. I also identified and was conscious of my own values and personal issues that could compromise the trustworthiness of data collection and analysis, and collaboration with participants. For that reason, I made sure that I adhered to the interview schedule and avoided probes that could be misconstrued as some kind of a forensic investigation.

My role involved taking steps to gain entry to the research sites and to secure permission to study the participants’ situation, which entailed gaining approval from the relevant gatekeepers (Creswell, 2009:178). To this end, the department’s letter of approval and the goodwill of participants who finally agreed to participate were pivotal to the completion of the data collection process.

3.2.2.7 Quality criteria

Quality standards in qualitative research revolve mainly around trustworthiness, which relates to taking dynamics into account while not putting words in people's mouths (Leedy & Ormrod, 2002:147). Flowing from this, measures were taken to ensure trustworthiness, as suggested by Creswell (2009:113). First, I used cross-comparison among different data sources of information by

examining evidence from interviews and using it for the creation of themes, while adding validity by basing data on the perspectives from participants. This was done between and among data collected from the three matrices as mentioned elsewhere above. Second, I carefully compiled the data by consulting participants where there were gaps due to not being able to record the interviews. In some instances, I requested written responses as a way of confirming my initial note-taking.

Third, I also consulted previous research on financial management and the budgeting process to compare the emergent themes with what had already been written in these areas. This ensured that data collected and analysed could be cross-checked against existing knowledge on the study phenomena. Fourth, I ensured that I understand my own biases and to eliminate data contamination. In this regard, I had held, as is generally believed, the opinion that town schools are better managed and that the budget control and monitoring process were well executed. I made sure that this view does not influence my thinking during the data analysis by always referring to the conceptual framework of the study and making sure that I was guided by the data as it came from the participants. Fifth, I made sure that I present discrepant information by discussing evidence in themes because, as pointed out by Creswell (2009:192), discussing contradictory information adds to the credibility of an account, while contrary information creates a more realistic literature review. Finally, my supervisor acted as critical reviewer of the data analysis and discussion and made constructive and critical comments for my consideration.

3.2.2.8 Ethical standards

As part of my role as researcher, I sought to conduct the data collection phase by complying with the necessary ethical protocols (Creswell, 2009:89). Firstly, I sought the permission of the Gauteng Department of Education to conduct the research with selected participants from schools. Secondly, SGBs and school principals were requested to permit my entry into their schools for one-to-one interviews with willing participants. Thirdly, I obtained ethics approval from the

Vaal Triangle Campus' North West University Ethics Committee. Fourthly, I laid out the possible contribution of the study as their participation in this study would only be concerned with the social issue being researched. Any participant could withdraw if they so desired and their rights would be and were respected including their right not to answer questions which made them feel uncomfortable. Finally, I ensured that I solicited each participant's informed consent to the interviews, which was once more, based on the condition that confidentiality and anonymity would be assured and that their participation was voluntary.

3.3 CHAPTER SUMMARY

This chapter has outlined the empirical research in terms of design and research method. The following chapter presents the data analysis and interpretation.

CHAPTER 4

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 INTRODUCTION

The previous chapter presented the research methodology used in this study and included an explication of the research paradigm, design, data collection strategy, participants and their selection, data analysis procedures and quality criteria and ethical standards. In this chapter, the empirical study results are presented and discussed. I present data collected from 21 purposefully and conveniently selected participants in order to present and discuss challenges experienced by school governing bodies in managing their finances with reference to budget control and monitoring.

4.2 DEMOGRAPHIC PROFILE OF PARTICIPANTS

The participants for this study consisted of six school principals, a treasurer, ten financial officers and four IDSOs. Although participants' demographic profiles are important in research, no attempt in this study was made to link and or interpret data in relation to this as would be the case with a quantitative study. Rather, focus was on discovering and gaining insight into challenges experienced by SGBs with regard to budget control and monitoring. Consequently, data collected, analysed and interpreted was not generalisable to SGB populations, but was rather critically analysed to understand meanings participants attach to SGB activities around budget control and monitoring as aspects of financial school management.

4.2.1 Profile of participant school principals

Twenty-one participants were involved in the study. Participants were from both primary schools and secondary schools located in town areas (see Table 4.1 on the next page).

Principal	Gender	Experience	Category	Enrolment	Quintile
A	F	5	Secondary	750	2
B	M	18	Secondary	1185	4
C	M	15	Secondary	952	4
D	F	8	Primary	872	2
E	M	9	Primary	822	2
F	F	11	Secondary	1512	4

Table 4.1 Profile of participant principal

The profiles of principals who were participants indicate some peculiar features. The following are notable:

There were three female principals (A, D and F) with experiences of 5, 8 and 11 years respectively. There were also three male principals (B, C and E) with experiences of 18, 15 and 9 years. The two principals with 18 and 15 years of experience were in charge of schools with high learner populations.

The composition of the selection of participants indicates a balance in the gender mix. This was found to be in line with the fact that town schools have in the past been mostly dominated by male principals and indicates that these are appointments made post 1994 with the new Constitution and laws of the country, especially, the affirmative action principle which lays emphasis on gender equity and seeks to affirm women as leaders in public institutions (Van Wyk, 2004:49).

Principals A, D and E were from schools classified as quintile 2. Of these, principals D and E were from primary schools with enrolments of 872 and 822 respectively, while principal A was from a secondary school with an enrolment of 750 learners.

All three principals had less experience in the management of school finances as *ex-officio* members of their SGBs for less than 10 years, with principal A particularly less experienced at 5 years.

Principals B, C, and F were from secondary schools with particularly high enrolments of 1185, 952 and 1512 respectively. These high enrolments suggest serious implications for financial management and in the case of this study, effective budget control and monitoring, especially because they are at schools with quintile 4 classifications.

Both the enrolments and the quintile classifications suggest the need for effective financial and budgetary management processes, especially with regard to the schools' quintile classifications (4 for both secondary schools and 2 for the primary schools). This is because the participants are all from Section 21 schools and as pointed out earlier (see 2.2), their budgetary allocations from the provincial department of education are guaranteed and, because such allocations are dependent on the quintile classification and enrolments, fundraising is a prominent feature of their school finances as allowed by the Schools Act.

Participants from quintile 4 classified schools may have particular challenges requiring effective budget control and monitoring because they head schools that receive less financial allocation per learner (R75.00) as against quintile 2 schools which receive R125.00 per learner because their schools are rated as being more and better resourced and are considered as the 4th richest 20% in terms of the poverty index used to calculate funding for purposes of redress and equity (Mestry & Bisschof, 2009:47).

Regardless of whether the participants head schools in quintile 2 or 4, it is crucial to note that effective budget control and monitoring are critical for all schools because in the case of the former, the use of tax-payers money for education must match the accountability needs of the law and interests of the schools and, in the case of the latter, the low funding they receive and the fact that they have to raise additional funds, requires even more prudence in their budgeting processes, especially the monitoring and control functions. It must be further pointed out that despite being considered relatively 'wealthy' schools, the majority of learners at these schools come from townships, which implies that ,

they come from historically disadvantaged families and communities for which redress and the promotion of equity are of essence.

4.2.2 Profile of participant IDSOs

As already pointed out in Chapter 3, IDSOs are office-based departmental officials charged with the responsibility for school development and support. In this study, IDSOs are participants because they are also responsible for school governance development and support and as such, have as one of their roles, the support and monitoring of the implementation of school governance functions. Included in these particular roles, is the monitoring of how schools implement the legal provisions relating to financial management, which in essence, derive meaning in schools' budget control and monitoring functions. Table 4.2 depicts the demographic profile of IDSOs relevant to this study.

IDSO	Gender	Experience	District
A	M	3	North
B	M	13	South
C	F	7	South
D	F	2	East

Table 4.2 Profile of participant IDSOs

The profiles of IDSOs who were participants indicate some peculiar features. The following are notable:

- There were two male IDSOs (A and B) with experiences of 3 and 13 years respectively. There were also two female IDSOs (C and D) with experiences of 7 and 2 years of experience.
- IDSOs B and C were from the South and both had experience in the development and support of schools for longer than 5 years.

The views of IDSOs were considered valuable because of their oversight role. Notwithstanding this, I found that the two IDSOs with 13 and seven years of experience respectively, had immense experience of monitoring schools'

governance processes and thus provided some useful insights based on their experience. While relatively 'new', the other two IDSOs also provided useful data which helped me to understand the budget control and monitoring experiences of SGBs.

4.2.3 Profile of the participant treasurer and finance officers

As indicated in Chapter 2 (see 2.4.3.1), finance officers are office-bound at schools and SGBs delegate the function of administering financial matters to them. They execute these functions on a day-to-day basis. Thus the finance officer records all financial transactions and keeps the principal, the treasurer and the finance committee fully informed on financial matters (Western Cape Education Department, n.d:5). In this study, finance officers are participants because of this reason as well as the fact that their functions are critical in ensuring that there is financial accountability. Included in financial accountability, is the receipting of income, maintaining the cash book of the school, doing the monthly bank reconciliation statement, ensuring the completion of monthly and quarterly reports, compiling the annual financial statements and any other delegated and other related tasks required by the finance committee (Western Cape Education Department, n.d:5).

Table 4.3 depicts the demographic profile of finance officers relevant to this study.

Participant	Gender	Experience	Category	Quintile
FO A	F	11	⁸ x	x
FO B	F	5	Primary	2
FO C	F	7	x	x
FO D	F	4	Secondary	2
FO E	F	7	Secondary	4
FO F	F	10	Primary	3
FO G	M	2	x	x
FO H	F	1	x	x
FO I	F	6	Primary	2
FO J	F	6	x	x
Treasurer X	F	3	Secondary	5

Table 4.3 Profile of finance officers

The profiles of finance officers who were participants indicate some distinctive features. There were a total of nine female finance officers and one male finance officer. Out of the nine female finance officers, three were from primary schools and two were from secondary schools. These were participants who did not refuse disclosure of this particular information. It is apparent that the position of finance officer seems to be dominated by the female gender.

There also were six finance officers (A, C, E, F, I and J) with experiences of 11, 7, 7, 10, 6 and 6 years respectively. I found that finance officers with experience of more than five years were able to provide insightful and valuable data.

Finance officers B, D and I were from schools classified as quintile 2. Of these, finance officer F was from a school classified as quintile 3 and finance officer E was from a school classified as quintile 4. The last participant was a female treasurer from a secondary school with three years experience at a quintile 5 school. She was, as mentioned earlier, the only treasurer who was willing to

⁸ Where details are not filled in, this is because of the participants' requests that such data not be disclosed.

participate in the study and as such, for data analysis purposes, she was included in the matrix for finance officers.

My observation as I reflected on data collected from finance officers and the treasurer was that though they were careful when answering questions, they seemed knowledgeable about their roles and would have wanted to provide more information regarding budget control and monitoring at their schools.

4.3 DISCUSSION OF FINDINGS

The findings are presented according to the participant matrices and then reconciled to expose a synthesis of the challenges experienced by SGBs in financial management with regard to budget control and monitoring. As pointed out in Chapter 3, data was first analysed in terms of 9 predetermined categories and then through inductive analysis, further analysed. Out of this process of analysis, four main themes emerged, namely, the budgeting process, budget implementation, budget control and monitoring and miscellaneous challenges. It must be noted that the responses of most participants seemed to present the “ideal” situations, especially principals and finance officers and these mostly differed from the IDSOs’ responses. Consequently, I, in line with the social constructivist paradigm, tried to make sense or interpret the meanings that participants proffered on the study phenomena of budget control and monitoring. Thus, the analysis presents what they said, while the discussion presents my interpretation of what they meant. The budgeting process is discussed first in the next section. It must be mentioned though, that the interpretation of results does not in any way apply to all school in Gauteng and even the Ekurhuleni District. Therefore, they cannot be generalised as they only pertain to participants’ schools. In the case of IDSOs, their views also pertain to schools in their jurisdiction.

4.3.1 Budgeting process

The budgeting process comprised questions related to budget preparation, realistic budgeting and budget approval.

4.3.1.1 **Budget preparation**

Budget preparation or compilation involves collective and collaborative financial planning, which as pointed out earlier (see 2.2), requires a distribution of needs forms to staff members and SGB members who are responsible for particular activities. It also involves the allocation of funds in terms of priorities in a way that ensure that there is no wasteful expenditure, interruption in the teaching programme as a result of insufficient quantities having been ordered and redundancy of stock items that were incorrectly ordered. Although the respondents did not refer directly to these issues directly, their responses provided some insights into the process of budget preparation at schools.

Participants revealed diverse views on budget preparation. Some principals indicated that this stage of the budgeting process is beset with challenges, which included reluctance from educators to engage actively and meaningfully in the budget preparation process. For instance, Principal A remarked:

Some of our educators don't want to be part of the setting of the financial budget. I motivate educators to become part of the SGB but they would like a reward.

Principal D also indicated that members of their finance committee tended to want to 'recycle' previous years' budgets. He commented:

Members of the finance committee are lazy during the budgeting process. They rely on the budgets of the past years.

Emanating from these remarks, is a clear indication that budget preparation is a challenge, which may be a result of poor motivation and/or poor understanding of the reasons for engaging in a time-consuming process without any reward. It might also be ascribed to poor synchronisation of budgetary and educational needs as perceived by educators and other finance committee members. In fact Principal E indicated that educators do not see themselves as “*valid members of the finance committee as members of the SGB make all the decisions*”. This suggests that educators feel that their contributions and hard work in preparing

the school budget are not valued and thus see no need to expend energy and time on that process.

These views are corroborated by IDSOs' responses on budget preparation at schools. IDSO A pointed out that the some SGBs struggle with this as he remarked: *"My impression towards the budgeting process is that schools generally struggle ... "*. Similarly, IDSO B indicated:

The school budget processes are meant to allow the school stakeholders to participate in the school financial decisions, but the way it is done is just for the purposes of compliance.

IDSO D also indicated that when schools prepare their budgets, challenges arose where members of the finance committee were not actively involved. He stated:

Schools rely on IDSOs for the budgeting process. The members of finance committees don't really put an effort into the budgeting process. ... Whatever is done in schools, there is no sustainability and that creates a very serious problem. It creates a difficult situation for us, IDSOs.

Although the views expressed above paint a gloomy picture regarding budget preparation at school, it is encouraging and remarkable that some school are reportedly doing well in this regard. For instance, all finance officers expressed positive impressions of their school's budgeting processes. They indicated that their budget preparation processes were done by the finance committee members. Treasurer X expressed a view that seemed to articulate finance officers' sentiments on this as she explained:

There is transparency in our school. We do everything step-by-step. I can assure you that we are all involved in the preparation of the budget. All inputs are vital. We first look at the previous year's budget, identify outcomes leading towards opportunities to better our decisions and only then do we prepare the new budget.

Similar views were expressed by principals of other schools, indicating that their budget preparation processes were done properly. Their responses indicated that at their schools there was transparency and involvement in the drawing up of the budget. Examples of this are evident in responses such as:

... Professional members of the SGB and teachers deal with the budgetary process. There is transparency in our school. All members are involved in the drawing of the budget – Principal B.

A successful developed budgetary process....we adhere to the budget, except when necessary – Principal F.

We have a finance committee with many years of experience to deal with the budgetary process where all members of the finance committee are involved as well as teachers appointed as managers of different areas – Principal C.

This response suggests that the SGBs at these schools have ensured that they have experienced and knowledgeable people in the finance committees and that they have reached a stage where they master the 'art' of budgeting.

IDSOs also expressed the view that some school were doing well in the budget preparation process. For instance, referring to two schools in his cluster, IDSO B declared:

Budgeting for the schools needs is the function of the SGB. However, this process requires full participation of all members of the community of the school (internal stakeholders) – including support staff. At these schools, all departments sit down and identify their needs for the coming year (planning). The finance committee consolidates all these needs and adjusts them according to the envisaged available resources. From the adjusted and reconciled list of needs, a draft is sent back to the departments, as a consultative process, and is then presented to the SGB. The SGB then presents the consolidated draft budget to the budget meeting of the parents for approval. The school fees for the following

year are then determined, presented and adopted in an AGM of the parents.

IDSO C also commented on some schools that seemed to be doing well in terms of the budget preparation

Members of the finance committee analyse the needs of the school. The principal receives feedback from all the members of the finance committee. Each of the HOD's and deputy principals and the 'chairpersons of committees' normally receive tentative amounts according to which they have to budget for their units' or committees' needs. The finance committee prioritises where and when their expenditure should take place. In this case the principal normally present the needs and the budgeted amounts to the SGB. The SGB discusses the curriculum, maintenance and service needs of the school. In some of the cases, the SGB even considers amounts budgeted for the day-to-day management of the school and may even include some projects in their budget depending on the contribution they expect to receive from the community. All the members of the SGB are normally well informed and understand the budgeting processes.

The views expressed by participants with regard to the budget preparation process indicate a number of challenges. The first challenge seems to be reluctance on the part of some finance committee members and educators to engage meaningfully with the budget preparation process. Though budgets are drawn as is required by legislation and good accounting procedures and practices, budget preparation seems to be done for purposes of compliance with departmental requirements. This could have implications in terms of how realistic budgets are at schools as well as present further challenges regarding the implementation of such budgets, especially if schools end up relying on previous budgets. This finding resonates with Ngubane's (2009:101) finding where the Head Office official, expressing a similar sentiment relating to compliance and recycling of school budgets stated:

However, if you look at the budgets drafted year in and out by schools, for instance, you find that a school has budgeted for paving. The following year there is the same amount budgeted for the same thing.

The second challenge seems to relate to decision-making. The fact that educators in the finance committee feel that they are not valid members as final decisions are taken by the SGB, suggests an anomaly in that as members of the finance committee, they should also be members of the SGB where decisions are taken. It could also be that such educators are nominated into the finance committee because of their skills though they are not members of the SGB. This could explain why they feel not valued as finance committee members. As pointed out above, this can have implications for the compilation of realistic school budgets.

4.3.1.2 *Realistic budgeting*

Realistic budgeting means that the budgets have to be clear, understandable and set realistic and achievable targets, goals and objective as well as indicate the best use of the resources available (2.3.3). Participants also gave different views on whether the school budgets were realistic. Where budgets were indicated as being realistic, reference was mainly to catering for the needs of learners. For instance Principal F pointed out that it is very crucial that the SGB be accountable and ensure that “...each annual budget is set with realistic goal to be achieved” and that “these realistic goals should focus on the needs of the learners of the school”. Principal B mentioned what he regarded as the ‘golden rule’ for ensuring that the budget was realistic. He explained:

We always focus on the needs of our learners and then with these needs we do a comparison with the expected income. We never budget for something if we know there is no money for.

However, some views indicated that the school budgets were not always realistic and cited various reasons for this. In this regard, Finance Officer A stated that “the school tends to deviate from the initial budgets because the price increases of goods and services and to a certain extent poor budgeting

and the uncertainty of projected income”. This suggests poor budgeting because price increases and the uncertainty of projected income should be anticipated and taken into consideration when budgeting. Indeed, there will be instances of variations resulting from reasons cited, but these should however, not be too significant.

IDSOs were more forthright in their views about realistic budgeting at schools. IDSO A remarked:

The quality of budget presentations to the parents differs in schools. In some schools, normally the quintile 1 to 3 schools where parents do not pay school fees and schools depend on voluntary contributions, the budget tend to be very vague and generalised.

IDSO C commented on what he saw as a new trend, especially in the more affluent schools. He stated emphatically:

Not at all! There is no such thing as a realistic budget. Focus is now on business and bonuses in most affluent schools.

These are worrisome comments, especially in consideration of the school being a non-profit making public entity and the fact that the needs of the learners should come first. There are usually comments that such schools charge high fees in order to maintain educational standards, hire and retain educators of the highest calibres. However, prioritising bonuses and making ‘profit’ seems to be too far-fetched and can adversely affect the alignment of school needs with those of individual educators. I argue in this case that not all educators would be targeted for such bonuses, especially those who teach subjects that do not fall in the so-called ‘scarce skills subjects’.

Apart from this motive, other IDSOs remarked about reasons related to skills or expertise regarding budgeting. IDSO D stated in this regard:

Although the members of the SGB’s have been trained, they normally are too eager to agree that needs of the schools have been budgeted for, because most of the members did not formally budget for anything

before. The SGBs in these cases do not consider the expenses of the previous year, cost of maintenance projects or services when they are budgeting.

IDSO C also made the point that matching needs and expected income often did not materialise. He commented that *“schools struggle to understand that when budgeting for activities, they must work out the money that will be needed for each expenditure item and how much money will be received from their income towards each item”*. He remarked that schools should use those amounts to establish *“if there is enough money coming in to cover the amount of money that will be going out”*. This was further confirmed by IDSO B who commented: *“ ... yes some schools do engage in budgeting but struggle to focus on the needs of the school. For example, a school (section 21) prepared an annual budget, but don’t add a cash flow budget on the figures of the prepared budget. This leaves us with the results that the school has no time element to the income and expenditure. So, the school spends money even if they have not yet received any money”*.

From the IDSO’s perspective, it can be seen that there indeed are challenges regarding budgeting realistically. The main challenges regarding realistic budgeting seem to be, firstly, failure to match expected expenditure with expected income, which leads to deviations from the budget. Secondly, vague and generalised budgets, which do not give an indication of systematic and meticulous budgeting. Thirdly, failing to match budget allocations with the needs of the schools and focusing on the business aspect of financial management. In this case, the matter of bonuses is pertinent and worrisome. Fourthly, there seems to be an apparent lack of or poor budgeting expertise, which leads to SGB members being too ‘eager to endorse’ the budgets regardless of whether it realistically serves the needs of the schools. These views present an interesting and important perspective of how realistic budgeting processes are at schools, especially because IDSOs present a holistic view by virtue of being officers responsible for oversight of school governance processes.

4.3.1.3 **Budget approval**

Budget approval is a legal requirement as prescribed in the Schools Act and most importantly, this must be done by the majority of parents at the annual general meeting. It is on the basis of this approval that school fees can be set and SGBs may enforce their payment by means of legal processes. Differing views were also expressed on this aspect of the budgeting process. Principal A (looking very concerned) explained that their school consisted of parents in the affluent to lower-middle income earners. Consequently, 80% of the learners and parents stayed far from the school, which resulted in them using public transport to come to school and, *“because of not having their own transport, we have very little support from parents, they don’t always attend parent meetings”*. He stated that due to this, parents *“don’t question the budget ... This lack of participation on the part of parents means the budget is not approved by the majority of parents as required”*. However, other principals suggested that their budgets were approved by the parents. They actually emphasised that there was transparency in this matter. Regarding this, Principal F commented: *“All members of the finance committee are involved in the process of creating a budget according to the needs of the school. The final ‘yes’ lies with the parents; their approval”*. She went on:

If the parents do not approve the budget or certain parts of the budget, e.g. the budget for boys sport, we (principal and finance committee) will meet and do adjustments. The budget will go out to the parents again until it is approved. We have never had a negative situation at our school. The parents approve the budget.

The foregoing remarks pointed at parents being involved in approving the budget and these principals seemed to be doing their best to do things right. Principal B and D echoed each other by proudly saying that they try their best to make sure that the majority of parents attend the annual general meeting to approve the their school budgets. An interesting observation was that in almost every instance, principals included themselves in the budget approval. For instance some comments included *“Me and the finance committee ... parents*

approve the budget” and “*The SGB and I approve the school’s budget*”. While this is not an anomaly, the fact that they make sure that they indicate their involvement, may be construed as a show of their dominance and power. It can also mean that they take responsibility as ‘accounting officers’ and *ex-officio* members of their SGBs.

Similar views were expressed by the finance officers. Finance Officer J articulated the essence of this matter as she explained by. emphasising the procedure they followed in cases of the need for increasing school fees. She asserted:

If we have to increase the fees, the SGB explains the situation to the parents who normally give us the mandate to make such increments.

While the principals and finance officers painted procedures alluding to parents being involved in approving school budgets as required by the Schools Act, IDOs expressed different views on the matter, which interestingly, revealed a different if not disconcerting picture. IDSO A stated that the question of who approves the school budget was one issue difficult to assess. He referred to some school and responded by saying:

The logical answer should be: the parents, but the SGBs manipulate information supplied and argue to such an extent that the principal and the SGB plays the major role in the approval of the budget.

This remark clearly points to incidences of manipulation and taking advantage of parents’ awe of school situations and being involved with ‘educated persons’ as partners in education, which is a clear indication of unequal partners in a relationship that presumes equality and focus on ‘promoting the best interests’ of neither party, but the school and in essence the learners. What is even more disconcerting and alarming, is the strong possibility of wrong-doing from persons manipulating SGB members to be partners in the whole manipulation ‘game’.

In fact IDSO B stated:

Parents are consulted instead of being involved. How many schools actually arrange for a financial statements' meeting to take place? I know that parents don't get informed on how the schools spent their monies.

This remark actually factors in a new dynamic, which explains the justification of school fee increases and suggestions that parents do approve school budgets – that of consultation with, rather than seeking parents' approval. This could explain reasons for IDSO D's remark:

A school in cluster Z⁹ did not present the budget to parents in 2012, leaving us this year to arrange two AGM's since February because members of the SGB disrupted the first meeting with personal agendas.

This remark suggests a situation where some SGB members seem to have seen through the manipulation and decide to take up the issues, albeit for different motives. This situation can occur in instance where parent and educators governing body members band together and decide to 'rock the boat', so to say.

The main finding, regarding budget approval was that, schools do seem to create opportunities for parents to approve the budget. Indeed, while this seems likely, the views from oversight officers – the IDSOs, paint a different, if not gloomy picture. The notion of manipulation and consultation as against approval, indicate challenges regarding this aspect. What this clearly indicates is that while parents are called to annual general meetings (AGMs) for budget approval, they do not understand fully and as such they approve the budgets as a matter of process rather than a decisive, well-scrutinised and understood budget approval process.

Furthermore, the incidence of a school not succeeding in organising an AGM in the correct time as prescribe by the Schools Act, which might mean more schools could be doing this, points to poor or carelessness of statutory

⁹ Altered for purposes of anonymity.

provisions. This is sadly an indictment on public entity officials like principals who seem to fail to act or see to the implementation of departmental directives as *ex-officio* members of SGBs representing the department and acting as accounting officers and the apparent failure of SGBs to act on their Schools Act's mandate.

While not fully in agreement with other participants, it can thus be concluded from the IDSOs perspective, that the approval of the school budgets is a real challenge for schools in this study. It is clear from their responses that parents are not clearly informed about school finances, which points to some SGBs approving budgets, as it were, 'behind closed doors'. Lack of transparency regarding school finances as stipulated in the Schools Act seems to play a role in some schools.

It must be pointed out, however, that some schools seem to be 'doing the right thing' despite miscellaneous challenges that have to do with factors other than procedures as is discussed in the last section of the findings. For example, responses like: *"Due to the issues of some parents not being properly trained in finance and the lack thereof, I believe that principals approve the budgets although by law parents should"* from an IDSO testify to such factors. Thus, to reiterate, it is clear that while some schools do well in this aspect, some do not adhere to legal policies as they manipulate or withhold information concerning finances from parents as it should be in proper budget approval processes.

4.3.2 Budget implementation

Budget implementation looks into the spending of finance according to the pre-set budget, carried out by the finance committee and in this sense, budget implementation looks into the spending of finances according to the budget, carried out by the finance committee (see 2.3.3). Evidence of correct budget implementation would be seen in the comparison of expected income and expenditure with the actual income and expenditure and would be manifested in the incidences of variance (see 2.3.2).

Although the respondents did not address themselves directly to pertinent issues of budget implementation, their responses offered useful insights into how schools from which participants were drawn implement their budgets. The questions asked related to how schools implemented their prepared budgets and whether their expenditures indicate adherence to their budgets. Responses from principals generally sought to give the impression that there were minimal or no challenges experienced with the implementation of their budgets. For instance, Principals F and B's indicated that they were satisfied with the role that the SGB was playing in the implementation of the budget. In particular, Principal F stated that the SGB consisted of professional people "*with years of experience. Without their consent nothing can be done. Our school is doing very well indeed. The SGB consider all ideas and contributions before making a final decision*".

Principal B also indicated that members of the finance committee provide support towards educators being given the responsibility to act as organisers in certain areas by drawing a yearly budget for development in their areas of performance. He added:

Look, our finance committee strongly support educators (organisers of areas) involved with the budget process. If an organiser from a specific area, e.g. sport, is in need of equipment not budgeted for, a meeting will be held with the manager where the manager will be given opportunity to make contributions by indicating what needs arose within that area.

Principal B further asserted that the expenditure of finances focussed only on the needs of the learners. Other principals also indicated budget implementation with no challenges. For instance, Principal B also opined: "We have professional members of the SGB to deal with finances".

A scrutiny of these responses indicated that the participating principals on the whole, perceived the manner in which expenditure was implemented at their schools as being problem-free. This may be because they relied completely on their 'professional' and experienced SGB members. However, they did not

realise that in most cases, the budget work of 'professional' SGB members involves the planning, approval, monitoring and control activities. The actual implementation was mainly at the operational level of the school, which to a great extent, involves them as principals. This was evident in their responses to questions relating to variances in their budget and how these were dealt with, which it can be said, generally contradicted the assertions made above.

Budget variances in a financial budget could be attributed to any number of external as well as internal factors (see 2.3.6). It can also be asserted that the budget variance incidences form the cornerstone of determining whether effective budget implementation, monitoring and control are exercised in organisations like schools. Findings in this regard indicated that there were numerous challenges. To this end, Principal E commented:

Often we sit with the variances on our financial statements because of the finance officers' negligence. It has been found before where the finance officer makes a mistake while loading information on the computerised system.

This singular act of mistakes in 'loading' data in the financial recording systems can have serious budget implementation implications, which can include under- or over-budgeting and perceptions of wrong-doing. It also contradicts the notion of 'professional' people in the SGB and finance committees. Another principal, (D) remarked

Yes, variances because of poor budgeting. Our SGB wants to engage in fundraising. But because of our poor community, they sometimes underestimate the funds that they could raise.

From this remark, it seems that variances in budget implementation emanate from poor budgeting. The principal here indicates that their budgeting is poor because the SGB relies on fundraising, despite the fact that the school community is poor. This in essence lends credence to unrealistic budgeting

that, in this case, does not take cognisance of the realities of the school's existing financial needs as measured against potentially available finances.

Finance officers on the other side demonstrated a clear understanding of causes of budget variances. They mostly related to the unavailability of funds for procuring goods and services as a cause of variances. This, some attributed the inadequacy of allocated funds from the department and the concomitant need for fundraising, which is almost always not successful in reaching desired targets. Finance Officer A directly pointed out that *"Schools largely depend on the resources allocated by the state which is often not enough"*. This was also corroborated by Finance Officer I who explained:

Although the Department of Education allocates money to us, it is not always enough, especially for the development at the school. For example, the Department only provides 12% for maintenance needs. This is not enough. We are sometimes forced to use funds allocated for other functions, thus causing a budget variance.

Finance officer H responded by pointed out an important cause of budget variance – "state funds not being available when needed, causing challenges for the implementation of the budget". She further made the point that *"With the drawing of the budget, we rely on state funding. If funds are not available on time, another plan needs to be made or variances within the budget will be seen"*.

Finance Officer C elaborated on the unavailability of funds when required. She remarked:

Our school struggles to procure goods and services as there are not always funds available. Pressure is placed on our parents and they find it difficult to fundraise due to the economic status of the community. Stakeholders are however requested to donate funds to the school.

Finance Officer H, who obviously is at a fee-paying school also elaborated on the inadequate funds at schools. She explained:

Twenty percent of our schools' parents struggle to pay school fees. With not enough funds available, our school tends to depend on fundraising for the development of some parts of the school. It's a nightmare to try and get parents involved. Parents feel they pay school fees and it's enough. Remember...contributions are voluntary and cannot be enforced.

Some finance officers pointed to other factors as causes of budget variances and expressed strong opinions concerning the challenges regarding budget variances. In this case, variances were attributed to external factors. Finance officer G stated:

Expenditure is not always in line with the budget due to emergencies. The existence of these emergencies is due to poor budget processing"

Finance officer J also expressed the sentiment relating to external factors as a cause for the budget variance. She explained:

The municipality account is the most common account with a variance. Budgets are done in September and the municipality only notify us on their increases in April.

Finance Officer C also expressed her views on the budget variance:

Schools tend to deviate from the initial budgets considering the price increases of goods and services and to a certain extent poor budgeting and the uncertainty of projected income. Schools largely depend on the resources allocated by the state. Budget tracking and the lack of effective financial systems contribute largely to the number of deviations.

While also pointing to external factors for budget variances, Finance Officer C also made a 'telling point' and alluded to deviations as a result of poor budgeting accompanied by the uncertainty of projected income, which as alluded to earlier, implies poor forecasting and income projection. Treasure X on her part, made some revealing remarks as she stated:

Some areas received more opportunities for development than others. For example, in our school, sport receives a bigger budget than culture. And then there are boys and girls sport where boys sport, e.g. cricket, receives a bigger budget than netball. Our principal believes to provide a large budget towards areas where achievements have been seen the previous year. Yes, this is quite unfair ...

This explanation by Treasurer X indicates a clear case of not only poor prioritisation of needs and solutions, but poor budget monitoring, control and accountability. This seems to be a case of the principal exercising his/her power and authority over the SGB, which should have budgeted according to the needs of the school and established priorities.

This remark seems to support the views expressed above about poor budgeting as a cause of poor budget implementation and budget variances.

From the perceptions of principals and finance officers a question that requires attention is whether budgeting at school takes cognisance of the realities of schools. Firstly, it seems that budgeting is done for school needs based on unrealistic projections regarding funds that can be amassed by SGB's fundraising attempts. Secondly, budgeting seems to be done without due consideration of when funds will be available for usage in procuring goods and services. Thirdly, these responses cast doubts on the authenticity of statements that relate to some schools having 'professional' people in their SGBs and finance committees. Finally and significantly, budget implementation and variance seem to present challenges for schools. This assertion is supported by views expressed by IDSOs on budget implementation and variances. Firstly, some IDSOs concurred with the other participants that schools were faced with challenges of a shortage or lack of finances. This was apparently a result of not adhering to best accounting practices in matters of budget preparation and implementation. Consequently, some schools experience quite large variances as they do not comply with legislation. In this regard, IDSO C opined:

Functional schools with proper planning do not find significant variances with their budget. However, the majority of schools fail to plan and to comply with PFMA, SASA, etc. leading to huge deviations.

Due to this, IDSO C demonstrated the effects of this. She stated that “A Section 21 school failed to honour its lease agreement, resulting in court action. Therefore, that school will recover after a long time”. This statement was also echoed by IDSO D’s response. She stated that with the allocation of funds by the Department of Education, “schools still face challenges implementing the budget correctly”. She further asserted in her response:

On the most problematic side we should state that budgetary is only a compliance exercise for some of schools. They do not pay much attention to the ring fenced formula set by the Department.

It is remarkable that IDSOs also realise that schools do have challenges regarding budget implementation. In fact, one IDSO reiterated the fact that schools tended to engage in processes like budgeting for compliance purposes, so that they can submit documents as required by the department. This says a lot about issues like systematic budgeting, approval processes and implementation. Thus, most likely is the cause of significantly large deviations from ‘approved’ budgets and consequent large variances. IDSO A indicated that there was indeed a challenge in budget implementation, which resulted in huge variances. He stated as alluded elsewhere above:

Yes there is a large deviation from the budget in most of the schools that I service. The reason is that schools do not do need analysis, hence compliance issue. No! most schools do not have systems in place to deal with budget variances.

Another IDSO B remarked:

Schools tend to deviate from the initial budgets ... Budget tracking and the lack of effective financial systems contribute largely to the number of deviations.

The views expressed by participants with regard to budget variances indicate a number of challenges. The first challenge identified relates to the availability or non-availability of finances at school, either because of the poverty levels of the school communities or the late payment of allocated funds from the Department. Secondly and related to the first challenge, schools tend to under-budget in the 'hope' of getting funds through fundraising, which is almost always not realistic in that forecasting target seems not to take cognisance of the school community realities. Thirdly, schools appear to be challenged with regard to proper budgeting and as a result, end up with poor budget implementation and large budget variances as funds have to be shifted across accounts and responsibility areas. Finally, there seems to be, in some cases, poor prioritisation of needs and wrong and unauthorised expenditure where certain areas' expenditures are increased outside the budgeted limits.

The second challenge emanates from views expressed by IDSOs, indicating that some schools do not adhere to finance policies and the prescripts of the Schools Act, thus creating challenges themselves. These challenges aptly predicate the level of effectiveness or lack thereof of budget monitoring.

4.3.3 Budget control and monitoring

For purposes of analysis and interpretation, budget control and monitoring are combined. This is mainly because in practice, these two concepts are mostly carried out simultaneously.

Budget monitoring, as highlighted in section 2.3, is an important aspect of financial accountability in the school, and ensures that control is more effective. Financial accountability is evident on the schools' financial statements provided by the finance officer. Financial accountability, in essence, refers to the obligation of members of the finance committee to account for their activities, accept responsibility for them, and to disclose the results in a financial statement. Expenditure in terms of the budget is actually a financial control function. Control can be seen as a process that uses standardised methods for ensuring that there are no unacceptable budget variances.

The questions on this aspect sought to find out if and how SGBs monitor and control their schools' financial performance to ensure financial accountability. This included questions on auditing, both internal and external, book and record keeping.

Finance officers mainly gave an indication of knowledge regarding accounting procedures and systems. Finance Officers A and B for instance indicated that they used “ ... a cash receipt journal, cash payment journal, income and expenditure journal” for record keeping, which made it easy to reconcile financial statements and prepare for reporting to the finance committee and the SGB. This also made tracking easy and enabled them to note variances and spending patterns easily and timely enough to report and take corrective action. Finance Officer E also indicated that “*My role in the finance committee is a caretaker of the schools funds. We make use of a cash book recording system focusing on income and expenditure*”. This was also indicated by Finance Officer F who stated that she recorded and kept records of all financial books and that “*My records are done in journals (petty cash journal, cash payment journal and cash receipts journal)*”. Finance Officer J provided the essence of finance officers' tasks and seemed to capture the general pattern of functioning. She stated:

I am the bookkeeper. I have to report back to the SGB. We use the Pastel Accountancy programme. When money is taken in a receipt is issued. Only original invoices are paid either by electronic transfer or cheque. Payments are verified by two persons. Payments are checked against budget.

Other finance officers indicated that they used systems that made it easy for them to keep records and balance their books. They provided the following responses:

Our school uses a computerised programme for financial statements. The EZenet programme - Finance officer C.

My role in the finance committee is to make sure that everything is captured and correct. For the capture of financial statements we make use of the Fiziep programme - Finance officer D.

I report my schools finances. We make use of a system that handles all aspects of income and expenditure - Finance officer G.

My role as the financial officer is book keeping. We make use of a computerised programme: Pastel Filing System for hard copies of accounts and statements. - Finance officer H.

These responses clearly show that finance officers in this study have the apposite knowledge and skills to support financial management at their school and, especially the accounting function. With regard to budget control, the following statements were made:

All records are captured manually in excel. This programme makes it easy to control the budget – Finance Officer F.

Follow ups are made to evaluate the members' performance. Dealing with such a large budget, monitoring and control is important - Finance Officer I.

We have to monitor the budget in order to be certain that expenses are done using the income available. A finance meeting is held once a month to check on funds available and the spending of it. This meeting can be seen as controlling the budget – Finance Officer C.

... yes we monitor and control the financial budget. We have no option, we will be held responsible for deviations – Finance Officer E.

It is noted that the finance officers indicated what they do in terms of duties allocated to them. Their statement did not necessarily indicate whether there were challenges or not in this regard. Meanwhile, principals gave responses that generally indicated that all was well with budget control and monitoring. For example, Principal B in his response, indicated that they had “systems and

more in place for any deviations “ as *“for the school’s finances to run smoothly, control and monitoring is very important”*. He further indicated that *“are kept (and) annual accounts are prepared for”*. Principal D similarly indicated: *“Yes, we have a variety of systems in place”*. Principals C and F indicated respectively that financial reports were available every quarter of the year and that they had to monitor the budget and that *“A finance meeting is held every month to check on funds available and how they are spent”*.

Some principals responded in a positive manner. They indicated that in so far as budget controlling, their SGB tried to ensure an effective outcome. Principal F pointed out that they discuss every purchase. She stated proudly:

Before spending huge amounts of money, a meeting will be held in order to make the right decision.

Other principals, in the same manner of well executed monitoring and control, made statements such as:

We hand in up-to-date records. We always receive positive feedback on audited records – Principal D.

Impression on audited records – positive. The schools’ finance is spent in the best interest of the learners – Principal C.

Internal and external audits done without major problems – Principal F.

Our school has a healthy record with a three month back-up plan – Principal B.

All the principals interviewed indicated that internal audits were conducted as “auditing was necessary for sound financial management”. These views and the views proffered by finance officers all give the impression that school budgets are monitored and controlled. This, however, contradicts the findings reported earlier on issues such as the budget implementation and the existence of large budget variances. This can be understood to imply that though record keeping was done, there are challenges as to the authenticity of such records as well as

challenged related to actually ensuring that budget income and expenditure are matched with the actual income and expenditure. This is actually confirmed by IDSOs responses with regard to questions of budget control and monitoring. This was based on the analysis of financial records. IDSOs indicated views that clearly show that this stage of the budget implementation is beset with challenges.

IDSO A expressed a disconcerting outlook: *“Some schools become paralysed when monitoring the budget”*. In this case, it seemed as if some schools do not exercise this function at all since there appears to be non-involvement of some SBG members. For instance IDSO A indicated that judging by the report documents from schools, it appeared that not all schools understand the financial accountability in terms of budget control and monitoring. He, pointed out that *“Not all schools understand the necessity of monitoring their financial budgets”*. Two IDSOs seemed to agree. IDSO B stated:

Look, majority of the schools do not control their finance. Budget control and monitoring is seen as extra work.

Similarly, IDSO C responded:

Since there is a high variance in a school budget, it is evident that they do not want to intervene or take corrective action.

IDSO A also indicated that since there is are high deviations, *“schools do not monitor nor control deviations in their budgets”*. He also pointed out emphatically: *“No, most schools do not conduct internal audit”*. IDSO 2, in this regard remarked that schools *“are supposed to, but majority to not monitor or control their budgets”*.

Regarding audits, IDSOs expressed mixed views. Some indicated that schools do audit their finances. However, they seemed to have reservations about the authenticity of such audit. IDSO C commented:

Yes, schools are required by law to conduct internal and external audits. Whether they have the skill to conduct proper internal audits is another question.

IDSO B also provided his impression of schools audited financial statements:

The general impression is that schools are unable to spend the school finances in accordance with the law.

IDSO A provided an emphatic “No!” in response to whether schools conducted internal audits as a way of facilitating budget control and monitoring. He actually stated the following regarding financial audit statements:

General impression is that: many schools do not get clean audit, record keeping is bad, huge deviation, money is spent too much on things that do not benefit learners directly.

IDSO D also indicated that schools do not conduct internal audits and he further stated:

No, most schools do not conduct internal audit. The impression is that most of the audited statements are based on the information provided by the school, not necessarily the reality on how monies were spent.

IDSO C made a disconcerting observation about auditing at schools. She stated:

Although most of the auditors really assessed the financial systems and management of the schools effectively, there are still schools that are using unregistered bookkeepers or accountants, whose quality reports might be questioned.

Another IDSO B gave a negative impression and remarked:

Many schools do not get clean audits. Record keeping is bad, huge deviations and money is spent too much on things that do not benefit learners directly.

Budget control and monitoring also includes measures taken for corrective action, especially in cases of large variances in the budget.

IDSOs indicated views that clearly show that this stage of the budget implementation is beset with challenges. In this regard, IDSO B commented generally on schools and stated:

Look, majority of the schools do not control their finance. Budget control and monitoring is seen as extra work.

Similarly, IDSO C justified the fact that schools had challenges regarding taking corrective action as a response to outcomes of budget control and monitoring. He reasoned out:

Since there is a high variance in school budgets, it is evident that they do not want to intervene by applying corrective action.

These views are corroborated by principals' responses on corrective action at schools. Principal D explained that time is seen as a challenged when faced with corrective action. She remarked:

If there is a variance in the budget and corrective action is needed, we don't always find the time for this implementation. You could say that we are always busy trying to solve other challenges.

This response alone indicates a lethargic approach to budget implementation, monitoring and control. What this actually implies is that budgets are a matter of compliance as alluded to by the IDSOs. This also suggests that expenditure implementation is based on decisions taken by one person. Just as one IDSO suggested that principals actually approve budgets, it can be averred from this response, and in particular the one below, that this decision-making is usually carried out by the school principal. IDSO C similarly pointed out this view:

There are schools with large variances from the budget. When asked to engage in corrective action, they respond in a negative manner. Some schools say that they struggle to find time for the monitoring or control

of the finance budget, asking where they would find time for corrective action.

Principal A also indicated that corrective action is not always done with great success as “*we don’t have well qualified members on the SGB*”. Principal E echoed Principal A, stating:

We don’t always know the outcome of corrective action. Most of the time we don’t succeed with solutions for financial problems.....look we do try

While it is disparaging to find that there are numerous challenges concerning budget control and monitoring at schools, it is equally worth noting that schools are supposed to be supported in this regard by the IDSOs. However, in most instances, IDSOs responses seem to locate them as observers of anomalies at schools and advisors of what should be. It was found that the support they provide schools in this regard may be less than ideal. For example, their responses indicate some measure of uncertainty on certain aspects of how schools execute their budget control and monitoring functions. For example, on how and whether schools were monitoring their budgets, IDSO C responded on this by saying:

It is not easy to see how the monitoring is done by the SGB.....but it is the principals’ responsibility to check on finance officers. For example, bookkeeping is one way of monitoring the records of the finances.

IDSO D, though not addressing the question, stated:

IDSOs are given the responsibility to monitor all financial records of schools indicated to them in order to support their development.

Without indicating if schools do engage in budget monitoring, IDSO D responded by stating the importance of budget monitoring as well as the negative effect it could have on the availability of funds as he stated:

The SGB should at all costs monitor the budget, otherwise if they do not monitor the budget they would find themselves overspending and before the end of the year, would experience insufficient funds to pay for services.

IDSO B and D pointed out that schools' internal audits will give a clear indication on whether monitoring was done by members of the finance committee.

Emanating from these remarks is a clear indication that budget control alongside with corrective action is seen as, and indeed is a challenge for some schools. The first challenge may be a result of IDSOs not really checking on and supporting schools' financial performances through developmental activities. When checking on financial statements, IDSOs could provide support by giving advice and actually seeing to it that such advice is followed. The second challenge seems to be related to challenges of unqualified members of the SGB. Corrective action is a necessity where expenditure exceeds income budgeted for. Members of the SGB should be owners of skills to perform this function in order to achieve quality results. The third challenge seemed to relate to time management. The fact that some schools do not plan for corrective action, indicates that the one challenge could follow the other challenge which would result in to a 'snow ball' effect. The fourth challenge is seen by not having appropriate procedures in place. Control should be placed in action by following a procedure to avoid unplanned expenditure. Unplanned expenditure could result in services not being delivered because of not having enough funds. As pointed out above, this could all have implications for the compilation of financial reporting.

4.3.4 Miscellaneous challenges

Miscellaneous challenges encompass those factors that directly and indirectly affect the budget control and monitoring processes at schools and include factors that were regarded as attributing to poor budget control and monitoring.

Included among such factors are financial reporting and the training of SGB and finance committee members.

4.3.4.1 **Financial reporting**

Financial reporting provides an opportunity for the school to report to the community including parents and the government. Financial reporting in relation to parents is done at the parents' annual general meeting, since this is where the SGB is able to present the full account of the school's financial position and consequently, of its performance in terms of achieving objectives planned for, through the budgeting process. This way, the SGB is firstly, afforded the opportunity to justify the use of funds for educational purposes and secondly, the SGB affords parents the opportunity to comment on and acknowledge the annual report. Financial reporting thus provides the SGB with an opportunity for financial accountability. Therefore it is the responsibility of the SGB to report on the school's financial performance and achievement of goals to the relevant stakeholders, and is a legal requirement in terms of the Schools Act.

Responses from principals indicated that financial reporting, especially to parents, was in most cases, a mere formality to comply with the requirements of the Schools Act. It was found that parents do get financial reports at a general meeting as stipulated by the Schools Act. However, what was clear was the doubt as to the usefulness of such reports. Principals reported that parents do not understand the terminology used in financial reports. It is understood from principals F's statement that parents don't engage in the finance budget because they don't understand the report on finance. Principal F stated:

Parents don't always understand the reports read to them on the budget. Although reports are summarised and explained, parents never ask questions.

This was also the case at principal C's school. He indicated that although a summarised break-down about the finances was provided to parents in general, there was still very little involvement with the budget. He stated:

We do our best to ensure that our annual financial meeting is effective, e.g. parents receive a break down on finances and each expense is explained in detail by making use of every day terminology, but still we don't receive reaction from the parents' side, even those who attend the annual meeting. I don't think they always understand the indication of how and for what finances will be used.

It was found also, that finance officers felt that parents do not understand the financial reports. In some schools, reports were provided to the SGB on a monthly basis, which is a good practice. To indicate this, finance officer D explained:

We get the feeling that parents are illiterate in terms of financial reports which results in a 'don't care' attitude.

This finding resonates with Xaba and Ngubane (2010:13) expressing a similar sentiment relating to parents being illiterate in terms of finance budgeting:

Often principals complain that parents do not understand the reports read to them. As such, they have to summarise the reports.

This was seen as a clear indication that parents do not understand all the intricacies of the financial management jargon. This issue makes parents uninformed about schools' finances and how they are used as regards the school budgets. The principals and finance officers also related accounts indicating that parents, being budget illiterate creates numerous challenges for their involvement with relation towards funding.

This finding was also confirmed by IDSOs' responses. IDSO A indicated that most of them (parents) do not understand the budget "hence it is more of a one

way flow from SGB and/or SMT”. IDSO B also made a similar point as he stated:

I think the illiteracy level and lack of effective training within township communities hampers effective approval of the budgets.

The main challenge found with regard to financial reporting was that, although SGBs did report to the Department by way of submitting audited financial records and also did report to the parents, it was also clear that these reports, especially for some parents, were not valuable. It is seen as not being valuable due to the fact that parents largely do not understand the accounting terminology used.

4.3.4.2 Budget training

Although some schools seemed to be doing well in terms of financial monitoring and control as evidenced by audited records being kept up to date, regular reports being given to the SGB, educators and parents, which are examples of good practice in financial accountability, training in financial management and in particular, training in budget control and monitoring seemed inadequate. This was evident in remarks like:

It seems as if some of the members on our SGB lacks formal financial management training, this is evident when monitoring or controlling the budget” – Principal A.

Lack of financial skills creates challenges when monitoring and controlling the budget, it gives me a headache – Principal D.

Prime among these implications, is the fact that financial accountability requires specialised knowledge and or skills in financial management and not all SGBs are succeeding in this function. Participants revealed diverse views on budget training. Some principals responded in a doubtful manner, indicating that their SGB members were assisted if not succeeding with a finance duty but their

participation towards budget training created uncertainty. For instance, Principal D remarked:

We send all members of the SGB on a yearly basis for training but what they are taught and how these members capture the information present other challenges.

Finance officer I hinted that workshops offered by the Provincial Department are not delivered according to members' needs. To indicate this, she stated that the language used to provide the training offered no value to some members attending the workshops, as these members were from different racial groups. The challenge seen here was be the language barrier. Finance officer I reported:

Workshops should be done in the language they understand not in the language that suits the providers.

Emanating from these remarks is a clear indication that budget training is a challenge, which may be the cause of poor performance by some finance committee members. In fact principal E pointed out that training on a yearly basis was not enough as *"members who attended workshops should be monitored with the intention to ensure that duties are delivered in compliance with the Schools Act"*. This suggests that some members of finance committees deliver poor management as they are not being monitored after the attendance of workshops. However, some principals hinted that budget training was compulsory and was conducted on a regular basis for members of finance committees. It appeared that this was largely training organised by schools themselves.

Different views came from finance officers on whether members of the finance committees acknowledged the importance of training but pointed out that budget training was not available on a regular basis. She responded:

I received training when I started here which would be last year June .I haven't received any training ever since.

Finance officer C indicated a similar view which was *“I received training when I started here which is 7 years ago”*. Treasurer X stated that *“training is important in order to achieve effective budgeting goals”*, thus making it each member of the finance committee’s responsibility to ask for assistance if lacking skills or knowledge.

4.3.4.3 Decision-making on the budget implementation

The accounts of the different participants on decision-making and budget implementation indicated a generally difficult process to execute, mainly because of its specialist nature that requires a thorough grounding in financial management and accounting principles in particular. It was clear from the finance officer of the schools that they had skills regarding the requirements for proper budget implementation, monitoring and control. However, the challenge seemed to be with matters pertaining to decision-making. For instance, Finance Officer D argued:

I don’t ask questions, as these are instructions directly from my principal. This doesn’t just create variances in the budget but also conflict as organisers are not notified on the replacements of funds in their budgets.

Earlier Finance Officer A had pointed out that the *“principal believes to provide a large budget towards areas where achievements have been seen the previous year... ”*. Both scenarios indicate clearly that, while the finance officer knew how budget implementation had to be done to avoid variances, they were not able to influence decision-making, which then resulted in missing out on correct budget implementation.

4.4 SYNTHESIS OF FINDINGS ON BUDGET CONTROL AND MONITORING CHALLENGES

The responses from the interviews present insights into a number of challenges regarding budget control and monitoring based on how they are dealt with at the

schools whose participants were interviewed. It must be stated, however, that not all schools from where participants came experienced similar challenges and that there were findings that indicated conscientiousness on some aspects of budget control and monitoring, while there were areas that indicated real challenges. Thus it can be said that on the whole, schools seem to experience budget control and monitoring challenges, with pockets of best practices in other areas. However, because the focus of this study is on challenges experienced by SGBs in budget control and monitoring, the report focuses on areas that appear to pose the most challenges.

4.4.1 Budgeting processes

Exploration of the budgeting processes involved a scrutiny of challenges in budget preparation, realistic budgeting and budget approval based on best accounting procedures as expounded in Chapter 2. In so far as budget preparation is concerned, it is clear that there are challenges at schools.

Challenges with budget preparation were found to involve a reluctance to engage meaningfully with the process of budgeting. This was attributed to lack of incentives or rewards for being involved in such an intensive process. It was also found that the process of budgeting was done for purposes of compliance with regulations as against a purposeful process seeking to cater for the monetary educational needs of schools and learners. For that reason, it was not surprising to find that in some instances, preparing budgets involved a lack of transparency and relied on using or 'recycling' previous budgets. This was found to be compounded by the illiteracy of the parent members of the SGBs.

The implications for poor budget preparation are numerous as demonstrated by responses to realistic budgeting. It was found that budgets prepared were in many instances unrealistic in that they among others failed to take cognisance of realities of the school communities, led to budget variances during budget implementation and in other instance, deviated from educational purposes in terms of allocations, were largely stated in vague general terms and focused on the business motive. The fact that budget variances were almost reported

throughout, implies that the budget were not very realistic to the actual circumstances of schools.

It was also clear that budget approval was done, albeit in manners that do not ensure that parental approval is based on clear understanding of the budgets themselves. Most importantly, budget approval seemed not to be based on parental understanding of the link between monetary allocations and educational goals. To this end, budget presentations to parents were, as pointed out earlier, vague and general and as such indicated only monetary values allocated to accounts and not necessarily clearly defined in terms of educational needs and thus did not appear to promote accountability. Consequently, parents appeared to be “consulted” rather than be actively involved in decision-making that would realistically mean that they approve the school budgets. In addition, it was found that principals were largely responsible for approving the budgets. This implies the use of manipulation, power and influence. This can be gleaned from the responses indicating that the language used in budget presentations was itself a barrier to parents understanding the budget presentation, the vague and general presentation of the budgets and the lack of explanations linking the budget allocations to specific educational goals and targets. This was also found in the repetition of items on previous budgets in currently presented ones. The reluctance of educators to be involved in realistic budgeting can thus be understood in this context. They may well be reasoning out that it is futile to engage in a laborious exercise of budget preparation and development only to end up having such budgets not being used, linked to educational needs, which it can be said would affect them directly at operational levels were they are, and budget that are not approved by parents.

4.4.2 Budget implementation

Budget implementation relates basically to the match between the budget as a school’s plan expressed in monetary terms and the actual implementation of the

plan as evidenced by the match between planned income and expenditure and the actual income and expenditure in real practical terms.

Budget implementation appears to be another challenge that SGBs experience at schools. It was found that schools generally experience deviations from their budgets. While a number of reasons for this were given by the participants, it was clear that the budget implementation challenges emanate from the budget preparation processes as highlighted above. Consequently, poor, unrealistic and compliance budgeting as serious factors can be attributed to poor budget implementation. In addition, it was found that internal audits were not properly conducted and where they were, they were not used for identifying variances and, taking corrective action.

Among other reasons for poor implementation of budgets, the following were discernible:

- unrealistic budgets;
- poor target setting in relation to realities of the school communities and poor forecasting in relation to the timing of the availability of funds;
- relying on fundraising to deal with financial shortages emanating from poor budgeting as alluded to above;
- not adhering to best practice in financial accounting;
- failing to match budgetary allocations to educational needs and targets;
- failing to deal with virement as per policy and shifting funds across accounts and needs unilaterally; and
- considering the budget as a compliance document rather than a financial plan that has to be implemented.

As a consequence of the reasons listed above, schools sometimes find themselves not having adequate funds, which may lead to some financial responsibilities and obligations not being honoured. This may also land a school as a *juristic* person in serious litigation cases and most importantly, lead to the failure to achieve educational objectives.

4.4.3 Budget monitoring

Budget control and monitoring form the basis of the study. While having constituent components as exposed above, the two concepts themselves are closely tied to the budget itself and its implementation. With regard to budget control and monitoring, it was found that schools had an advantage in that finance officers seemed to be knowledgeable. However, it still appeared to be a challenge for the SGBs to execute effective budget control and monitoring. This was clear in the contradictory responses – principals gave the impression that all was well with the two processes, finance officers demonstrated their knowledge in so far as monitoring and controlling the budget were concerned, while IDSOs gave a completely different picture for most schools. For instance, it was pointed out that schools are paralysed regarding monitoring and controlling their budgets.

It was also found that involving parent members of SGBs in the monitoring and controlling of school budgets was a real challenge for reasons related to low literacy levels. This implies that internal audits were not done or where they were, they were not meaningful to them. This means it opened the space for principals as alleged, to dominate, manipulate, use power and influence on decisions pertaining to financial matters. This also opened space for them to take unilateral decisions, especially where funds were shifted to other areas.

It was found that external audits were done, but again for compliance as it was found that the authenticity of the contents of audits was doubtful. It also transpired that some schools did not conduct external audits. This seems to be a challenge that points to the support and developmental efforts of IDSOs themselves as oversight officers of schools' governance activities.

Another challenge seemed related to budget implementation and indicated a subsequent challenge in monitoring and controlling. In this regard, it appeared that schools had real difficulties in spending finances for purposes of advancing educational goals only. These challenges would be addressed if monitoring was effectively carried out and control subsequently done as a corrective measure.

Taking corrective action on budget variances was disturbingly found to be a big challenge. This is because taking corrective action was seen as an extra task, which means it was not done or was not linked to the practice of correcting the budget variance or exercise virement were necessary. It was also remarkable that in some instances it was reportedly that SGBs did not know what to do. This implies a challenge relating to the effectiveness of training provided to SGBs and whether the training content was relevant and useful to SGBs. This also poses a challenge related to the support given to schools by IDSOs and whether they really monitored how schools deal with budgetary issues from inception to the end of processes concerned.

The challenges hitherto identified also result in a range of miscellaneous others. Among others the following were prominent:

4.4.3.1 Financial reporting

Financial reporting is an essential aspect of budget control and monitoring, especially reporting to stakeholders. Reporting about variances informs the SGB of the need for taking corrective action as well as help in establishing trends. This was found to be another challenge for SGBs. First, the language of reporting was found to create an understanding barrier for SGB members, especially the parent members. It was also found that reporting to the larger parent population was done as a compliance exercise and was in the form of generalised figures. Secondly, it was found that reporting by virtue of being vague and generalised did not put the SGB and the school in a position of accounting for expenditure against educational goals.

4.4.3.2 Budget training

As much as budget variances can be an indication of poor budgeting, they could also be an indication of inadequate training specifically in budgeting processes, especially monitoring and control as aspects of accountability. Responses indicated that budget training was done but was not as regular as it should be against the normally generalised and 'one-size-fits-all' school

governance training provided by the Provincial Department of Education. It was also found that there were no monitoring and follow-up systems aimed at seeing to it that schools implemented knowledge and skills offered during training and that there was no evaluation or impact assessment of training. These are challenges experienced by SGBs. This can also be challenges for departmental officials whose task it is to play an oversight role in so far as expenditure of public funds is concerned.

4.5 CHAPTER SUMMARY

This chapter has presented the analysis and interpretation of findings of the empirical study. This was done by looking at budget monitoring in terms of the budgeting processes, budget implementation, monitoring and control and miscellaneous challenges. While schools are not similar and would also display differing practice, it was noted that some schools did relatively well in terms of the categories discussed. However, in line with the intent of this study, the main focus was on the challenges experienced by SGBs – hence the report presented a discussion of challenges identified.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter sets out to present the summary of the study, conclusions drawn from data collected and recommendations for practice and for future research. The purpose of this study was to gain insight into the challenges school governing bodies experience regarding budget control and monitoring. This was to be achieved by addressing the following objectives:

- To determine what budget control and monitoring entail at schools in the Ekurhuleni District;
- To understand the challenges school governing bodies experience regarding budget control and monitoring at schools in the Ekurhuleni District; and

To address these two objectives, a literature review and an empirical study were conducted. Addressing these objectives culminated into the third objective, which was:

- To provide suggestions as to how effective budget control and monitoring at schools can be ensured at schools.

The next section presents a summary of the study in terms of the contents of each chapter.

5.2 SUMMARY

In chapter one, the motivation for the study was presented and culminated into the purpose statement. The primary aim was presented as being to determine challenges that SGBs experience in managing their finances with regard to budget control and monitoring. This was followed by the conceptual framework which underpinned the study. Then the overview of the research method outlined the paradigmatic orientation, research design, data collection process,

population and data analysis. The possible contribution of the study, delineation, possible challenges and chapter layout were then presented.

Chapter two contextualised the school budget within a definitional framework that included different types of budgeting techniques and exposed how previous studies lend relevance to the whole budgeting phenomenon (see 2.2). Budget control and monitoring (see 2.3 & 2.4), though inextricable, were then presented separately for more clarity. The discussion included budget variance and analysis and attendant conceptual implications, reasons for budget control and monitoring, processes for budget control and monitoring, their significance and characteristics of best practice.

Chapter three presented a detailed discussion of the research methodology. In this regard, the research components typical of qualitative research as used in the study were explicated and included from Section 3.2: the research method comprising the conduct of the literature review (see 3.2.1) and the empirical investigation (see 3.2.2). The latter comprised an exposition of the research paradigm, design, strategy of inquiry, data collection including participants and their selection, data analysis, role of the researcher, quality criteria and ethical standards.

Chapter four provided the data analysis and interpretation of the empirical data. It commenced with a clarification of pertinent concepts regarding demographic profiles of participants (see 4.2). This was followed by a discussion of findings on experiences of participants regarding budget control and monitoring (4.3) in terms of the four main categories that emerged from the data analysis.

Chapter five presented the summary of the whole study and presented conclusions on the findings as well as recommendations.

5.3 FINDINGS AND CONCLUSIONS FROM THE RESEARCH

This section presents findings and conclusions with regard to the research aim and objectives as stated in chapter one.

5.3.1 Findings regarding what budget control and monitoring entail

Budget control and monitoring were found from the literature review to entail the budgeting process which entails a plan of resource acquisition, allocation and utilisation expressed in monetary terms for a specified period, usually a financial year. It can also be concluded that the main purpose of the budget is, in monetary terms, to advance the best interests of the school and by extension, the best interests of the learners (see 2.2). The budgeting process was found to involve a meticulous and systematic process that includes budget preparation, realistic budgeting and budget approval by the majority of parents at an annual general meeting (see 2.2). It is the budget plan that foregrounds the budget control and monitoring process. The budgeting process includes types of budgeting techniques, each with its strongpoints and weaknesses and dependent for use on prudent selection by the SGB and finance committee (see 2.2.1).

Budget monitoring was found to mean a continuous process of keeping a check on the difference between the planned financial status at a given time and the actual financial status at that time or a comparison at any time during the financial year of the school, the actual money expended against the estimated income and expenditure or more precise, the budget variance reporting (see 2.3). This process requires the development of a control system or monitoring instrument, on a month to month basis, where the actual income and expenditure are compared with the budgeted income and expenditure and any variance must be identified, investigated and explained in order to avoid over expenditure (2.3.1).

An important aspect of budget monitoring was found to be the budget variance analysis exercise, which is an accounting tool used to identify any under- or overspending against the budget, which is then investigated with a view to proposing rectifying or corrective action or more precise, the difference, for each cost or revenue element in a budget, between the budgeted amount and the actual income or revenue described either as favourable or adverse and caused by either internal or external factors (see 2.3.2).

Budget monitoring was found to consist of areas like *record keeping or bookkeeping, preparation of financial statements, the income statement, financial analysis and financial reporting (2.3.5)*. These budget monitoring areas are used in the monitoring process which comprises:

- Setting of duties according to formulated objectives;
- Measuring of actual and planned actions;
- Comparing actual actions to planned outcomes; and
- Taking corrective action if necessary.

Budget control was conceptualised as ensuring that budgetary and financial intentions as embodied in financial plans, policies and rules are correctly executed and successfully achieve the aims of the school and also relates to safeguarding funds and ensuring that they are spent as authorised (see 2.4). Budget control involves financial responsibility, decision-making and Implementation (see 2.4). The execution of budget control was found to hinge on the availability of a sound school finance policy (see (2.4.3.1), internal controls, which involve an accounting and financial procedures manual and delegation of responsibility (see 2.4.3.2), and external controls, which involve external auditing as prescribed by law and accountability reporting (2.4.3.3). Budget control was found to consist of three stages namely, pre-control (see 2.4.4.1), concurrent control (see 2.4.4.2) and post-control (see 2.4.4.3).

5.3.2 Findings regarding challenges experienced by SGBs in managing their finances with regard to budget control and monitoring

Since the study sought to gain insight into challenges experienced by SGBs, the findings presented concern challenges identified and understood from the participants. However, cognisance is taken of the positive aspects in areas where SGBs do well.

In response to the primary aim of the study, two pictures emerged – that of SGBs doing relatively well in some areas of budget control and monitoring and

SGBs beset with numerous challenges. On the whole, it can be said that the study assisted me to gain insight into such challenges as experienced by SGBs in managing their finances with regard to budget control and monitoring. The following challenges were identified and interpreted:

5.3.2.1 ***The budgeting process***

To gain insight into challenges pertaining to the budgeting process, I explored the manner of budget preparation, how realistic budgeting was carried out and whether the school budget was approved as prescribed in the Schools Act.

Budget preparation was found to have numerous challenges. For example, the reluctance of educators to be involved in budget preparation, budgeting for compliance with departmental requirements, lack of transparency, using previous budgets were some problematic factors mentioned by the participants. These challenges seemed compounded by the regularly cited lack of or poor literacy of parent members.

The conclusion drawn from these challenges is that budget preparation is indeed a challenge for SGBs. It can also be concluded that challenges experienced in budget preparation would have an influence on other components of budget control and monitoring.

The effects of the challenges with budget preparation were discerned in *how realistic school budgets were*. The first challenge with realistic budgeting was found to be a failure or inability to match school budgets with the realities of school communities. Very often, participants mentioned poor school communities that could not adequately supplement school funds through school fees and fundraising. This is particularly notable because schools from which participants were drawn, were mainly fee-paying schools in quintiles that receive low allocations because of their location in affluent areas. As a result of this, it was found that budgets and actual expenditure did not match and led to large variances.

Another challenge impacting on how realistic school budgets are, was perceived as involving the motive for acquiring funding, which was said to be a purely business motive. Although it could be reasoned that this was done to attract and keep the best educators, this could prove difficult in implementing budget management for purposes of achieving educational needs. This is based on the possible bias of incentives being directed at educators offering the so-called scarce skills' learning areas as compared to those whose educators were readily available. This could also result in fierce competition for educators in targeted learning areas and fail to take cognisance of other needs like learning and teaching support materials. This could also result in the demand and supply dynamics that would ultimately force schools to spend more on acquiring specialist educators at the expense of balanced expenditure for achieving educational goals.

Budget approval was also found to exhibit numerous challenges. It was found that while budgets were presented to parents at the AGMs, these were often generalised and vague in such a way that parents could not realistically engage them meaningfully and with understanding. This actually implies that parents 'approved' budgets without understanding the link between monetary allocations and educational targets and goals.

It was also found that parental approval of the school budgets was influenced negatively by their low literacy levels and as such they were consulted as against being meaningfully involved. This was found to encourage a situation where some principals were mainly influential in approving school budgets.

It can therefore, be concluded that budgeting processes are a real challenge experienced by the SGBs.

5.3.2.2 *The budget implementation*

Budget implementation was found to be another area with numerous challenges. The poor implementation of the budgets was clearly a manifestation of poor budget preparation and unrealistic budgets. Challenges found included:

- poor target setting in relation to school community realities;
- poor forecasting as a result of the timing of the availability of funds, especially funds allocated by the department of education;
- not adhering to best practices in financial accounting;
- failing to match budgetary allocations with educational goals;
- failing to deal with virement as per school finance policy and unilateral shifting of funds across accounts and needs; and
- considering budgeting as a compliance document rather than a school financial development plan.

As a result of these challenges, it was found that budget implementation had significant budget variances. It is thus concluded that budget implementation does present challenges for SGBs.

5.3.2.3 ***Budget control and monitoring***

Budget control and monitoring were found to present most challenges for SGBs. However, the challenges in this regard are a manifestation of the other components of monitoring and control as highlighted in the previous sections.

The first challenge, as in other instances mentioned above, related to the meaningful involvement of parents for reasons attributable to low literacy levels. This means a further challenge regarding compiling and articulating internal audits that would be meaningful to them. It must be pointed out that the SGB should play a scrutiny role that demands accountability from the school and principal as implied by the school governance mandate of providing the school with a strategic direction in the quest for promoting the best interests of the school. This, however, becomes a challenge in a situation where parents in the SGB cannot scrutinise and engage with financial documents and documents of evidence like audit statements.

The second challenge seemed, flowing from the previous one, to be opening up opportunities for unilateral, manipulative, influence and power practices by some or one member of the SGB who may, because of understanding processes better, use such practices, especially the power practice. Examples include the shifting of budget allocations to preferred areas without full understanding and approval of the SGB as would be required by the finance policy. In addition, it was found that expenditures are at times not in relation to the planned budget because principals are sometimes not transparent about finances. Consequently, finance officers were obliged to follow instructions and obey orders. It is therefore inevitable, as it emerged, that for instance, what was budgeted for, was not always monitored by the finance committee, which could suggest that recordkeeping was possibly not authentic in some cases as evidenced by their being labelled as paralysed regarding engaging with control and monitoring.

It was also found that although external audits were done, they were done for purposes of compliance. Consequently, there was doubt as to the reliability of the contents of audit statements. In essence, the doubt was on whether the statements reflecting income and expenditure were valid in terms of the realities of the school income and expenditure situations.

Although some schools did conduct budget control and monitoring, a challenge for them was on applying the necessary corrective action, which was seen as difficult to do and as an add-on administrative function. The resultant challenge would be accountability to stakeholders in real terms.

Finally, the role of the IDSOs as oversight officers and importantly, as support and development officers also proved to be a challenge for SGBs. Evidently, the support received seems not to have promoted any significant results. However, factors like the terms of office of office-bearers in SGBs could also play a role, especially since they have to be changed every year and the SGB every three years.

Therefore the conclusion drawn is that budget control and monitoring is also a challenge for SGBs.

5.3.2.4 *Miscellaneous challenges*

Other challenges reported were also found to be due to extra or a mix of factors other than the components identified for budget control and monitoring. Firstly, financial reporting was found to be a challenge that resulted in some of the challenges related above. In this regard, reporting about budget variances seemed to be a challenge and poorly done due to factors relating to parental literacy levels. This resulted in challenges regarding control and taking the necessary corrective action by the SGB. The language barrier was seen as a challenge for correct and meaningful reporting. It was found that financial reporting is also done as a matter of compliance with regulations and as a result, a further challenge was generated – the presentation of financial reports in details that are clear and easy to engage with. On the contrary, financial reporting was done in a generalised and vague manner that did not allow for meaningful engagement and demand for accountability from the school and the SGB.

Secondly and related to issues raised in terms of literacy levels, a serious challenge related to the training provided to SGBs. It was found that training was often generalised and a 'one-size-fits' all process. As a result, there was no consideration for training in specific areas of financial management, including specific attention to budget management, monitoring and control.

Thirdly, a challenge that SGBs experience had to do with the oversight role of the departmental officials in terms of monitoring the outcomes of training and evaluating the implementation of programmes at schools. Training often seemed to be the end in itself rather than a means to an end, instead of effective budgetary management processes at schools.

It is thus concluded that financial reporting and training for effective financial management in terms of budget management are other challenges SGBs

experience in managing their finances with regard to budget control and monitoring.

5.4 RECOMMENDATIONS

In light of the challenges experienced by SGBs, the following recommendations to improve and ensure effective budget control and monitoring are suggested:

First and foremost, it is crucial that the training of SGBs considers their needs for various functions. Providing the introductory training as prescribed by the Schools Act is not adequate to address the training needs of SGBs in their various functions. It is recommended that training be localised in clusters of SGBs in the same area and be offered on an intensive basis.

The SGB training must not only deal with generic topics on financial management, but should also delve into various aspects thereof. For example, there should be training of governors in terms of their roles, for example, the role of the treasurer and the interactive relationships among the principal, treasurer, finance officers and finance committee members in such a way that a holistic focus on school financial management and schools' educational goals are demonstrated clearly.

I hold that such training, which is tailor-made to the needs of SGBs, would promote the necessary confidence in all members and would ensure that all know their roles and execute them to the best of their abilities. Furthermore, such intensive training, which should isolate components of financial management, and in this case budget management, monitoring and control would facilitate correct procedures and would eliminate most of the challenges found in this study. For instance, training in the budgeting process would result in realistic budgets that can be implemented properly and thus eliminate unnecessary variances that are avoidable. This would also promote the consciousness of SGB members as to their accountability responsibilities and thus promote monitoring and control that end up with fostering the application of effective corrective measures.

Secondly, it will be necessary to conduct a skills audit of SGB members before they resume their duties and before any form of training. This will facilitate the development of customised training programmes and also facilitate the use of knowledgeable and skilled SGB members as mentors or coaches of other SGBs that could require training in the fundamentals of their functions.

Thirdly, training of SGBs, especially in matters of finances like budgeting processes must focus on linking the financial planning process to educational goals of schools. This would eliminate opportunities for shifting of accounts on a unilateral basis and would force SGBs to seek justification for any financial acts that deviate drastically from the budget.

Fourthly, school principals as *ex officio* SGB members must be held accountable for ensuring that finances are correctly expended and for promoting educational goals. In this regard, the role of IDSOs as oversight officials is critical and they should thus employ regular monitoring systems that require evidence of financial expenditure outcomes on, for example, a quarterly basis.

Furthermore, there is also a need for the Department of Education to apply strict monitoring mechanisms to ensure that schools adhere to the stipulations of both the Schools Act and the PFMA regarding financial management in transparent, fruitful and authorised manners. This will help SGBs to monitor rigorously and ensure that processes like variance analysis and internal audits are carried out effectively. This should be the treasurer's main responsibility, once trained effectively.

The fifth recommendation is that the Department of Education needs to review the quintile system in terms of allocating funds to schools in the so-called affluent areas. This study has found that despite being in town areas, these schools accommodate learners who are in the main, transported from areas outside their confines and townships and as such, serve learners who come from previously disadvantaged communities. I also note that the department has initiated discussions in this regard.

Sixth, at the very local level, SGBs need to encourage openness and allow finance officers who mostly seemed to know their functions, to execute them without feeling powerless when things do not go right. This will ensure that records are updated regularly to facilitate the process of budget control and monitoring, and that there would be continuity regarding financial systems, processes and procedures. In this regard, it is recommended that schools make use of the following monitoring criteria, as set out by Nieman and Bennet (2002:118):

- Monitoring systems should be linked to the desired outcome set by the financial budget.
- The monitoring systems must be completed by considering all actions related to the income and expenditure factors and monitor what is supposed to be monitored.
- The timely monitoring of monitoring systems is necessary to provide information when it is needed most.
- Acceptable monitoring systems should be recognised by members of the SGB as necessary for establishing budget outcomes.
- All members of the SGB exposed to the monitoring systems must fully understand the implications of the set standards.

The seventh recommendation concerns reporting to parents in a language that they can understand. While they may not be highly literate, SGBs should do all they can to present reports that can be understood and if these are in the context of educational goals, it will be possible for parents to understand and engage with the reports. For example, a manual on basic financial concepts and actions could be compiled and provided to all parents in a clear and understandable format and in languages accessible to all parents. This might initially seem like a costly exercise, but its benefits would by far outweigh the costs in the long term.

5.5 RECOMMENDATION FOR FUTURE RESEARCH

The following recommendations are made for future research:

- Research should explore ways to help principals to be able to exercise transparency in financial accountability matters.
- The roles of IDSOs should be investigated so as to understand how they can effectively develop and support members of the finance committees in terms of their financial accountability responsibilities.
- Parents' illiteracy levels seem to be a factor inhibiting the implementation of the budget process. Research should be conducted on practical and effective ways of addressing parental inability to participate in such programmes.

5.6 CHALLENGES IN DATA COLLECTION

The study was limited firstly, by the difficulty in accessing the initially intended participants due to circumstances described in Chapter 1. Secondly, the responses provided by finance officers and one treasurer, while useful, were carefully given, so that data collection on that score was not very spontaneous. Thirdly, IDSOs' written responses deprived me as researcher the opportunity to probe some areas of their responses. Fourthly, although interviewed participants were willing to participate, conditions they set for me limited the phenomenological aspect of data collection in that they deprived the research settings of their naturalistic character. Finally, principals' responses in most instances seemed to paint a positive picture of budget control and monitoring at their schools.

Notwithstanding these limitations and in line with the social constructivist paradigm, I was able to gain insight into the hidden meanings by delving into data and interpreting the suggestive answers provided. Furthermore, I was able to gain valuable insights through cross-comparison among responses of the three participant matrices.

These challenges generate a need for further research in the area of challenges in budget management at schools as a way of testing the authenticity of findings of this study, using other data collection methods and designs, especially the mixed method design.

It must also be emphasised that the findings of this study cannot be generalised to all SGB populations as indeed, it was not the intention of this study to do so. The intent, as is typical of qualitative research, was to gain insight into and understand the challenges experienced by SGBs in managing finances with regard to budget control and monitoring. Consequently, the interpretation of data was not ascribed to any particular school or SGB. Rather, focus was on challenges as understood from the participants.

5.7 CONCLUDING REMARKS

Accountability is an essential element of school governance. It is apparent that a school's finance committee has a statutory responsibility, relating to budget control and monitoring, which could make a valuable contribution to ensuring a school's effectiveness and continuous improvement. It is clear that school self-management can only succeed if the people responsible for the various facets of management at the school are competent to do so. Each member has valuable expertise to offer for the betterment of the school. The standards of quality will be determined by the quality of accountability systems and this is true for budget control and monitoring as a component of financial management that plays a critical role in ensuring accountability.

5.8 CHAPTER SUMMARY

This chapter presented the overall summary of the research and presented the summary of each chapter, findings relating to the research aims, recommendations for addressing challenges pertaining to budget control and monitoring experienced by SGBs in managing school finances and recommendations for future research. The study has therefore succeeded in

gaining insights into the state of schools facing challenges with monitoring and controlling their financial budgets.

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APPENDICES

APPENDIX A

INTERVIEW SCHEDULE TREASURERS

1. Please tell me how the budget of your school is prepared.
 - a) How is the Finance Committee involved in budgeting?
 - b) Is there a finance policy?
 - c) Does it detail how the budget process should be followed?
 - d) Would you say it is followed?
 - e) How is information for the budget derived? (Who supplies information for the budget?)
 - f) Who reviews the budget before it is presented to parents for approval?
 - g) When is budget control exercised?
 - h) Would you say your school does pre control, concurrent and post control of the budget?
2. How do you ensure that the school's expenditure is in line with the budgeted amounts?
 - a) Is the actual expenditure compared to the budgeted amounts?
 - b) How often is this done?
 - c) How are variances in the budget identified?
 - d) How often is this done?
 - e) How are they reported to the finance committee and SGB?
 - f) How is corrective action taken when there are significant variances?
 - g) Who is responsible for budget virement decisions?
3. Does actual expenditure sometimes deviate (exceed or fall far below) from the budget?
 - a) How often?
 - b) What are most common reasons for this?
 - c) How are budget variances corrected – such that they do not happen?
4. Does the school generate extra income/funds through for example, fundraising?
 - a) How is this done?
 - b) From what sources is extra income generated?
 - c) Is this extra income budgeted for and reflected in the budget?

INTERVIEW SCHEDULES FOR FINANCE OFFICERS (USUALLY ADMINISTRATIVE CLERK):

1. Are you a member of the Finance Committee?
2. What exactly is your role in the Finance Committee?
3. Tell me about your system of bookkeeping?
4. How often do you have Finance Committee meetings for budget control and monitoring purposes?
5. Are all financial transactions recorded? (Is there a bookkeeping system for all expenditure?)
 - a) How are they recorded?
 - b) Where are they recorded?
 - c) When are they recorded?
 - d) How often is recording done?
6. How often do you present financial statements to the finance committee and the SGB?
 - a) Which statements do you present?
 - i. cash flow statements?
 - ii. Income and expenditure statements?
 - b) Virement statement? (statement indicating the transfer of funds from one account to cover a deficit in another)
7. Do you conduct a financial analysis to identify budget variances?
 - a) How often?
 - b) Who do you first report variances to?
 - c) Who takes decisions of variances?
 - d) What is usually done when there are large variances? (either over- or under-spending).
 - e) Are there always large variances?
 - f) What are the most common reasons for such variances?
8. Is expenditure always in line with the budget?
 - a) If not, why is this often the case?

INTERVIEW SCHEDULES FOR INSTITUTIONAL DEVELOPMENT AND SUPPORT OFFICERS (IDSOS)

1. Please tell me your impression of schools' budgetary processes?
2. Do schools experience large or significant deviations from their budgets?
3. What have you found to be the reason for this?
4. Do schools have systems in place for dealing with budget variances?
5. Would you say school control and monitor their budgets?
6. Do you often find that schools conduct internal audits of their finances?
7. Would you say parents are provided realistic budgets that they understand for approval?
8. Who do you, in your experience, think approves the school's budgets?
Parents or the SGBs/Principals?
9. What is the general impression derived from the schools' audited records?

APPENDIX B:

PERMISSION FROM THE GAUTENG DEPARTMENT OF EDUCATION



GAUTENG PROVINCE

Department: Education
REPUBLIC OF SOUTH AFRICA

For administrative use:
Reference no. D2013/324

GDE RESEARCH APPROVAL LETTER

Date:	18 March 2013
Validity of Research Approval:	18 March 2013 to 20 September 2013
Name of Researcher:	Du Bruin L.
Address of Researcher:	18 Launceston Street Unit 5 Amras Garden New Redruth Alberton
Telephone Number:	011 907 9620 / 084 667 6436
Fax Number:	011 907 9622
Email address:	lizvv@yahoo.com
Research Topic:	Budget control and monitoring challenges for school governance bodies
Number and type of schools:	EIGHT Primary and SEVEN Secondary Schools
District/s/HO	Ekurhuleni South

Re: Approval in Respect of Request to Conduct Research

This letter serves to indicate that approval is hereby granted to the above-mentioned researcher to proceed with research in respect of the study indicated above. The onus rests with the researcher to negotiate appropriate and relevant time schedules with the school/s and/or offices involved to conduct the research. A separate copy of this letter must be presented to both the School (both Principal and SGB) and the District/Head Office Senior Manager confirming that permission has been granted for the research to be conducted.

The following conditions apply to GDE research. The researcher may proceed with the above study subject to the conditions listed below being met. Approval may be withdrawn should any of the conditions listed below be flouted:

Making education a societal priority

Office of the Director: Knowledge Management and Research

9th Floor, 111 Commissioner Street, Johannesburg, 2001
P.O. Box 7710, Johannesburg, 2000 Tel: (011) 355 0506
Email: David.Makhado@gauteng.gov.za
Website: www.education.gpg.gov.za

David Makhado 2013/03/19

1. The District/Head Office Senior Manager/s concerned must be presented with a copy of this letter that would indicate that the said researcher/s has/have been granted permission from the Gauteng Department of Education to conduct the research study.
2. The District/Head Office Senior Manager/s must be approached separately, and in writing, for permission to involve District/Head Office Officials in the project.
3. A copy of this letter must be forwarded to the school principal and the chairperson of the School Governing Body (SGB) that would indicate that the researcher/s have been granted permission from the Gauteng Department of Education to conduct the research study.
4. A letter / document that outlines the purpose of the research and the anticipated outcomes of such research must be made available to the principals, SGBs and District/Head Office Senior Managers of the schools and districts/offices concerned, respectively.
5. The Researcher will make every effort obtain the goodwill and co-operation of all the GDE officials, principals, and chairpersons of the SGBs, teachers and learners involved. Persons who offer their co-operation will not receive additional remuneration from the Department while those that opt not to participate will not be penalised in any way.
6. Research may only be conducted after school hours so that the normal school programme is not interrupted. The Principal (if at a school) and/or Director (if at a district/head office) must be consulted about an appropriate time when the researcher/s may carry out their research at the sites that they manage.
7. Research may only commence from the second week of February and must be concluded before the beginning of the last quarter of the academic year. If incomplete, an amended Research Approval letter may be requested to conduct research in the following year.
8. Items 6 and 7 will not apply to any research effort being undertaken on behalf of the GDE. Such research will have been commissioned and be paid for by the Gauteng Department of Education.
9. It is the researcher's responsibility to obtain written parental consent of all learners that are expected to participate in the study.
10. The researcher is responsible for supplying and utilising his/her own research resources, such as stationery, photocopies, transport, faxes and telephones and should not depend on the goodwill of the institutions and/or the offices visited for supplying such resources.
11. The names of the GDE officials, schools, principals, parents, teachers and learners that participate in the study may not appear in the research report without the written consent of each of these individuals and/or organisations.
12. On completion of the study the researcher/s must supply the Director: Knowledge Management & Research with one Hard Cover bound and an electronic copy of the research.
13. The researcher may be expected to provide short presentations on the purpose, findings and recommendations of his/her research to both GDE officials and the schools concerned.
14. Should the researcher have been involved with research at a school and/or a district/head office level, the Director concerned must also be supplied with a brief summary of the purpose, findings and recommendations of the research study.

The Gauteng Department of Education wishes you well in this important undertaking and looks forward to examining the findings of your research study.

Kind regards

David Makhado

Dr David Makhado
Director: Knowledge Management and Research

DATE: 2013/03/19

Making education a societal priority

Office of the Director: Knowledge Management and Research

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