

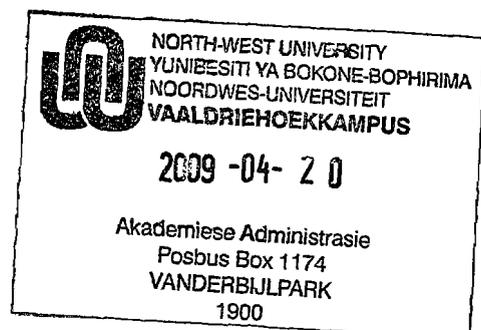
An investigation of financial accountability in schools

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Dissertation submitted for the Master of Education in the School of Educational Sciences
in Educational Management at the Vaal Triangle Campus of the North-West University

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November, 2009



DECLARATION

I hereby declare that:

An investigation of financial accountability in schools

is my own work, that all the resources used or quoted have been indicated and acknowledged by means of complete references¹, and that this dissertation has not been previously submitted by me for a degree at any other university.



D.L. Ngubane

¹ Some sources do not have page numbers, e.g. web sites from the Internet.

**Dedicated to
Manini, Mahlumani and Nkanyiso**

DEDICATION

ACKNOWLEDGEMENTS

I thank God for giving me strength and courage to complete this study.

My sincere gratitude and appreciation is directed to the following people for their contribution and support in the completion of this study:

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All friends and family for their encouragement and unconditional love.

ABSTRACT

This study set to investigate how School Governing Bodies (SGBs) currently execute financial accountability. This is because schools are funded mostly from public funds, and are directed to be accountable to stakeholders by the South African Schools Act No. 84 of 1996 and the Public Finance Management Act No. 1 of 1999. This means that school financial accountability is a legal requirement in terms of the laws relating to school governance and public finance management.

Financial accountability, entails reporting to stakeholders in terms of how funds have been expended in relation to the mandate given to the school's accounting officer. In the case of schools, this combines the school principal and the SGB. This implies the implementation of financial accountability elements namely, financial planning, controlling, monitoring and reporting.

The empirical research quantitatively used the questionnaire and qualitatively used interviews to investigate how SGBs practiced financial accountability. While the quantitative survey revealed that SGB were financially accountable, the interviews provided insight into the phenomenon, which indicated gaps in school financial accountability namely:

- lack of capacity to perform financial accountability functions;
- poor monitoring of schools' financial management and accountability performances, both by Departmental officials and schools themselves;
- poor adherence to policy prescriptions as provided for in the South African Schools Act and the Public Finance Management Act.

It is therefore recommended that SGBs should explore simplification of financial accountability language to suit the parents' level of understanding; principals and educators need capacity-building to be able to handle communication with parents

who are not educated; Departmental officials constantly to monitor and support schools in their financial accountability processes; and that Departmental Units should establish information 'feeding' channels so as to identify needs for development and support across the units, so as to intervene timely in areas needing intervention, and principals need to establish peer-assistance networks at local level so as to learn from examples of good practices from their colleagues.

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Appendix A: Letter of approval

Appendix B: Letter to the respondents

Appendix C: Questionnaire

Appendix D: Interview Schedule

LIST OF ABBREVIATIONS

HOD	Head of Department
IDSO	Institutional Development and Support
MEC	Member of the Executive Council
NGO	Non Governmental Organisation
PFMA	Public Finance Management Act
SGB	School Governing Body
SMT	School Management Team
WCED	Western Cape Education Department

CHAPTER 1

ORIENTATION

1.1 INTRODUCTION AND PROBLEM STATEMENT

The role of school managers and School Governing Bodies (SGBs) in financial management is pivotal to the success of all educative teaching endeavours of any school. Financial accountability, an aspect of financial management is also an important legal requirement for schools in South Africa.

Financial accountability describes the processes and procedures used to hold an organisation responsible for its performance and involves *identifying* the goals and objectives of an organisation, *measuring* its performance, and *comparing* its performance to internal or external standards (Texas Education Agency, 2003). Thus accountability creates an evaluation link between the three primary administrative functions of an organisation, namely, planning, management and budgeting. Therefore accountability should be regarded as one of the essential elements of school governance to help strengthen the position of school managers (Maile, 2002:326).

In essence, financial accountability is professional work determined by knowledge of those principles, theories and factors that underlie appropriate decisions about which procedures should be employed and knowledge of the procedures themselves; a commitment to do what is best for the client and not what is easiest or expedient (Maile, 2002:236). This exposition of what accountability entails, clearly relates to being answerable to other stakeholders and an interdependency of decisions. Put differently, accountability involves reporting and explaining or justifying the occurrence of educational activities at school.

The South African Schools Act No. 84 (Republic of South Africa, 1996) makes it mandatory for schools to manage school funds and take responsibility to

implement all the necessary financial accountability processes such as budgeting and auditing. In addition, Section 45 of the Public Finance Management Act (PFMA) (Republic of South Africa, 1999) makes it an obligation for schools, in particular the principal, to ensure the effective, efficient, economical and transparent use of financial and other resources within the school. Furthermore, Section 45 of the PFMA (Republic of South Africa, 1999) sets out responsibilities for school managers, *inter alia*, to take appropriate steps to prevent any unauthorised expenditure, irregular, fruitless and wasteful expenditure.

Despite these legal requirements, schools continue to experience problems regarding financial management. Bush, Clover, Bischoff, Moloi, Heystek and Joubert (2006:7) report that a large-scale survey of principals in Gauteng demonstrated their anxiety about this issue and their need for additional training in managing finances. Indeed, Mestry (2004:126) argues, for instance, that there is lack of capacity for school governors, especially lay governors, to play an active role in school budgeting. Bush *et al.* (2006:14) cite Tshifura who reports mistrust between certain SGB members and the school principal, following a decision by the principal and the treasurer of the SGB (an educator) on how to use funds which the SGB did not budget for. Bush *et al.* (2006:14) further cites a study that found lack of transparency in some schools which could lead to mistrust. Mestry (2004:126) indicates that there are reports that 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 records.

The issues mentioned above, indicate the situation in which schools find themselves with regard to financial accountability. Clearly in a situation such as this, many reasons can be provided. Among others, illiteracy, lack of experience and training of lay school governors have been cited as reasons for poor financial management and accountability in schools (Bush *et al.*, 2006:14). Despite numerous training efforts from the Department of Education, the financial

management performance in many schools seems to be problematic (Palmer, 2006).

If reasons cited above are considered, it can be deduced that lack of training, illiteracy of the parent population and generally, corrupt practices from some school principals and SGB members are responsible for poor management of finances in schools. In addition, it can be deduced that poor training combined with poor assessment of its implementation by the Department of Education (Palmer, 2006) contribute to this state of affairs.

It is these reasons that motivated this research. The purpose of this study is to investigate financial accountability in schools. To this end, this research seeks to answer the following questions:

- What is the nature of school financial accountability?
- What is the role of the SGB in school financial accountability?
- How do SGBs currently execute school financial accountability?
- How can SGBs be assisted to execute correct financial accountability processes?

1.2 RESEARCH AIM AND OBJECTIVES

The aim of this research is to investigate financial accountability in schools. To achieve this aim, this research addresses the following objectives:

- to determine the nature of school financial accountability;
 - to determine the role of the SGB in school financial accountability;
 - to investigate how SGBs currently execute school financial accountability;
- and

- to provide recommendations regarding how SGBs can be assisted to execute correct financial accountability processes.

This research used a research method that comprised the literature study and the empirical research.

1.3 RESEARCH METHOD

To achieve the afore-stated aims, this research engages quantitative and qualitative approaches. Quantitative research is defined as a formal, objective and systematic process where data is used to obtain information about study phenomena (Stubbs, 2005). According to Vockel and Asher (1995:192), quantitative research involves description and data collection processes, research designs and statistical procedures and includes among others, questionnaires. To this end, this research makes use of a questionnaire as quantitative research instrument.

1.3.1 Literature study

A 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 (Fouche & Delpont, 2002:127). This research is based on a literature study which included primary and secondary sources to expose accumulated knowledge in the mentioned field of interest, which in this study, is school financial accountability (Ary, Jacobs & Razavieh, 1999:67).

A literature study of the nature of financial accountability was undertaken so as to establish which factors are crucial in that regard. An extensive literature search was conducted using the following key words:

financial accountability, financial management, budgeting, financial control, financial reporting and transparency.

1.3.2 Empirical research

The empirical research was conducted according to the exposition in the following sub-sections.

1.3.2.1 *Aim*

The empirical investigation was conducted to gather information about challenges currently experienced by SGBs in financial accountability.

1.3.2.2 *Measuring instrument*

Based on information gathered from the literature study, a questionnaire (cf. Appendix C) was developed to gather information from SGB members in schools about challenges they experience in financial accountability. The questionnaire largely sought to gather data about the implementation of financial accountability processes and problems experienced in their execution.

After the quantitative data analysis, the researcher decided to include a qualitative data collection phase, which used interviews for data collection. (cf. Chapter 3).

1.3.2.3 *Population and sampling*

The population for this research comprised all SGB members at schools in the Gauteng Province. However, due to the impracticality of surveying all SGB members, the target population was conveniently limited to school principals and finance officers. Finance officers are appointed by the SGB to record all financial transactions, and keep the principal, the treasurer and the Finance Committee, fully informed about financial matters (KwaZulu-Natal Department of Education and Culture, 2002c:iv).

The research population was confined to the Sedibeng Municipalities, consisting of Districts 7 and 8 of the Gauteng Department of Education. There are 210 schools in both districts, implying that there are 210 principals and 210 finance officers.

Without delving into the merits and demerits of each argument on selecting sample sizes, it suffices to mention that for this research, various guidelines by various authors were considered (Leedy & Ormrod, 2005:207; Strydom & Venter, 2002:201; Cohen *et al.*, 2002:94; McMillan & Schumacher, 2001:117) and in line with such guidelines, the survey population was pegged at 140 for both principals and finance officers, as being adequately representative of the population of 210 principals and finance officers (Cohen *et al.*, 2002:94).

Participant selection for the interviews is detailed in Chapter 3.

1.3.2.4 *Pilot survey*

The questionnaire was pre-tested to a selected number of respondents from the target population regarding its qualities of measurement and to review it for clarity and to determine such aspects as the duration it would take to complete and the clarity of instructions and items, as well as to detect any ambiguities in the questionnaire items (McMillan & Schumacher, 2001:267). The pre-test also served the purpose of ensuring that the questionnaire was valid and reliable, which implies that the questionnaire measured what it was intended to measure, could be used elsewhere and still measure what was intended to, given the same circumstances for which it was developed (Delport, 2002:166; Welman & Kruger, 2001:97). For these purposes, the pre-test population comprised school principals (n = 40) and finance officers (n = 40) drawn from the neighbouring Johannesburg South District 11.

A Cronbach Alpha test was utilised to determine the reliability of the questionnaire before it was administered. The items of the questionnaire scored Cronbach Alpha Coefficients of 0.884 and 0.860 for principals and finance officers respectively, which were considered highly valid. The content and construct validity was ensured by adhering to the theoretical constructs of financial accountability as determined through the literature review.

1.3.2.5 *Ethical aspects*

The prescribed research request form of the Gauteng Department of Education was completed and submitted to the Department for approval to administer the research questionnaire to the target population. The form is obtainable from the Department's website (<http://www.education.gpg.gov.za>).

The questionnaire was accompanied by a covering letter requesting respondents to complete it and assuring them of the confidentiality with which their responses would be handled. The letter of approval (cf. Appendix C) was also attached to the questionnaire.

1.3.2.6 *Statistical techniques*

The Statistical Consultancy Services of the North-West University: Vaal Triangle Campus was approached for assistance with the analysis of data collected from questionnaires. Descriptive data were used to interpret the data collected. A frequency analysis was used to interpret the data presented in tabularised form.

1.4 **CONTRIBUTION OF THE STUDY**

School financial accountability is a crucial aspect of school financial management and is required by law. This study envisages contributing to the field of school financial management and assisting SGBs and school principals to execute good practices in so far as financial accountability is concerned.

1.5 **CHAPTER DIVISION**

Chapter 1 presents an orientation to the study and details the problem statement and research method.

Chapter 2 presents the literature review on the nature of school financial accountability and exposes the role of the SGB in executing school financial management.

Chapter 3 presents a detailed description of the empirical study. The aim, objectives and research method are outlined in detail.

Chapter 4 presents data analysis and interpretation of the empirical research data.

Chapter 5 presents the summary, findings and recommendations of the study.

1.6 **SUMMARY**

This chapter outlined the problem statement and the rationale for the study and provided details of the research method. The next chapter presents the nature of school financial accountability.

CHAPTER 2

THE NATURE OF SCHOOL FINANCIAL ACCOUNTABILITY

2.1 INTRODUCTION

Schools as public institutions rely mostly on public funding and as a result, receive the largest funding from the state. Because the funds allocated to schools are basically public funds, there is a requirement that schools have to account for the utilisation of such funds. This implies that financial accountability is located within a legal framework.

2.2 THE LEGAL FRAMEWORK FOR SCHOOL FINANCIAL ACCOUNTABILITY

The legal framework regarding financial accountability includes the provisions of the South African Schools Act 84 of 1996 and the Public Finance Management Act 1 of 1999.

2.2.1 The South African Schools Act No. 84 of 1996

Section 16 of the South African Schools Act No. 84 of 1996 (hereafter referred to as the Schools Act) locates the governance of schools on the SGBs, which are elected democratically by school stakeholders (Republic of South Africa, 1996). School financial management resorts among the school governance functions. In execution of this function, and in terms of Section 37 of the Schools Act, the governing body of a school must establish a school fund and administer it in accordance with directions issued by the Head of Department.

The SGB, in terms of financial management, is therefore responsible for financial planning, control and monitoring, which aspects are essential for financial accountability. According to Van Rooyen (2007:141), the governing body is therefore charged with the financial accountability function of school financial management, which, as alluded to earlier, entails an obligation to account for the

financial actions as is legally prescribed. The governing body does this by establishing, as directed by the Schools Act, the necessary financial management infrastructure, which includes, as stated in Van Rooyen (2007:140):

- the school's vision and mission statements;
- organisation structure for financial management, which includes such aspects as issuing of receipts, petty cash, deposits, requisitioning for payment, approval and authorisation, payment for an acquisition, recording and filing as well as auditing; and
- financial reporting².

The Schools Act can be seen essentially as providing for financial accountability in terms of prescribing the establishment of a school fund, collecting and controlling funds and most importantly, ensuring that school funds are disbursed exclusively for school educational purposes (Van Rooyen, 2007:126). In this regard, the Schools Act (Chapter 4) specifically directs that the school governing body must:

- prepare a budget each year, according to guidelines determined by the Member of the Executive Council, which must be tabled before and be approved by the general meeting of parents;
- keep records of funds received and spent by the school and a keep a record of its assets, liabilities and financial transactions; and
- as soon as practicable, but not later than three months after the end of each financial year, draw up annual financial statements in accordance with guidelines determined by the Member of the Executive Council.

² Own addition

- appoint a person registered as an accountant or auditor in terms of the Public Accountant and Auditory Act 80 of 1991, to audit the records and financial statements;
- 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 the Schools Act; and
- at a request of an interested person, make the records and the audited or examined financial statements available for inspection.

It is clear that the Schools Act specifically makes financial accountability a legal requirement for schools. Because schools are public entities, they are also governed by provisions of the Public Finance Management Act 1 of 1999.

2.2.2 The Public Finance Management Act 1 of 1999

The financial management function of a school is the responsibility of the SGB. While the school principal is an *ex officio* member of the SGB, he or she is also the accounting officer of the school, which means that he or she is finally accountable for all processes at school. This implies that he or she is also responsible for financial accountability. In terms of the Public Finance Management Act 1 of 1999 (PFMA), Chapter 6, Section 56 (Republic of South Africa, 1999:44), as an accounting officer, he or she:

- must ensure that the system of financial management and internal control established for that public entity (the school in this case) is carried out within the area of responsibility of that officer;
- is responsible for the effective, efficient, economical and transparent use of financial and other resources within that officer's area of responsibility;

- must take effective and appropriate steps to prevent, within that officer's area of responsibility, any irregular expenditure and fruitless and wasteful expenditure and any under collection of revenue;
- must comply with the provisions of this Act (the PFMA) to the extent applicable to that officer, including any delegations and instructions in terms of Section 56 of the PFMA; and
- is responsible for the management, including the safeguarding of the assets and the management of the liabilities within that officer's area of responsibility.

Section 58 of the PFMA, (Republic of South Africa, 1999:48) also states that any public entity's (including schools) financial statements must be audited annually by:

- the Auditor-General; or
- a person registered in terms of Section 15 of the Public Accountants Auditors' Act, 80 of 1991, as an accountant and auditor and engaged in public practice as such.

The provisions of these Acts in so far as accountability is concerned, imply a reporting function. It is also clear that these Acts, as directives to SGBs and school principals, locate financial accountability within a legal framework and thus imply that schools are, by law obliged to adhere to principles of school financial accountability. This can be realised through the implementation of proper financial management and accounting systems, which in essence implies effective financial management, and includes elements of budgeting, auditing and reporting. To this end, an understanding of concepts related to school financial accountability is essential.

2.3 CONCEPTUAL FRAMEWORK

The phenomenon of school financial accountability is located within school financial management. It is thus important to explain concepts in which school financial accountability is grounded. Although this study is not purely concerned with financial management, a brief exposition of financial management is presented below so as to conceptualise financial accountability within a context of financial management.

2.3.1 School financial management

In defining financial management, Maritz (2005:1) outlines the most important reason for financial management in organisations as being to ensure that the organisation knows how much money it needs, how to get the money it needs and how to use that money to achieve its goals in an ethical, responsible and sustainable way. idasa (2004:2) describes financial management as the management and recording of the flow of money, planning for its future use and ensuring that it is well spent and not misused and Lewis (2003:12) defines it as entailing planning, organising, controlling and monitoring the financial resources of an organisation to achieve objectives.

Van Rooyen (2007:124) cites Mestry who defines financial management as the performance of management action connected with the financial aspects of schools, with the aim of achieving effective education and points out that this begins with having a clear picture of what needs to be achieved and then using every possible resource to work towards that objective. For this reason, Maritz (2005:2) posits that financial management involves the past, the present and the future. To that end, proper financial management means keeping record of all the money the organisation has already received or spent (the past), control and manage the money that is still in the organisation (the present) and make decisions about the future of the organisation. Maritz (2005:5) contends that financial management thus involves three different, but connected functions, which are:

- financial planning;
- financial control; and
- financial monitoring.

idasa (2004:2) includes, in the financial management process, basic accounting systems which entail recording all income of the organisation, recording all expenditure, providing a detailed analysis of transactions and allowing for the production of accurate reports.

Emanating from the definition above, it is clear that financial management is mainly about the proper utilisation of funds through having appropriate systems to ensure that this happens. This also includes as mentioned above, recording all expenditure, providing a detailed analysis of transactions and allowing for the production of accurate reports. This requirement, especially the recording and production of accurate reports, implies accountability to the organisation's stakeholders. This, in essence implies financial accountability and thus the concept accountability warrants an understanding.

2.3.2 Accountability

Accountability, according to Leithwood and Earl (2000:2) entails giving a report on; furnishing a justifying analysis or explanation; providing a statement of explanation of conduct; offering a statement or exposition of reasons, causes, grounds, or motives; or simply providing a statement of facts or events. Robinson and Timperly (2000:67) define accountability as "a condition under which a role holder renders an account to another so that a judgment may be made about the adequacy of the performance and point out that accountability is equated with the act of reporting. These authors cite Tetlock who states that:

Accountability also usually implies that people who do not provide a satisfactory justification for their actions will suffer negative

consequences ranging from disdainful looks to loss of one's livelihood, liberty, or even life. ...Conversely, people who do provide compelling justifications will experience positive consequences ranging from mitigation of punishment to lavish rewards that, for example, take the form of political office or generous stock options.

According to *BusinessDictionary.com* (2007), accountability refers to the obligation of an individual, firm, or institution to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner and also includes the responsibility for money or other entrusted property.

Beckmann (cited by Maile, 2002:326) points out that accountability follows the exercise of power, use of resources and implementation of policy and is inextricably linked to democratic management and other related concepts such as participation, empowerment and transparency. This notion implies that unlike in the past, when principals took decisions alone, it is no longer possible as they may no longer be able to take decisions unilaterally without involving other school stakeholders, especially in matters pertaining to school governance and consequently, finances.

The Collins English Dictionary (2003:5) defines accountability using an adjective, *accountable* which implies *responsible to someone or for some action*, that is, if an individual is called to account, an explanation from that person is demanded. This seems to concur with Wagner's definition (as quoted by Maile, 2002:326), which is derived from the adjective *accountable* and implies an obligation to give account. In this case, giving account involves reporting and explaining or justifying the occurrence of education activities.

Financial accountability in South African schools carries the same connotation as described by Texas Education Agency (2003:1-2) for Texas (USA) public schools, that accountability is a multi-faceted concept in governmental organisations and generally is used to describe the processes and procedures used to hold

organisations responsible for their performance. In this sense Texas Education Agency (2003:2) contends that accountability involves identifying the goals and objectives of an organisation, measuring its performance and comparing its performance to internal or external standards. It also creates an evaluation link amongst the three administrative functions of governmental organisations namely:

- planning;
- management; and
- budgeting.

Therefore accountability is a relationship between those who control or manage an entity and those who possess formal power over them and requires the accountable party to provide an explanation or satisfactory reason for their activities and the results of efforts to achieve the specified tasks or objectives (Texas Education Agency 2003:2).

From the exposition above, it is clear that accountability involves reporting or providing justification for one's actions to stakeholders and that failure to do so might render activities of an organisation ineffective and devoid of any support for crucial members of its community. It can be asserted that this would be even more where public funds are concerned and thus elevates the critical significance of school financial accountability. The question to answer then is: What in essence is financial accountability and what does it entail?

2.3.3 Financial accountability

Financial accountability stems from the notion of accountability as espoused in the previous section. In this case, it can be argued that financial accountability refers to accountability in terms of the finances of an organisation. In other words, this implies accounting about funds received and how funds are expended in pursuit of organisational goals.

According to *idasa* (2004), financial accountability refers to 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. Lewis (2003:8) defines financial accountability as a moral or legal duty, placed on an individual, group or organisation, to explain how funds, equipment or authority given by a third party have been used and asserts that those who have invested not just money but also time, effort and trust in the organisation, are interested to see that the resources of the organisation are used effectively and for the purpose for which they were intended. Thus, Lewis (2003:8) contends 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. If this is not achieved, it can give the impression that there is something to hide.

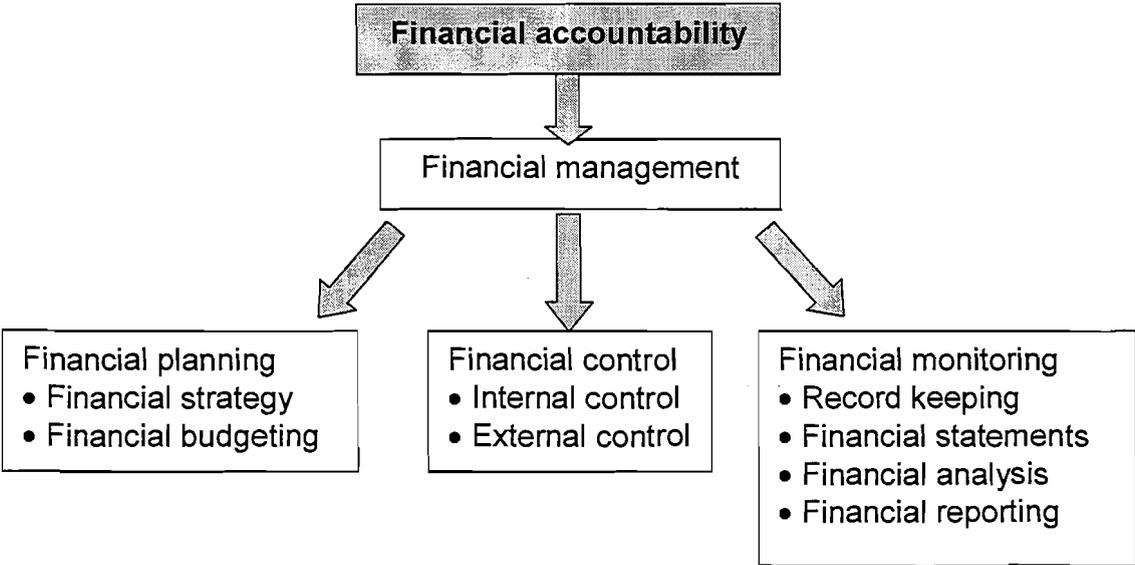
Shapiro (<http://www.financial20%Control%20and%20Accountability.pdf>) posits that financial accountability in a civil society organisation means that regular financial reports are given to all those who have a right to know what the organisation is doing with its funds, which is that the organisation:

- can account for funds by producing documentary proof of receipts and payments;
- can show that the money is being spent on its aims and for the particular work it was intended to cover;
- does not take on financial obligations it cannot meet; and
- has taken all necessary precautions to prevent misuse of funds, and to keep funds and records relating to them safely.

With regard to school financial accountability, Ray, Candoli and Hack (2005:149) submit that accounting, auditing and reporting are used to provide the necessary data and interpretation to determine costs and benefits within the financial foundations of schools. It can be surmised that these three elements are given expression by a school financial management system, which in essence provides budgeting, revenue, expenditure and accounting data. According to Ray *et al.* (2005:169), this culminates into disseminating information to persons or offices that can use it to improve their understanding and concomitant decision making in school matters. These entities can be ascribed to the school community and stakeholders, *inter alia*, parents, the community and the state.

To ensure proper financial accountability, Maritz (2005:3) outlines what is involved as illustrated in figure 2.1.

Figure 2.1 **Financial accountability**



Source: Adapted from Maritz, 2005:32.

In terms of figure 2.1, financial accountability involves a financial management function, which entails financial planning, financial control and financial monitoring. These concepts receive further attention in section 2.4.

The discussion on accountability and financial accountability itself clearly concerns accounting to someone or giving account, and because schools are recipients of public finances from government, parents and donors, it is logical that their accountability function is located within a legal framework. For that reason, it is important to have an understanding of elements of financial accountability.

2.4 ELEMENTS OF SCHOOL FINANCIAL ACCOUNTABILITY

Being a component of financial management accounting, financial accountability is a function of proper execution of the financial management function. At this point, it is reasonably safe to assume that all schools have legally constituted SGBs. It is also assumed that the SGB would have established, according to the Schools Act, the school Finance Committee. The SGBs' first task in terms of financial accountability, through the school Finance Committee, would be to execute proper financial management. The first tenet of proper financial management relates to financial planning.

2.4.1 Financial planning

Financial planning is located within the framework of financial management as espoused by Maritz (2005:3). He points out two very important principles regarding financial management namely, financial responsibility and accountability, which are:

- *Financial responsibility*, which implies that finances must always be managed in a responsible way and that, an organisation like a school must make sure that it receives enough money and spends it wisely. This is in line with the prescripts of the PFMA as espoused elsewhere in this text (cf. 2.2.2).
- *Financial accountability*, which implies that an organisation must be able to account for where its money comes from, and the way the money is spent

and that accountability helps the organisation to keep track of what has been done with the money and allows for explanation of activities to stakeholders.

Van der Westhuizen (2002:137) defines planning as a management task which is concerned with deliberately reflecting on the objectives of the organisation, the resources as well as the activities involved and drawing up the most suitable plan for effectively achieving these objectives. From this definition, it can be surmised that financial planning concerns planning in financial terms, that is, deliberating on organisational objectives, resources and activities in monetary terms. This can also be expressed as a schedule of activities, in monetary terms, aimed at achieving school organisational goals.

Maritz (2005:5) makes the point that financial planning is a process that a school organisation uses to work out what resources it has available, what resources it needs and where extra resources can be found. Maritz further points out that financial planning consists of two most important tools namely, the *financial strategy* and *budgeting*.

2.4.1.1 The financial strategy

According to Maritz (2005:5), the financial strategy is concerned with the medium- to long-term financial needs of the school organisation. Tutor2u (http://www.tutor2u.net/business/strategy/what_is_strategy.htm) defines strategy as the direction and scope of an organisation over a long term, and achieves advantage for the organisation within a challenging environment through its use of resources to fulfil stakeholder expectations. In this sense therefore, a financial strategy can be seen as a way of securing the medium- to long-term financial future of the school and involves (Maritz, 2005:6):

- *Ways to increase income*

In addition to funding from the state and from parents, according to the Schools Act, the SGB must take all reasonable measures within its means to supplement the resources supplied by the State to improve the quality of education provided by the school to all learners at the school. This can include seeking donors and engaging in internal income generation by means of fundraising ventures in the form of, for example, selling goods and merchandise, such as school publications, T-shirts and others earning interest on the resulting investments (Maritz, 2005:6). Buchel (1992:202) lists other fundraising methods as including, bazaars, concerts, bank interests and bursaries.

- *Ways to reduce expenditure*

Maritz (2005:7) postulates that apart from finding sources of income, financial strategies must include expenditure with the aim of seeing how less money can be spent, while at the same time continuing to do the same amount of work or even more work. The SGB can thus explore ways to reduce expenditure by, for example,

- *cutting some expenditure* on some of its services when it sees that the impact of such services does not justify the amount of money being spent on it;
- *outsourcing* when it seems cheaper to get someone from outside the school to do a specific task than it is to employ a full-time worker to do it;
- *finding cheaper suppliers* who can provide products or services at a cheaper price than the rest, which in most cases involves some shopping around or negotiating for the best price; and

- *monitoring expenses* to make sure that the school's money is not being abused or wrongly spent, for instance, expenses, such as telephone accounts, can get out of control in a short period of time if they are not monitored carefully to ensure that people are not making unnecessary phone calls.

2.4.1.2 Budgeting

The Schools Act (Chapter 4, Section 38) stipulates that a governing body of a public school must prepare a budget annually according to prescriptions determined by the Member of the Executive Council (MEC) in the Provincial Gazette, which should show the estimated income and expenditure of the school for the following financial year (Van Rooyen, 2007:127). This provision of the Schools Act makes budgeting a legal requirement.

Budgeting is the process of allocating finite resources to the prioritised needs of an organisation. In most cases, for a governmental entity, the budget represents the legal authority to spend money (United States Department of Education, National Center for Education Statistics, 2003:13). The product of budgeting is a budget.

Gildenhuis (1997:392) defines a budget as a financial statement, which contains the estimates of revenue and expenditure over a certain period of time and states that, as in the case of any public document, the documents comprising the budget should be carefully compiled, be submitted to the legislative authority for approval, and eventually be stored in the official archives.

According to Vocino and Rabin (cited by Gildenhuis, 1997:393), a budget is a document indicating how a public institution spends resources in order to realise specific public goals. As the objectives of the authorities are not always clear, and because most public activities have either a positive or a negative impact on multiple objectives, the compilation of a budget is a complex and complicated process. Niemann (2002:375) states it clearly that a budget should not be regarded

as merely being a list of figures, it should in fact, be a refinement or precise processing of the educational programme in financial terms.

According to Hôgye (2002:7), the budget is a policy statement, declaring the goals and specific objectives an authority wishes to achieve by means of the expenditure concerned. It is public policy expressed in amounts of money and is the actual embodiment of policy and of implied policy objectives. This seems to agree with Oosthuizen, Botha, Bray, Van Kerken and Van der Westhuizen's (2003:220) assertion that a budget is essentially a detailed plan, expressed in monetary terms of activities that have to take place within a specified period. Applied to a school, this means that a budget should be a scheduled plan which indicates estimated future income and expenditure. In addition, a budget serves as an important mechanism used in ensuring financial accountability in schools and enables an individual to establish at any stage whether expenditure exceeds the budgeted amounts and to take timely remedial steps.

Gildenhuys (1997:395) cites Cowden as saying that a budget has three important objectives in public administration. Firstly, the budget is the basis on which the tax *policy* for the budget period is devised. Secondly, it is the basis on which *financial control* is exercised in order to ensure that the *financial policy* made by the legislative authority is adhered to and, lastly, it is a *financial programme*.

The budget is therefore, not merely a document that lists proposed receipts and expenditure, but it is a process whereby the people in a school exercise their constitutional rights to govern themselves by making sure that money is spent for the purposes for which it is intended. In a school, the parents, the business sector and the community at large make sure that the money they contributed towards the efficient running of the school, is indeed spent for the purpose it was intended. This is ascertained by the school budget being presented to them annually (Matamela, 1998:15).

It is clear that the budget is an important aspect of the financial accountability function of the SGB. As asserted by Oosthuizen *et al.* (2003:220), the following aspects make it a quintessential part of school financial accountability, in that a budget:

- is a source of information because information regarding the finance of the school can be gleaned from the budget;
- is macro-programme designed to advance the goals of the school;
- forces all individuals concerned to think in financial terms, which is a factor that should be emphasised when presenting a budget to parents;
- makes it possible for the needs of all sections in the school to be noted and evaluated by all concerned. This unifies financial functions within a school, in that for an example, the purchasers of school requisites become aware of expenditure on fuel and conversely. Thus a spirit of cooperation to achieve common goal may be developed;
- may encourage savings by all concerned. Parents and staff should be made aware that a substantial deviation from the budget could cause financial difficulties for the school;
- forces people to set clear targets within the financial means of the school;
and
- is a control mechanism that readily reflects deviations in expenditure.

Schools as entities rely and depend entirely on public funds to be operational and to deliver on their educational mandate. To this end, Pauw, Wood, Van Der Linde, Fourie and Visser (2002:59) contend that because public money belongs to the people, it must always be used in ways that are in the public interest or of public benefit. Mentz and Oosthuizen (1994:153) thus emphasise that planning and

proper control of funds are extremely important in any organisation, which applies equally to schools, and since in education the aim is to attain education and training, and the primary consideration of any aspect of financial management is the advancement of effective education, the budget becomes a useful tool of ensuring that school activities are geared towards attaining this objective.

According to Maritz (2005:10), there are three different types of budgets in general namely:

- the *operating budget* (or annual budget), which shows how much money will be needed over a longer period, such as year or for the duration of a specific project or programme. In this type of budget, the budget amounts are usually divided into major categories (salaries, benefits, computer equipment, office supplies), but these major categories can be divided into smaller, very specific items if needed;
- the *cash budgets* that show the amount of cash the school expects to receive and pay in the near term, for example, a month; and
- the *capital budgets*, which show how much money has to be spent in order to buy, operate and maintain major pieces of equipment, for example, buildings, cars, computers, furniture and others.

An important aspect of budgeting for the SGB, entails the involvement of stakeholders. For this reason, the KwaZulu-Natal Department of Education and Culture (2002a:37) states, for example, that all stakeholders must be given an opportunity to make budgetary inputs through a process of consultation. This ensures that principles underlying the budgeting process embrace transparency and democratic decision-making.

In undertaking the budgeting process, the SGB can use one of the following budgeting methods:

- *the incremental budget method*, which is based on the assumption that the previous level of expenditure and income provide a reasonable base for estimating the needs and income for the following year and on that basis, all or parts of the previous budget are increased, usually by the inflation rate, to produce the new one (Bisschof & Mestry, 2003:129; Lewis, 2003:24);
- *line item budget method*, which focuses on cost items of expenditure as the unit of analysis, authorisation and control and although similar to incremental budgeting, this approach is more specific as each line item in the budget receives separate consideration (Kratz Scott, & Zechman, 1998: 10). For example, instead of increasing the stationery budget by a fixed ten per cent, the stationery line items are analysed and increased by considering all influencing factors;
- *programme budgeting*, which means that the school plans strategically, identifies programmes to achieve its objectives and determines the cost of each programme. Funds are then allocated in support of the programmes and the results evaluated to ascertain whether the desired objectives have been accomplished. Programme budgeting facilitates the recognising of ways in which school activities and the budget are related and interdependent (Kratz *et al*, 1998: 12). An important feature of programme budgeting is that, costs relating to items required for more than one programme are not aggregated, but shown individually within each programme, for example, photo-copying paper.
- *pragmatic budget method*, where the current budget is the starting point and attempts are made to make savings that can then be used elsewhere in order to improve on the previous year (Knight, 1993:132). Anticipated changes in activities and prices are updated so that the overall projected expenditure tallies with the income. According to Knight (1993:132), this is a

down-to-earth approach, particularly useful when schools first take responsibility for their budget.

- *limited plan approach*, which is also rooted in the previous year's budget and uses the school timetable plan as a major instrument of resource allocation (Knight, 1993:132). However, this approach starts by considering elements of the school development plan that are changing, and is based on priorities. This approach is more closely related to planning than others and highlights improvements and desirable changes;
- *fixed and flexible budgeting methods*. Blandford (1997:123) differentiates between fixed and flexible budgets as follows -
 - fixed budgets are designed to remain unchanged, regardless of the level of activity; and
 - flexible budgets (or variable budgets) are designed to show how budget figures change with levels of activity, which provides a meaningful comparison for the purposes of cost control between the actual cost and a budget allowance based on the same level of activity. Flexible budgeting helps to take account of changes and is particularly useful in measuring performance and establishing what needs to be done.
- *zero-based budgeting method*, which is founded on the concept that each budget or budget component starts from zero when a new budget is prepared and the previous expenditure is ignored (Kratz *et al*, 1998: 13; Lewis, 2003:24). According to Kratz *et al*. (1998:14), a simple form of zero-budgeting asks questions such as: should this function or activity be performed at all? If so, on what scale and at what quantity level? Should it be performed in this way or are there other, possibly cheaper, alternatives? How much should it cost?

Financial planning seeks to ensure that financial management and accountability is carried out effectively. Financial control is the second element of financial management and accountability.

2.4.2 Financial controlling

Lewis (2003:3) states that financial controlling occurs when systems and procedures are established to make sure that the financial resources of an organisation are being properly handled. Vern and Garfield (2005:339) are of the opinion that an audit is a systematic process or procedure for verifying the financial operations of a school to determine whether property and funds have been or are being used in a legal and efficient way. According to Maritz (2005:4), financial controlling involves activities like determining the financial policy, determining delegated powers and determining responsibility.

2.4.2.1 Determining policy

Maritz (2005:5) states that an organisation must decide what rules and procedures are to be followed to ensure that its money is spent properly and safely. This, in essence implies that use is made of a policy. According to Shapiro (<http://www.financial20%Control%20and%20Accountability.pdf>), a policy is an agreed upon set of principles and guidelines for a key area of activity within an organisation and expresses how an organisation goes about its work and how it conducts itself. From this statement, it can be assumed that a policy is not a legal document. However, Shapiro asserts that once a policy becomes organisational practice, and has been approved by the governing structure, it is binding on everyone in the organisation.

A school financial policy expresses how a school goes about its work in terms of financial management (cf. Shapiro, <http://www.financial20%Control%20and%20Accountability.pdf>). Accordingly, Shapiro states that an overall financial policy contains policy items that relate to a number of areas, for example:

- donor or income policies (such as receipts, deposits);
- budgeting policies;
- policies for financial management;
- expenditure policies (such as amounts, payments, requisitions, non-budgeted expenditure);
- travel policies (such as car hire, class of airfare or hotel, *per diem*);
- auditing policies;
- assets policies (such as purchasing, utilisation, maintenance and disposal vehicle policies go here);
- petty cash policy;
- salary policy;
- staff loans; and
- opening and operating a bank account.

While not exhaustive, the list of issues addressed by the school financial policy clearly indicates that a financial policy deals with all aspects pertaining to school financial management. In this regard, Mestry (2006:35) states that the financial policy should clearly state the procedures for handling school fees, donations, post-dated cheques, authorisation for cheque payments, signatories to the bank account, bank overdrafts, trust accounts, documentation, recording transactions, and every aspect related to the school's finances. It can be stated that the school financial policy would detail issues around financial management.

2.4.2.2 *Determining delegated powers*

Determining delegated powers implies that the organisation must decide who will be allowed to spend money, how much they will be allowed to spend and when will they be allowed to spend it and it is important also to decide who can make financial commitments on behalf of the organisation (Maritz, 2005:5). Thus,

delegation means financial control in terms of the day-to-day management of financial affairs and involves people who apply such policy, authorise expenditure, prepare and monitor the budget and make financial proposals (Maritz, 2005:13).

With regard to the performance of financial management aspects, the principal, the SGB and the Finance Committee can delegate some functions to persons at school. For example, as stated by the Kwazulu-Natal Department of Education and Culture (2002b:19), an officer must be appointed in writing by the principal, in consultation with the SGB, to be responsible for the financial accounting records of the school.

2.4.2.3 *Determining responsibility*

Maritz (2005:4) explains that the goal of determining responsibility is to decide who is responsible for the school's money and states that it is important that a specific person (or people) takes responsibility for the organisation's money because not everyone can be in charge of finances.

Maritz (2005:14) contends that responsibility is the first level of control and is usually at the Executive Committee level of the governing body, which usually is directly involved in developing the financial policy, ensuring that the financial it is being used, making sure that budgets are realistic and meet the goals of the organisation, and ensuring that spending is monitored as well as that organisational assets are protected. They also bear the ultimate responsibility for all financial matters. In this regard, the school principal bears the greatest responsibility as espoused by the Kwazulu-Natal Department of Education and Culture (2002b:85), that the principal is obliged to maintain a complete record of statutory provisions, regulations and Departmental instructions relating to financial management and the finances of the school and must ensure that all statutory provisions, regulations and Departmental instructions are adhered to by all involved in the school.

Financial control therefore, refers to all of 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 organisation are met and achieved through this expenditure. This level of financial control can be achieved through both *internal* and *external* controls.

- *Internal controls*

Internal controls are systems of policies and procedures that protect the assets of an organisation, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations (Cuomo, 2005:2). Frazier and Bruton (Undated) define internal control as a process - effected by an entity's board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in terms of reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. According to the Financial Management Standard for Schools (2008:2), internal control aims to provide as much assurance as is reasonably possible that assets are safeguarded, transactions are properly authorised and recorded and that material errors or irregularities are either prevented or can be detected promptly.

Maritz (2005:14) contends that the aim of an internal control structure is to ensure that the organisation achieves all its goals and that effective and efficient internal controls should maintain reliable financial records, protect the assets of the organisation, authorise transactions and provide accountability. For this reason, Cuomo (2005:2) posits that these systems are not only related to accounting and reporting but also relate to the organisation's communication processes, internally and externally, and include procedures for:

- handling funds received and expended by the organisation;
- preparing appropriate and timely financial reporting to board members and officers;
- conducting the annual audit of the organisation's financial statements;
- evaluating staff and programmes;
- maintaining inventory records of real and personal property and their whereabouts; and
- implementing personnel and conflicts of interest policies.

Maritz (2005:15) also argues that while there are many different forms of internal control, there are two most important forms namely:

- *The accounting and financial procedures manual*

An accounting procedures manual is a document or a record of the policies and procedures for handling financial transactions. The manual describes in detail how the organisation's money must be handled (for example, paying bills, depositing cash and transferring money between funds) and who is responsible for what. The manual would also include details relating to accounting procedures, including (Cuomo, 2005:3; Lewis, 2003:17; Engelbrecht, Jooste, Muller, Chababa and Muirhead, 2002:30):

- preparing an annual income and expense budget and periodic reports - at least quarterly, preferably monthly - comparing actual receipts and expenditures to the budget with timely variance explanations;
- writing and signing cheques or vouchers and receiving, recording, securing and depositing cash and other receipts;

- ensuring that grants and contributions received are properly recorded, accountings required as a condition of any grant are completed and restrictions on the use of such funds, such as contributions given for a restricted purpose (such as building fund, scholarships) and prohibitions on the use of the principle of an endowment, are obeyed;
- requisitioning, authorising, verifying, recording and monitoring all expenditures, including payment of invoices, petty cash and other expenditures. Such procedures should ensure that no single individual is permitted to request, authorise, verify and record expenditures;
- accessing, 'inputting' and changing electronic data maintained by the organisation. Preserving electronic records and ensuring data compatibility when systems change and creating an appropriate records' retention policy are part of this process;
- providing for regular oversight by an audit committee or, if there is no audit committee, by the executive committee or by the board of directors itself;
- reporting to the audit committee or board by employees and volunteers of allegations of fraud or financial improprieties;
- ensuring that timely and appropriate financial reports are distributed to all relevant SGB Finance Committee members and reviewed by them, as well as the chairperson, the principal as accounting officer and the treasurer;
- providing procedures for approving contracts to which the school is a party;
- making clear the responsibilities of all individuals involved with the school, including the school governors, staff members and

volunteers and maintaining a school organisational chart and updating such information as necessary;

- preparing for the annual audit process in a timely manner;
- complying with governmental and other reporting requirements, including 'watchdog' agencies if any; and
- complying with obligations to parents, staff and the public, including their right to a copy of the school's annual financial report.

– *Delegation of responsibility*

Maritz (2005:15) states that a certain amount of delegation of financial control is required. In this regard, the KwaZulu-Natal Department of Education and Culture (2002c:iv) points out that the Finance Committee should 'delegate', in writing, responsibility for money matters to a person (finance officer) who will be available on a day-to-day basis to do the job and this may be an administrator (non-educator at the school), an educator or a parent (who is available most of the time).

The finance officer records all financial transactions, and keeps the principal, the treasurer, and the Finance Committee fully informed about financial matters. For some financial jobs, for example, looking after petty cash, another specific person may be appointed to take responsibility, so that if money is stolen or lost, that person will be responsible for the missing money. For all these duties, the principal must make sure that responsibility is properly delegated.

Delegation of responsibility may include segregation of duties, which implies separating those responsibilities or duties which, if combined, would enable an individual person to process and record complete

financial transactions, such as ordering, receiving, approving and paying for goods. Consequently, functions that could be separated, can include authorisation, payment, custody and recording.

- *External control: the audit*

According to Maritz (2005:16), auditing is a form of external control and is a comprehensive analysis, by a professional from outside an organisation, of that organisation's financial management procedures and activities and produces a report that shows how well the organisation is managing its resources. Auditing is a legal requirement for schools in South Africa. In this regard, the School's Act (section 43(1) clearly stipulates that the governing body of a public school must:

- appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 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.

Van Rooyen (2007:143) elaborates on this and states that the school's Finance Committee must reconcile all financial documents, files and ledgers, before the end of January and submit it to auditors, who must complete the audit before the end of May and then provide a report to the governing body, for them to complete the report and submit it to the Provincial Department of Education. Vern and Garfield (2005:339) surmise that an audit report should include:

- 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, deeds, and the like; and
- comparisons of school operations with those of other years, including receipts, expenditures, special accounts, and related information.

From this exposition, it is clear that the audit of the financial statements of a school ensures accountability to the stakeholders. To this end, the School's Act (section 43(6)) further stipulates 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.

Financial controlling as espoused above, presupposes effective financial monitoring.

2.4.3 Financial monitoring

Maritz (2005:17) indicates that financial monitoring is without any doubt the most time-consuming and labour-intensive activity in the financial management process because it is a never-ending and ongoing activity, with the basic reason to assist the management of the organisation to plan and control finances. In a sense therefore, financial monitoring has to do with proper accounting procedures in

terms of bookkeeping and the keeping of financial records. To this end, Lewis (2003:31) postulates that financial monitoring forms the basis for sound financial management and accountability in that it provides:

- *Information*

All organisations need to keep records of their financial transactions so that they can access information about their financial position, including a summary of income and expenses and how they are allocated under various categories, the outcome of all operations – surplus or deficit, net income or net expenditure and assets and liabilities – or what the school organisation owns and owes to others.

- *Credibility*

Keeping accurate financial records promotes integrity, accountability and transparency and avoids suspicion of dishonesty.

- *Legal requirement*

There is often a statutory obligation to keep and publish accounts and a requirement for audited accounts as a condition for accountability, sound financial management and of being granted financial aid. In this regard, the School's Act (section 42(a)) clearly stipulates that:

The governing body of a public school must –

- (a) keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions; and
- (b) as soon as practicable, but not later than three months after the end of the financial year, draw up annual financial statements in accordance with the guidelines determined by the Member of Executive Council.

- *Future planning*

Lewis (2003:32) postulates that although financial accounting information is historical, it will help managers to plan for the future and understand more about the operations of their organisations and thus with information spanning two or three years, it is possible to detect trends. Education and Training Unit (Undated) indicates that this also helps an organisation to make realistic plans of what it can spend and to monitor how the spending compares with the budget. The United States Department of Education, National Center for Education Statistics (2003:21) refers to it as financial forecasting. It can be argued that, on the basis of financial monitoring, forecasting is important because it:

- facilitates planning efforts by quantifying the future costs/benefits of strategic decisions. Thus, budgetary priorities may be evaluated on the basis of their long-term impacts;
- clarifies trends, needs, and issues that must be addressed and evaluated in the preparation of budgets. For example, enrolment forecasting may reveal growing student populations and focus attention on the need for increased resource allocations for staff, facilities, or both; and
- enhances decision-making at all levels of administration. Forecasts provide valuable insight into future issues, which allows administrators to be proactive. It thus creates the framework for anticipatory management.

Clearly, financial monitoring is an important aspect of the financial accountability process for SGBs. Financial monitoring consists of various elements in the financial management process.

2.4.3.1 *Record keeping*

According to Maritz (2005:17), the most important element of financial monitoring, commonly known as bookkeeping, is access to accurate and up-to-date

information, which implies that every single financial transaction must be recorded. For this to happen, for example, every cent that comes into the school and every cent that goes out of the school, must be recorded. Shapiro (<http://www.financial20%Control%20and%20Accountability.pdf>) similarly opines that bookkeeping is an essential part of financial management and accountability and makes it possible for the school to monitor whether its financial strategy is working, whether the school is financially viable, and whether money is being well spent in achieving objectives. Therefore a good bookkeeping system makes it possible for the school to be financially accountable to all its important stakeholders.

Bookkeeping is thus, the system for keeping the records, or books of all the money that comes into the school and all the money that goes out of it. Subsequently, a bookkeeping system is needed for the following reasons (Shapiro, <http://www.financial20%Control%20and%20Accountability.pdf>):

- so that key stakeholders can understand exactly what the financial position of the school is;
- so that the school can monitor income and expenditure against its budget;
- for accountability and transparency;
- so that the school can plan financially;
- for security so that the school does not lose money because of mismanagement, corruption or theft;
- for the school to be able to give regular reports to all those to whom it is accountable;
- so that the school can be able to make informed decisions about its budgets and spending; and

- so that the school can have documentary proof of receipts and payments of all money.

Maritz (2005:17) posits that a bookkeeping system is to record all the events that take place in a school. In accounting terms, these events are called transactions. To keep an accurate record of transactions or accurate books, the following according to Shapiro (<http://www.financial20%Control%20and%20Accountability.pdf>) are needed:

- a bank account with a cheque book;
- a daily record system with a petty cash vouchers;
- a monthly record system with a petty cash book and a cash book for recording and analysing income and expenditure; and
- a format for the annual financial statements.

Bookkeeping therefore involves maintaining financial records as a central tool in financial accountability. Thus, according to Shapiro (<http://www.financial20%Control%20and%20Accountability.pdf>) the following bookkeeping activities need to be done daily, monthly and annually:

- *daily* tasks, including the following -
 - receipting incoming money;
 - maintaining a petty cash system with petty cash vouchers;
 - banking (depositing the money that has come in); and
 - writing cheques based on approved cheque-requisition forms.
- *monthly* tasks, including the following -
 - *petty cash*, which includes -

- outlining a petty cash schedule with all petty cash expenditure in categories;
- compiling a petty cash schedule, using the information on the petty cash vouchers;
- counting the money in the petty cash box;
- topping up the amount in the petty cash box to the amount agreed by the governing structure, using a petty cash cheque to get the money; and
- filing the vouchers and supporting documentation.
- *Current account*, which entails -
 - drawing a receipts and payments schedule;
 - writing out monthly cheques against requisitions and then sending them for signing with supporting documentation; and
 - filing documentation.
- *Other records*, including -
 - writing the cash book up or making entries; and
 - bank reconciliation, wherein the bank statement is reconciled with the cheque book and the appropriate adjustments are made in the cash book.
- *Reporting*, which refers to the production of management reports and includes:
 - variance reports showing the difference between actual income and expenditure and budgeted income and expenditure; and
 - preparation of a cash flow forecast.

- *Annual/yearly* tasks, which include -
 - preparing a financial statement, giving a complete picture of the income, expenditure and balance for the year;
 - organising an independent audit; and
 - preparing a balance sheet.

The bookkeeping activities exposed above imply conscientious and meticulous record keeping and imply therefore, that certain records are crucial for financial accountability. Indeed this is in line with section 42 of the Schools Act, which requires that the SGB keeps records of funds received and spent as well as a record of the school's assets.

2.4.3.2 *Preparation of financial statements*

According to Maritz (2005:26), financial statements record the performance of the school and allow for strengths and weaknesses to be identified by providing a written summary of financial activities. The two most important and most used financial statements are the *balance sheet* and the *income statement*.

- *The balance sheet*

The balance sheet gives an overall picture of the financial position of an organisation at a given moment, usually at the end of an accounting period and lists everything that the school owns (assets), as well as everything that it owes, in detail. Sweeny, cited in Matamela (1998:28), states that a balance sheet is an accounting statement that shows what resources the school possesses and how the acquisition of those resources has been financed. According to Maritz (2005:26), the balance sheet is designed to show how the assets, liabilities and capital are distributed at any given time and is usually prepared at regular intervals; for example, at each month end,

but especially at the end of each financial year and indicates the school's assets and liabilities.

- *Assets*, which include cash, merchandise, land, buildings, equipment, machinery, furniture, patents, trademarks as well as money that is owed to the school by other organisations or people.
- *Liabilities*, which consist of the money or items that the organisation owes to other organisations or people. This can include money that is loaned to the organisation or any products or services that the organisation has bought on credit.

Maritz (2005:27) emphasises that by regularly preparing the balance sheet, the SGB can identify and analyse trends and the financial strength of the school and also gain a good idea of what needs to be done to improve the school's financial position, such as gradually decreasing the amount of money owed to creditors. The balance sheet thus indicates assets and liabilities broken down into the following categories:

- in terms of liabilities (Maritz, 2005:27):
 - o *current assets*, which include cash, money that has been invested in securities, accounts receivable, notes receivable, inventories, prepaid expenses and any other item that could be converted into cash within one year in the normal course of business.
 - o *fixed assets*, which are those acquired for long-term use in a school such as land, equipment, machinery, leasehold improvements, furniture, fixtures and any other items with an expected useful life measured in years.

- *other assets* include intangible assets, such as patents, royalty arrangements, copyrights, exclusive use contracts and notes receivable from officers and employees; and
- in terms of liabilities (Maritz, 2005:27):
 - *current liabilities* are accounts payable, notes payable to banks, accrued expenses (wages, salaries), taxes payable, the current portion (due within one year) of long-term debt and other obligations to creditors due within one year; and
 - *long-term liabilities* are mortgages, intermediate and long-term bank loans, equipment loans and any other money due with a maturity longer than a year.

A summary of the components of a balance sheet is illustrated in figure 2.2 (Lewis, 2003:52):

Figure 2.2 Components of a balance sheet

Component:	Description:
FIXED ASSETS:	The less liquid assets – those having a value lasting more than one year.
CURRENT ASSETS:	The more liquid assets – can usually be converted into cash within one year.
- Cash	Funds held in the bank and as cash.
- Debtors	Money owed to the organisation such as loans and unpaid sales invoices.
- Pre-payments	Value of items paid for in advance such as insurance premiums or equipment rental.
- Grants due	Grants owed to the organisation for projects already started in the reporting period.
- Stocks	The value of raw materials or supplies such as publications or T-shirts for sale.
CURRENT LIABILITIES:	Those paid within one year of the year-end.
- Creditors and Accruals	Money owed by the organisation at the year-end such as bank overdrafts, unpaid bills.
- Grants in advance	Grants received for a particular purpose but not yet spent in full, so carried forward to the next financial year.
OTHER LIABILITIES:	Longer term commitments and General Funds.
- Reserves	Money set aside for specific purposes, e.g. replacing equipment. Although designated funds, they form part of the organisation's General Funds.
- Accumulated funds	Accumulated surplus of income over expenditure achieved since organisation opened.

- *The income statement*

The income statement measures the amount of money that has come into the school and that has been paid out over a specific period of time and is prepared regularly (each month and fiscal year-end) to show operating results during these accounting periods (Maritz, 2005:29). The KwaZulu-Natal Department of Education and Culture (2002c: 114) points out that the

income statement lists all amounts that were actually received (total for the year), and all amounts that were actually paid (total for the year) and indicates surpluses and or deficits. Therefore an income statement aims to determine the financial performance of the school and helps in organising additional funds if necessary. According to Lewis (2003:41), an income statement records as a summary:

- all categories of income and expenditure which belong to a certain year;
- all income not yet received but belonging to that financial year; and
- all payments not yet paid but belonging to that financial year.

Figure 2.3 illustrates an example of an income statement of a school.

Figure 2.3 Income statement

 J GWALA SCHOOL RECEIPTS AND PAYMENTS STATEMENT AS AT 31 DECEMBER 2001			
RECEIPTS		PAYMENTS	
Balance/Surplus brought down 1 Jan 2001	3 700	Tuckshop	30 000
School fees	72 000	Excursion	12 000
Excursion	12 000	Sport - Various codes	14 000
Tuckshop	36 000	Repairs and maintenance	12 500
Fun run	7 000	Security/Cleaning Services	44 000
Concert	2 000	Salaries (Pre-school)	19 600
Civvies day	1 200	Telephone	5 000
Hiring of hall	20 000	Bank Charges	700
Pre-primary school fees	19 800	Photocopier meter charge	1 000
Sundries (Note 1)	1 300	Textbooks/Library/Study aids	10 500
Interest received	1 000	Stationary	2 000
		Sundries (Note 2)	19 000
		Total	<u>170 300</u>
		Balance/Surplus 31 December 2001 (Note 3)	5 500
TOTAL	175 800	TOTAL	175 800

Source (scanned): KwaZulu-Natal Department of Education and Culture, 2002c: 115.

It is clear from the discussion above that the balance sheet and the income statement are crucial for financial accountability because from accurate keeping of these documents, the SGB can know exactly what the financial status of the schools is, determine the trends in the use of funds and report accurately to stakeholders. These two aspects necessitate careful and effective financial analysis.

2.4.3.3 *Financial analysis*

According to Lewis (2003:52), financial analysis relates to interpreting the balance sheet and income and expenditure statements and can be done through two types of analysis:

- *Trend analysis*, which asks: 'How is the school doing, compared with the last period?' Trend analysis takes at least two sets of figures compiled using the same accounting techniques and showing information for two consecutive periods, usually year on year and by comparing the figures, it may be possible to detect trends and use this information to forecast future trends or set targets; and
- *Ratio Analysis*, which provides a means of interpreting and comparing financial results. Although not commonly used in non-profit organisations like schools, Lewis points out that it is nonetheless very useful if adapted for the school. To this end, he points out that ratio analysis helps managers and consequently SGBs, to answer three primary questions that apply to every institution:
 - *Financial sustainability* – will the school have financial resources to continue serving people tomorrow as well as today?
 - *Efficiency* – does the school serve as many people as possible with its resources for the lowest possible cost? Engelbrecht *et al.* (2002:40) explain efficiency as being concerned with relating the outputs to the inputs used and answers the question: Are services rendered with the best combination and amount of resources?
 - *Effectiveness* – is the school doing a responsible job of managing its resources? This, according to Engelbrecht *et al.* (2002:41), implies the extent to which financial targets are met.

Financial analysis is indeed important for school financial accountability. Engelbrecht *et al.* (2002:36) make the point that financial analysis assists in accounting for performance by comparing operational plans with what happened in reality, so that information about expenditure forms a crucial part of this reporting, and shows whether money is being spent on the right things or whether there is room for improvement in the way services are organised. In this sense therefore, in order to be accountable, the SGB needs to know how well they have managed their resources and services, which in essence is the cornerstone of financial accountability. This is reflected in school financial reporting.

2.4.4 Financial reporting

Financial reporting can be considered as the essence of school financial accountability. As pointed out earlier, financial accountability means 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 (cf. 2.2.3; 2.2.4.1 & 2.2.4.2).

According to the Ministry of Education (<http://www.leadspace.govt.nz/knowledge/pdf/annual-financial-reporting.pdf>), providing a financial report is part of being accountable for how public money is spent and such reporting shows how a school is funded and from which sources. Thus in terms of accountability, financial reporting provides an opportunity for the school to report to the community namely, parents, learners, as well as the government and should account for the ways it has used resources provided by the government and earned by the school for the education of learners.

Financial reporting occurs throughout the school financial year. However, three major reporting activities can be isolated namely, reporting on the budget against the actual financial performance, reporting on the cash flow and the annual financial report.

2.4.4.1 *Reporting on the budget against actual financial performance*

Lewis (2003:51) points out that a budget versus actual financial performance makes use of the budgeted income and expenditure for the reporting period and compares it with the actual income and expenditure for the same period. The difference between the two figures is known as the 'variance' and this will be assessed as to how significant or otherwise it is, upon which the records are reconciled and summarised to give a summary of all transactions each month or periodically.

Variance analysis involves looking at the significant variations from the budget and seeking to explain why they exist and what can be done to remedy the situation and thus, variances are often described as either 'favourable' (generally good news) or 'adverse' (generally bad news), as follows (Lewis, 2003:51):

- *favourable*, which relates to -
 - when actual income is higher than the budgeted amount; or
 - when actual spending is lower than budgeted for; and
- *adverse*, which relates to -
 - when actual income is lower than the budgeted amount; or
 - when actual spending is higher than budgeted.

Shapiro (<http://www.civicus.org/new/rmedia/budgeting.pdf>) mentions that reporting against the budget actually implies reporting on how close the school's financial planning has been compared to the actual financial performance.

2.4.4.2 Reporting on the cash flow

According to Lewis (2003:51), the cash flow report is simply the cash flow forecast updated with actual receipts and payments each month, plus any new information about future spending or fund-raising plans and allows managers to predict periods when cash balances are likely to be insufficient to meet all commitments and make the most of any surplus funds during the year. He further states that the cash flow report is useful for predicting cash surpluses and shortages and taking steps to avoid temporarily going into the 'red'. Lewis (2003:55) thus suggests the following options for managing the school's cash flow:

- exercise good credit control – “chase” debtors for prompt payment;
- review grant schedules and charging policies – payment in advance rather than in arrears;
- bank all monies received daily;
- request special payment terms from major suppliers (and stick to them);
- pay certain overheads by instalment – such as, insurance premiums;
- prioritise major payments;
- defer action that will lead to additional expenditure – such as, recruitment, taking on leases, purchasing equipment; and
- negotiate an overdraft facility as short term – but expensive – remedy.

Considering the issues raised above, it is clear also that reporting on the cash flow is an important aspect of financial accountability. This should ultimately culminate into the annual financial statements.

2.4.4.3 Annual financial reporting

Annual financial reporting can be regarded perhaps as the most important component of school financial accountability. According to KwaZulu-Natal

Department of Education and Culture (2002b:120), the purpose of annual financial statements is to provide financial information to the governing body, parents, and other interested parties and as such, these statements form the basis of the governing body's external responsibility to the community, which in essence implies accountability. Therefore at the end of each year, the Finance Committee needs to prepare a set of annual financial statements. Indeed, this is a legal requirement stipulated by the Schools Act (Section 42b), that the governing body of a public schools must –

as soon as practicable, but not later than three months after the end of the financial year, draw up annual financial statements in accordance with the guidelines determined by the Member of the Executive Council.

According to Lewis (2003:46), the annual financial statements show in summarised form, the following:

- where money has come from;
- for what purpose it has been received;
- how it has been spent; and
- what the outcomes of operations are.

Campher, Du Preez, Grobler, Loock and Shaba (2003:3) state that the annual financial statements must include:

- receipt books;
- deposit books;
- cash analysis books;
- bank statements;
- reconciliation statements;

- an order book;
- a cheque book; and
- documentary evidence of payments.

In addition to these records, the Ministry of Education (<http://www.leadspace.govt.nz/knowledge/pdf/annual-financial-reporting.pdf>) presents a much more elaborate list of documents to be included in the annual financial statements, namely:

- statement of responsibility;
- statement of accounting policies;
- statement of financial position;
- statement of financial performance;
- statement of movements in equity;
- statement of cash-flows (only required for large schools);
- statement of commitments;
- statement of contingent liabilities;
- notes to the financial statements;
- auditor's report;
- report on remuneration paid to the principal and cessation; and
- payments to trustees and employees.

An important feature to note about the annual financial statements is that they enable the SGB to comply with the legal requirements of the Schools Act and the

PFMA, and to give account of the school financial position to the Department of Education and the parent community.

Having presented the nature of financial accountability, it is important to locate it within the context of the functioning and role of the SGB.

2.5 THE ROLE OF THE SCHOOL GOVERNING BODY IN FINANCIAL ACCOUNTABILITY

The Schools Act details the roles and responsibilities of the SGB in the control of school funds. The overall responsibility for the control of school money lies with the SGB, while the principal usually is the 'accounting officer', which implies that she/he is ultimately accountable for the school's money and property. The overall accountability of the SGB, as mentioned above is that of reporting on the school's financial performance to stakeholders, in particular, the Department of Education and the parent community. As mentioned elsewhere in this text, this requires sound financial management systems and procedures.

This section outlines the role of the SGB in carrying out the accountability function. It must be mentioned that the discussion does not delve into financial management systems as such, but outlines these in terms of the accountability function. This means that this discussion will look into what is necessary for accountability to the Department of Education and the parent community.

2.5.1 Accounting to the Department of Education

As mentioned earlier, the Schools Act stipulates that the SGB must appoint a registered auditor to audit the records and financial statements of the school and further states that the SGB must submit to the Head of Department, within six months after the end of the financial year, a copy of the annual financial statements, audited or examined. It is through the submission of audited financial records and statements that the SGB's accountability function and role to the Department of Education is carried out. According to the Western Cape Education

Department (WCED) (2003), the annual financial statements must include the following documents and/or information:

- Income and expenditure statement (Income statement);
- Balance sheet;
- Bank reconciliation statement;
- Statement of investments;
- Asset verification control certificate (Stock control certificate);
- Statements of outstanding debts;
- Certificate in terms of Section 38(1)(j) of the PFMA; and the
- Auditor's report, which must include the following declaration by the auditor:
 - that he or she is acting in an independent capacity and has no financial interest in matters pertaining to the school except in the auditing of the school's books;
 - that the financial statements give a reasonable account of the financial affairs of the school;
 - proof of registration as an auditor in terms of the Public Accountants and Auditors Act, 1991 or proof of approval by the SGB and the WCED as required in terms of Section 43(2) of the South African Schools Act; and
 - notification where necessary, of poor or injudicious management of funds, any fundamental irregularities in terms of school fees and lack of accounting skills.

From the foregoing exposition, it is clear that only a sound financial accountability and management system can ensure that the SGB is able to account to the Department of Education. An important aspect of the accounting process is the accuracy of the accounting procedures, hence the need for the school's annual financial statements to be audited independently by a registered accountant as required by legislation.

The next aspect of financial accountability relates to accounting to the parent community.

2.5.2 Accounting to the school parent community

After the financial records have been audited, the SGB should provide feedback to parents (Van Rooyen, 2007:142). Accountability in this case can take place in any of the following ways:

- Financial records can be availed to parents for self-scrutiny. This is in line with Section 43(6) of the Schools Act, which states, as alluded to elsewhere in this text, that:

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

- Reporting at the parents' annual general meeting (Van Rooyen, 2007:142). The annual general meeting can be regarded as the most important financial accountability activity of the SGB, since this is where the school 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 budgetary process, thus affording first, the SGB to justify the use of funds for educational purposes and secondly, afford parents the

opportunity to comment on and acknowledge the annual report (cf. Keating & Frumkin, 2000:4; Makhubela, 2005:27); and

- Issuing out, on a regular basis and at parents' evening, special newsletters and circulars (Van Rooyen, 2007:142; Lekalakala, 2006:40).

The foregoing discussion indicates clearly that financial accountability at schools is a crucial aspect of the school's overall performance in that it seeks to ensure that disbursed funds, having been used on the basis of the school's plans, are accounted for in a responsible and transparent manner as required by the School's Act. This also places a major responsibility on the SGB to comply with the prescripts of the PFMA, which, it must be emphasised, require that funds in a public institution be used in a fruitful, non-wasteful and authorised manner.

In executing the accountability function, the SGB must put certain systems in place.

2.5.3 Systems for financial accountability at schools

The previous sections outlined the concept of financial accountability in terms of its nature. It is important to contextualise this concept within the school situation. This will clearly indicate the accountability responsibilities of the SGBs at schools. This section presents an overview of and recapitulates the SGB's accountability function at school.

As presented in section 2.2.3, financial accountability is a function of systems whereby all financial data is recorded accurately and presented clearly and can be easily disclosed to those who have a right to request it. This is expressed in the sections 42 and 43 of the Schools Act. Financial accountability involves financial planning, control and monitoring as depicted in figure 2.1. Therefore the SGB is obliged to put the necessary systems in place to ensure proper financial

management of school funds and be accountable for their use. In order to do so, the SGB bears full responsibility for the following activities.

2.5.3.1 *Financial planning at school*

Financial planning involves some aspects of organising school finances as pointed out by Bischoff (1997:90):

- drawing up a school financial policy;
- setting up a structure within the school to handle administrative and financial matter;
- delegating certain function to clerks, class educator and the treasurer; and
- co-ordinating activities.

These aspects of organising school finances can be related to the development of a broad financial strategy as pointed out earlier in this text (cf. 2.3.1.1). Thus the financial strategy entails, according to section 37 of the Schools Act;

- Establishing a school fund;
- Opening and maintaining a banking account. According to KwaZulu-Natal Department of Education and Culture (2002c:1), this includes taking decisions about people
 - who will be involved being adult members of a governing body;
 - which bank to use;
 - the type of account to use – preferably a cheque account; and
 - who will be signatories of the account.

Financial planning also involves the budgeting process (cf. 2.3.1.2). Budgeting is a legal requirement as stipulated by section 38 of the Schools Act. As an aspect of accountability, the SGB must draw up a budget by involving all the staff who spend

the school's money, such as, school governing body, principal, HoDs (Heads of Departments), subject heads, sports coaches, choir staff and learners and thus the process of budgeting provides a good opportunity for discussions about school policy, school activities, and school priorities (KwaZulu-Natal Department of Education and Culture (2002c:52). Accordingly, budgeting can include such items of school operations as:

- school fees in fee-paying schools³ (school fee per learner x number of expected learners);
- expected interest to be earned from bank current account and investments;
- expected tuckshop income (if there is a tuckshop);
- expected fund-raising income;
- expected state contribution;
- expected income from any other sources, e.g. donations; and
- rent for use of school assets, such as, school hall.

Therefore the accountability role of the SGB is to draw up a budget that lists how much money the school expects and how it is to be expended in pursuance of educational activities as stipulated by the Schools Act (section 37(6). This role must be underpinned by the values that include among others (KwaZulu-Natal Department of Education and Culture (2002a:35):

- transparency;
- democratic decision-making;
- consultation; and
- guarding against a materialistic outlook;

³ Many schools have recently been declared non-fee paying schools in terms of the poverty rating scale. Learners in these schools are exempt from paying school fees.

- true leadership versus control of power;
- the work ethic;
- innovation;
- just reward for honest work; and
- the importance of volunteering.

2.5.3.2 ***Controlling finances at school***

Controlling finances at school involves internal and external control (cf. 2.2.3). Apart from determining policy, delegated powers and delegated responsibility, controlling in the financial accountability sense has to do with all the measures that relate to the planning and organisation of financial functions and includes (Makhubela, 2005:24):

- drawing up criteria to ensure that the school's resources are mobilised effectively;
- monitoring and evaluating the school's financial progress; and
- initiating corrective action if needed.

The following aspects can be considered crucial to controlling as an aspect of financial accountability (Van Rooyen, 2007:142):

- issuing of receipts;
- petty cash;
- deposits;
- requisition for payment;
- approval and authorisation of expenditure;
- payment for acquisitions;

- recording and filing;
- providing feedback to stakeholders; and
- auditing.

It is clear that financial accountability at school can only happen if financial control is effective and sound. Financial control is also an imperative required by legislation governing the use of funds at schools as public institutions. Financial control implies a financial monitoring function.

2.5.3.3 ***Monitoring finances at school***

As mentioned earlier (cf. 2.3.3), monitoring finances at school involves record keeping (section 42 of the Schools Act), preparing financial statements, financial analysis and financial reporting. In simplifying records that should be kept at school, KwaZulu-Natal Department of Education and Culture (2002c:18) presents the following sets of financial records:

- *receipts cash book* or the 'receipts cash book', which keep a record of all money received.
- *payments cash book*, which is a book where all payments that are made by cheque are recorded. Associated with the payment cash book are the bank statements, which are used in the accounting sense to balance the money received and the money banked, since all the credits and debits in the school's account during that month are recorded in these books.
- *petty cash book*, which records money that is used for payments that are too small to pay by cheque. For each payment from petty cash, there should be at least two items:
 - a petty cash voucher; and
 - a receipt to prove that the money was paid.

The SGB will decide how much it needs for the petty cash amount, which should be enough money to keep the school going for one month in making small payments like, buying stamps and newspapers.

- *bank reconciliation* statements are used to compare the bank statement with the cash books and to reconcile the differences that occur as a result of deposits (credits) and withdrawals (debits) during the month.

Perhaps the most important set of records in terms of financial accountability are the annual financial statements. As highlighted earlier (cf. 2.3.3.2), at the end of each year, the Finance Committee needs to prepare a set of annual financial statements so as to provide financial information to the governing body, parents, and other interested parties, which is the basis of financial accountability. These have been detailed in section 2.3.3.2 and it suffices here to state that the SGB must, for accountability purposes prepare the following records:

- balance sheet;
- income statements;
- annual bank reconciliation statement;
- statement of investments;
- stock-take certificates; and
- statement of debts outstanding.

The monitoring function is crucial in that it ensures that the SGB is able to track the use of funds and detect any deviations in time, so as to apply the necessary corrective measures. This is in line with the requirements of the PFMA as presented earlier (cf. 2.2.4.2) that there should be effective, efficient, economical and transparent use of financial and other resources within the school. Financial analysis assists in ensuring that there is effective financial monitoring.

2.5.3.4 *Analysis of finances at school*

Analysing finances at school involves as alluded to earlier (cf. 2.3.3.3), analysing trends, which looks at how the school is doing as compared to a previous period and a ratio analysis, which provides a means of interpreting and comparing financial results. The aim thereof is to ensure that there is school financial sustainability, efficiency and effectiveness. To reiterate a point made earlier, for accountability purposes, analysing finances involves accounting for performance by comparing operational plans with what has happened. The outcome of analysing finances facilitates the process of reporting finances.

2.5.3.5 *Reporting finances at school*

Reporting finances constitutes the final and most important financial accountability elements of the SGB. As mentioned earlier (cf. 2.3.4), this relates to producing regular financial reports for stakeholders, including accounting for funds by producing documentary proof of receipts and payment. Financial reporting is also a legal requirement according to the Schools Act (section 43).

In terms of reporting finances, the reports must be made on a weekly basis, monthly basis, in SGB meetings and to the annual general meeting of the parent community (Van Rooyen, 2007:142). Reports, as stated earlier (cf. 2.3.4.1 & 2.3.4.2) can be made on the budget against the actual financial performance as well as on the cash flow.

The SGB is obliged to present the annual financial report on the basis of audited statements to the Department of Education and to the parent community in line with provisions of the Schools Act (sections 42 & 43).

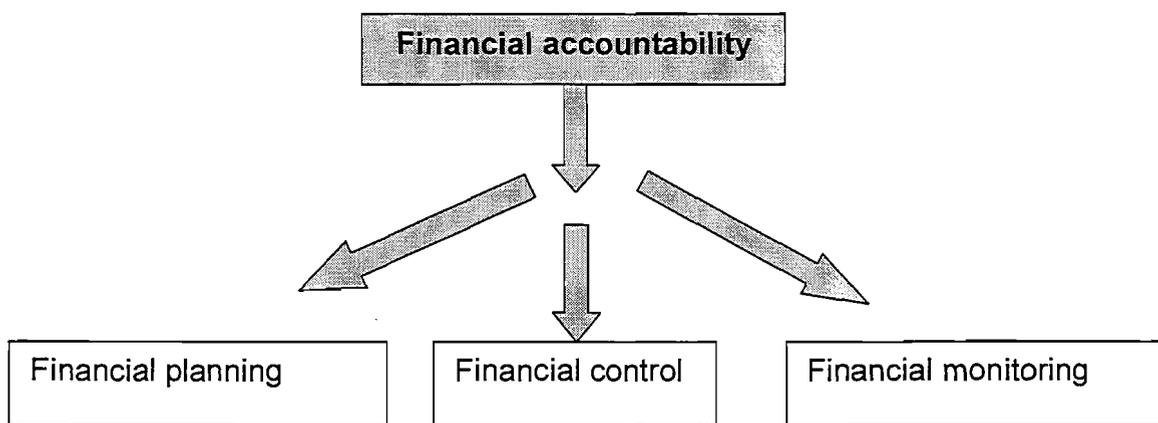
2.6 SUMMATION

The nature of school financial accountability has been exposed as basically a reporting function pertaining to the acquisition and the use of school funds. While

thus exposition did not intend to delve in the finer details of financial management, it became clear that financial accountability is indeed a function of sound and effective financial management principles.

The overview of financial accountability at school is aptly represented and reiterated in figure 2.4.

Figure 2.4 **An overview of financial accountability**



From figure 2.4, it can be clearly seen that financial accountability comprises aspects of financial management namely:

- Financial planning, which comprises developing a financial strategy and budgeting;
- Financial control, which comprises internal and external control measures and systems; and
- Financial monitoring, which comprises record keeping, preparing financial statements, financial analysis and financial reporting.

2.7 SUMMARY

This chapter presented the nature of financial accountability and identified four main constructs in this regard namely, financial planning, financial controlling, financial monitoring and financial reporting. This lays the foundation for the development of the empirical research.

The next chapter presents the empirical research design.

CHAPTER 3

EMPIRICAL RESEARCH METHOD

3.1 INTRODUCTION

Chapter 2 presented the literature review of the nature of financial accountability and role of the SGB in implementing it. This formed the basis for the investigation of financial accountability in practice at schools. This chapter presents the empirical research method.

3.2 RESEARCH DESIGN

A research design provides the overall structure for the procedures the research follows, which implies that a research design provides a plan for collecting and utilising data so that desired information can be obtained as precise as possible or to test an hypothesis properly (Leedy & Ormrod (2005:85). This is always done with the central goal of solving the research problem and, due to many factors that must be considered in planning the research, such as time and costs, it is imperative that researchers consciously and purposely select and utilise those research methods that would permit better, convenient and successful attainment of specific research aims (Denzin & Lincoln, 2005:32).

The research design, therefore details among others, what research approach will be used. In this research, the quantitative approach was considered appropriate for use in the empirical research. Quantitative research is defined as a formal, objective and systematic process where data is used to obtain information about study phenomena (Stubbs, 2005).

According to McMillan and Schumacher (2001:191) and Leedy and Ormrod (2005:30), the quantitative research approach involves the use of descriptive statistics as a method of organising data, facilitating the organisation and interpretation of numbers obtained from measuring a characteristic or variable.

Leedy and Ormrod (2005:180) submit that the focus in quantitative research is typically on one aspect of behaviour, which is quantified in some way to determine its frequency. According to Vockel and Asher (1995:192), quantitative research involves the use of questionnaires.

After the analysis of data from the questionnaires, and noting Cohen *et al.*'s (Cohen *et al.*, 2002:128) suggestions on testing for accuracy by means of the interview method the researcher realised and decided that there was a need to conduct a follow-up research process. This was done through the use of interviews, which then introduced an element of qualitative research to the study. This was done because, the analysis of data collected through questionnaires revealed striking similarities between the responses of school principals and finance officers. In addition, it was found that the responses mostly seemed to indicate agreement with almost all the statements.

Leedy and Ormrod (2005:133) state that qualitative research uses many approaches that are quite different from one another, and all these approaches have two things in common namely, they focus on phenomena which occur in natural settings and they also involve studying these phenomena in all their complexity, and researchers recognise that phenomena they study have many dimensions and layers.

Therefore qualitative research relies on researchers' abilities to interpret and make sense of what they see, which is critical for understanding any social phenomenon that makes up the researchers' instruments in qualitative research (Leedy & Ormrod, 2005:133). In this regard, McMillan and Schurnacher (2001:395) state that qualitative research is an inquiry in which researchers collect data in face-to-face situations by interacting with selected persons in their setting.

Therefore this study makes use of questionnaires and interviews for data collection, which form part of the research method for this study.

3.3 RESEARCH METHOD

The research method included a review of literature, which was undertaken to get a clearer understanding of the nature of financial accountability, the role of the SGB in school financial accountability and to help focus and shape the research question (Fouché & Delport, 2002:127). The literature review included primary and secondary sources to expose accumulated knowledge in the field of school financial accountability (Ary, Jacobs & Razavieh, 1999:67). In this regard, An extensive literature search was conducted using the following key words:

financial accountability, financial management, budgeting, financial control, financial monitoring, financial reporting and financial management transparency.

The study of literature informed how the empirical research was to be conducted. The empirical research basically involves such aspects as the research instrument, population and sample and ethical aspects.

The aim of the empirical study was to determine how SGBs currently execute financial accountability at schools. This was achieved through the use of a questionnaire survey and interviews for data collection.

3.3.1 *The questionnaire as data collection instrument*

Based on information gathered from the literature study, first, a questionnaire (Appendix C) was developed to gather information from schools about how financial accountability is executed. The questionnaire largely sought to gather data about the implementation of financial accountability elements and challenges experienced in their execution.

Creswell (1998:361) states that a questionnaire is used in a survey design where participants in a study respond to a set of questions or statements. In line with this assertion, a questionnaire survey was used in this research because:

- it is a convenient way to reach a geographically dispersed sample of a population.
- its distribution facilitates quick data collection, often in as little as six weeks from the first distribution to the conclusion of data collection.
- its administration is economical because it involves only duplication and distributing expenses.

However, the following disadvantages of a questionnaire as a research instrument were noted, (Best & Kahn, 2003:307):

- respondents who do not have an opinion of or the knowledge concerning the subject, will answer the questions instinctively;
- respondents might have little interest in a particular problem and therefore might answer the questionnaire indiscriminately;
- as motivation of the respondents is difficult to check, the researcher might receive misleading responses and misinterpretation of questions can occur;
- the respondents can be forced to give simple answers to complicated issues;
- questionnaires that do not probe deep enough may not reveal a true picture of opinions and feelings; and
- the length of a questionnaire can give cause to inaccurate responses and a low percentage of feedback.

It was, however, decided that the advantages of the questionnaire outweighed the disadvantages, especially if the necessary procedures to ensure validity and reliability are followed. The design of the questionnaire used in this study thus took these disadvantages into consideration.

3.3.1.1 *Questionnaire design*

In designing the questionnaire, the following factors as suggested by Delport (2002:175) were taken into account:

- the questionnaire items were determined on the basis of the variables identified through the literature study, and in line with the aim of the empirical study. In this regard, the questionnaire covered planning, control, monitoring and reporting as dimensions of financial accountability (cf. 2.3 & 2.4);
- the target population of principals and finance officers as key SGB members dealing with financial accountability matters, was identified so as to inform the length of the questionnaire and the clusters of questions per dimension;
- the questionnaire was decided upon, because it would be hand-delivered and self-administered, so that any queries would be explained. This was accompanied by a covering letter (cf. Appendix B) detailing the purpose of the study and indicating for whom the study was meant.
- the composition of questionnaire items was guided by basic principles like brief sentences, clear language, unambiguity, relevance and non-threatening phrasing.

3.3.1.2 *Questionnaire construction*

The questionnaire consisted of two sections. Section A elicited data about respondents' biographic details, while Section B contained the questionnaire items relating to the dimensions of financial accountability.

- *Section A: Biographic information*

Items in this section related to the biographic information of the respondents, which Delport (2002:225) refers to as categorical variables which, on arithmetic operations, can be performed and include both nominal and ordinal variables and relate to which group a subject belongs. Therefore items in this section related to information about respondents' gender, age, number of years in position occupied, post description, number of staff at school, number of learners at the school, location of the school and the school's quintile classification.

- *Section B: Dimensions related to financial accountability:*

A total of 30 questionnaire items on the elements of financial accountability were used. Each dimension was allotted a number of questions covering as much information as possible. A balanced four-point Likert-type rating scale was used, firstly, in order to eliminate the tendency of respondents to provide socially desirable responses so as to please the researcher or to appear helpful. According to Garland (1998) these tendencies can be minimised by eliminating the mid-point category from the Likert scale. Secondly, the researcher intended to elicit definite answers from respondents since the questionnaire contents were considered relevant and well-known to the respondents (Hitchcock & Porter, 2002).

3.3.1.3 **Questionnaire administration**

The administration of the questionnaire involved the following:

- *Reliability and validity*

The validity of a measuring instrument is determined by whether the instrument measures what it is supposed to measure (Delport, 2002:166). This implies that the instrument must have content validity, face validity,

criterion validity or construct validity (Delport, 2002:167-168). Reliability on the other hand, is determined by the accuracy of an instrument and the extent to which that instrument yields the same or similar results under comparable conditions (Delport, 2002:168).

To establish the reliability and validity of the questionnaire, first, the empirical research questions and the literature review were used as the starting points to ensure that the questionnaire content and the constructs used in relation to elements of financial accountability were appropriate and would ensure dependability and reproducibility, and that the questionnaire would measure what it was supposed to measure.

Second, the constructs pertaining to financial accountability were used as the basis for the determination of the questionnaire items. This was to ensure content validity, which is described as the extent to which the content of the instrument appears logically to examine and comprehensively include the characteristic it is intended to measure (Anon. (<http://www.musc.edu/bmt738/Semler/index.htm>)).

Third, the questionnaire was subjected to a pilot survey. Creswell (2002:367) indicates that after good questions have been developed using the principles of question construction, a researcher pilot tests the questions, which helps determine that individuals in the sample are capable of completing the survey and that they can understand questionnaire items.

A sample of primary school principals (n=40) and finance officers (n=40) in the neighbouring Johannesburg South District 11, was used for this purpose. They were requested to respond honestly and to note any questions that were either confusing or ambiguous, and to make comments and suggestions so that the questionnaire could be readjusted before being distributed to the target population.

The overall validity of all questionnaire items scored Cronbach Alpha coefficients of 0.882 for the principals' and 0.854 for the finance officers, which was considered highly valid. Subsequent to the pilot test, the necessary adjustments were made and the questionnaire was finalised (cf. Appendix C). The questionnaire was thereafter distributed to schools. A covering letter was enclosed (cf. Appendix B), with the aim of orienting the respondents to the questionnaire and of assuring them of confidentiality and anonymity, as well as outlining the purpose of the questionnaire (Leedy & Ormrod, 2005:203).

Questionnaires were personally distributed to the respondents at schools. It was stated that they should not take more than 15 minutes to complete the questionnaire. Educators were requested to complete the questionnaires and to notify the researcher as soon as they had completed them, after which the researcher would collect them. This method of distribution and administration was intended to facilitate questionnaire retrieval and ensure a high return rate.

- *Questionnaire distribution*

A total of 140 questionnaires were delivered to school principals and finance officers at schools selected through simple random sampling. The permission of school principals was asked to administer the questionnaires and this was done strictly after school hours.

- *Statistical techniques*

The North-West University: Vaal Campus Statistical Services processed the data collected by means of a computer using the SAS-Programme. The programme was used to compute the frequency analysis.

Personal follow-up visits were undertaken in order to collect outstanding questionnaires. These were mainly in schools where respondents were engaged in school activities that required the researcher to allow for delays in collecting the questionnaires.

3.3.2 *The interview as a data collection mode*

The interview was chosen as the best data collection instrument in this study, because as described by various experts in qualitative research (Greef, 2002:291; Leedy & Ormrod, 2005:184), interviews provide the following opportunities:

- gathering data through direct verbal interaction between individuals;
- gaining in-depth understanding of participants and following up where necessary for clarity purposes;
- fostering mutual respect and sharing of information with the participants;
- establishing rapport with participants and therefore gaining cooperation; and
- conducting the interviews in natural and relaxed settings.

One-to-one interviews were conducted with Departmental officials (Head Office official and Institutional Development and Support Officers) and educator-governors in schools. The interviews were of a semi-structured type with an interview schedule of open-ended questions so as to cover the relevant sections, as well as allowing considerable flexibility in scope and depth (Greef, 2002:297 & 302). Being semi-structured, means that the interviews were conducted with an open orientation, which allowed for directed two-way conversational communication and consisted of a set of questions as a starting point to guide the interaction (Leedy & Ormrod, 2005:184).

In conducting the interviews, the following guidelines were applied (Greef, 2002:300):

- The interview setting was arranged in terms of the time and date. The interview rooms used were prepared to be quiet, with no interruptions. Thus a private, comfortable, a non-threatening and easily accessible environment was prepared.
- For the IDSOs, the four interviews were held at their offices. The Head Office official and one IDSO were interviewed telephonically. Telephone interviews were used for accessibility purposes and for being time-efficient for being useful in collecting even awkward, embarrassing, or difficult matters (Cohen *et al.*, 2000:291). In securing appointments for the interviews, preparatory conversational discussions were held. Cohen *et al.* (2000:291) regard this as necessary step ensuring that telephonic interviews realise their potential.
- In conducting the actual interviews, first, participants were welcomed and made to feel at ease through exchange of pleasantries. Second, the purpose of the interview was confirmed, its importance highlighted and the ground rules determined. Third, participants were reminded of their rights and were assured of the confidential nature of the research. For instance, they were assured of complete anonymity and to ensure this, no coding was used prior to the collection of the data and in the actual report, pseudonyms were used for all areas that could identify the participants (McMillan & Schumacher, 2001:426).

Third, it was explained that the interviews would be recorded for purposes of data capturing and analysis and consent was sought. Finally, the interview was initiated. Throughout the process, the researcher interacted with the participants, took field notes and noted trends in responses.

- The researcher ensured that rapport is established through attentive listening, showing interest, understanding and showing respect for

participants' views as well as asking probing questions in a way that demonstrated a quest for clarity rather than argumentation or proving responses false or vague. The researcher also ensured that the non-verbal cues were noted in terms of the body language and facial expressions (Cohen *et al.*, 2002:279).

The focus of this research was on examining how SGBs execute elements of financial accountability at schools. The interview questions focused on aspects relating to:

- the budgeting process: how the budget is prepared at schools, whether there is adherence to the budget and how the SGB uses the school finances;
- if there are financial controlling systems.
- if financial monitoring is carried out;
- how and when financial reporting to parents and educators is done;

The focus of the interview formed the basis on which the reliability and validity was determined.

3.3.2.1 ***Reliability and validity***

According to Cohen *et al.* (2000:118), unlike quantitative research, which assumes the possibility of replication if the same methods are used with the same sample, qualitative research, whose premises include the uniqueness and idiosyncrasy of situations cannot be replicated. Instead, Bogdan and Biklen (2003:36) state that in qualitative research, researchers are concerned with the accuracy and comprehensiveness of their data, and tend to view reliability as a fit between what they record as data, and what actually occurs in the setting under study, rather than the literal consistency across different observations or situations.

Cohen *et al.* (2000:120) further note that the qualitative research, being holistic, strives to record the multiple interpretations of, intention in, and meaning given to situations and events and thus for qualitative researchers, this involves member checks (respondents validation), debriefing by peers, triangulation, prolonged engagement in the field, persistent observation in the field, reflexive journal and independent audits.

According to De Vos (2002:352), the soundness or validity in qualitative research can be ensured by considering the following constructs:

- *Credibility*, which is an alternative to internal validity, and aims to demonstrate that the inquiry was conducted in such a manner as to ensure that the subject(s) was/were accurately identified and described. In this regard, the researcher identified the subject of study as stated in the problem statement and further described through the variables expressing financial accountability and the role of the SGB in executing it (cf. Chapter 2).
- *Transferability*, which relates to being able to generalise to other settings. This was ensured by referring to the parameters describing elements of school financial accountability. This De Vos (2002:352) contends, will ensure that researchers who conduct policy or design research studies within those same parameters can then determine whether or not the cases described can be generalised for new research policy and transferred to other settings, while the reader or user of specific research can see how research ties into a body of theory.
- *Confirmability*, which captures the traditional concept of objectivity. This is achieved by determining whether the data help to confirm the general findings and lead to implications. In this research, it was carefully determined whether the data did comply with this requirement. Indeed this

was found to be so, and enabled the researcher to make recommendations relating to the practice of school financial accountability.

It was also ensured that the interviews, though semi-structured, had the same format and sequence of words and questions for all the respondents as articulated by Cohen *et al.* (2002:352).

The interviews were followed by data interpretation and analysis during and immediately after the interviews.

3.3.2.2 **Data analysis**

All one-to-one interviews were tape-recorded (with the permission of the participants), which allowed a much fuller record than note-taking. After every interview impressions of the interview were immediately jotted down, which included both empirical observations and interpretations and included impressions of emotions, preconceptions, expectations and prejudices (Greef, 2002:305).

The data analysis was preceded by the transcription of recorded interviews. First the data was transcribed *verbatim*, which involved transcribing exactly what was being said, the tone of voices of the participants, emphases placed on what was said, pauses and silences, the participants' moods, and unclear and indecipherable responses (Cohen *et al.*, 2002:282).

Data analysis was done through the following process as advocated by Leedy and Ormrod (2005:150) and De Vos (2002:340):

- Data were organised into smaller units in the form of main concepts, sentences and individual words;
- The data were perused several times to get a sense of what it contained as a whole. Notes suggesting categories or interpretation were jotted down;

- General categories were identified and it was at this stage that the general impression of the study phenomenon began to emerge; and
- Data were then summarised and integrated into text for reporting.

The process was done every evening after the interviews and preliminary coding was initiated. This assisted in the determination of data saturation (Greef, 2002:205).

The final data coding involved sorting data into categories reflective of financial accountability. This process led to the writing of the research report. The findings of the study were then reported in narrative form with identifiable categories drawn from the interview responses. Quotes were integrated into the report and fictitious names were used.

3.3.3 Population and sampling

The population for this research comprised all SGB members at schools in the Gauteng Province. However, due to impracticality of surveying all SGB members, the target population was purposely limited to school principals and finance officers of SGBs.

The research population was confined to the Sedibeng Municipalities, consisting of Districts 7 and 8 of the Gauteng Department of Education. There are 210 schools in both districts, which yielded 210 principals and 210 finance officers. Without delving into the merits and demerits of each argument on selecting sample sizes, it suffices to mention that for this research, various guidelines were considered (Leedy & Ormrod, 2005:207; Strydom & Venter, 2002:201; McMillan & Schumacher, 2001:117; Cohen *et al*, 2002:94).

Cohen *et al*. (2002:94) state that when simple random sampling is used, the sample size needed to reflect the population value of a particular variable, depends on both the size of the population, and the amount of heterogeneity in the

population. Cohen *et al.* recommend that for sample sizes of 210, a sample of 136 is adequately representative, while Strydom and Venter (2002:201) recommends that for a population of 200, a sample size of 64 (32%) is adequate. In consideration of the fact that the population for this study was fairly homogenous and in line with these guidelines, the researcher decided on a sample of principals (n = 140) and finance officers (n = 140) in line with guidelines from Cohen *et al.* Simple random sampling was used to select the sample (Cohen *et al.*, 2002:100).

Participant selection for the interviews was purposive and convenient. *Purposive* participant selection is entirely based on the judgement of the researcher, in that that the participants are composed of elements that contain the most characteristic or typical attributes of the population (Strydom & Venter, 2002:207). *Convenience* selection involves choosing the nearest individuals to serve as respondents and continuing the process until the required size has been obtained.

Participants thus consisted of five Institutional Development and Support Officers (IDSOs), one officer from the School Governance unit at the Gauteng Department of Education Head Office and eight educator-governors from schools in the research area.

3.3.4 Response rate

Questionnaires were distributed to 140 school principals and 140 finance officers in the Sedibeng Districts 7 and 8. Of the questionnaires returned, 104 and 103 for principals and finance officer respectively, were returned and usable. Table 3.1 illustrates the return rate of the questionnaires per population category.

Table 3.1 The return rate of questionnaires

Population category	Questionnaires distributed	Usable questionnaires returned	% return
Principals	140	104	74.3
Finance officers	140	103	73.6

It can be seen from Table 3.2 that the return rates from the for both population groups was high, and was thus considered acceptable (Delport (2002:172). This return rate can be attributed in part to the meticulous distribution and retrieval procedures used.

3.4 ADMINISTRATIVE PROCEDURES

Administrative procedures include getting approval from education authorities to conduct research at schools and applying the necessary ethical aspects. The final questionnaire was submitted to the Gauteng Education Department for scrutiny and subsequent approval to conduct the research at schools using the prescribed form found on the Department's website (<http://www.education.gpg.gov.za>). Approval was granted and a letter to be presented to respondents was given (cf. Appendix A). The questionnaire was accompanied by a covering letter (cf. Appendix B) requesting respondents to complete it and assuring them of the confidentiality with which their responses would be handled (McMillan & Schumacher, 2001:196).

Participants in interviews were fully informed of their rights. Maximum cooperation was obtained, as advised by Creswell (1998:37) through:

- articulating the topic and objectives to the participants beforehand; and
- considering participants' wishes for anonymity and confidentiality. To this end, the research report was compiled using fictitious names so as to guarantee participants anonymity.

Participants were apprised of their rights to withdraw at any time if they so decided. Most importantly, participants, being fully informed, consented to taking part in the interviews. They were subsequently informed that they were free to withdraw at any stage of the process if they so wished. They were also informed that they did not have to respond to questions if they did not want to. They were also guaranteed of the absolute confidentiality with which their participation would be handled, and that the final report would in no way contain text that could be used to reveal their identities or participation. Therefore participation in the interviews was absolutely voluntary on the part of the participants.

3.5 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 AND INTERPRETATION

4.1 INTRODUCTION

The previous chapter presented the literature review on the nature of financial accountability. The analysis of data collected by means of questionnaires and interviews will be the main focus of this chapter.

Participants' demographic data are presented in the next section.

4.2 GENERAL DATA

Data collection in this regard pertained to the demographic information of the respondents, which relate for example, to respondents' biographical information in terms of gender, age, experience as educators, post description, number of staff in the school; location of schools and number of learners in the school and the school's quintile classification.

4.2.1 The profile of principals

Data for principals in this regard is depicted in table 4.1.

Table 4.1 The general information of the principals

Questionnaire item	f	%
Gender: Male	64	61.5
Female	40	38.5
Total	104	100
Age: 20-30	1	1.0
31-39	12	11.5
40-49	56	53.8
50+	35	33.7
Total	104	100
Service: 10-10	52	50.5
11-15	26	25.2
16-20	10	9.7
20+	15	14.6
Missing	1	1.0
Total	104	100
Staff: Less than 10	1	1.0
11-20	55	52.9
21-40	33	31.7
40+	15	14.4
Total	104	100
Learners: 1-500	21	20.2
1-800	37	35.6
1-1000	10	9.6
1000+	36	34.6
Total	104	100
Location: Township	100	96.2
Rural/farm	3	2.8
Missing	1	1.0
Total	104	100

Data from table 4.1 portrays the respondents' biological data and is discussed in the next section.

4.2.1.1 Respondents' gender

All respondents (100%) responded to this question with more male respondents (61.5%) than female (38.5%) respondents. This implies that there are more male principals than there are female principals at schools, which depicts the demographic profile of appointments at principal level, that is, male-dominated.

4.2.1.2 Respondents' ages

Responses to this question revealed that only 1% of the principals are between 20 and 30 years of age, with 11.5% of the respondents being between the age of 31-39 years, 53.8% being between the ages of 40 and 49 years and 33.7% being in the ages of above 50 years. This data indicate that the majority of principals (53.8%) are at ages that could be considered middle. This could be linked to lengthy service periods in the teaching profession.

4.2.1.3 Respondents' service in their positions

The majority of the respondents (50%), have been principals for periods of between 1 to 10 years, while about a quarter (25%) of the respondents have been in their positions for periods of between 11 and 15 years, and just over a tenth (14.4%) have been in their positions for over 20 years. This depicts a picture of relatively inexperienced principals being in the majority at schools, with just about 40% having experiences of over 10 years as principals. This might pose a real challenge for inexperienced principals to ensure that financial accountability processes are in place and implemented in their SGBs and schools.

4.2.1.4 Number of learners in a school

The majority of respondent principals (35.6%) are at schools where learner enrolments are in the range of 1-800. About 20.2% of the respondents are in schools with learner enrolment of 1-500 while only 9.6% of the respondents, indicated learner enrolment of more than 1000. In all these instances, there seems

to be potentially immense challenges regarding financial accountability. For example, a school with 800 learners is a big school, and in terms of controlling assets, it can be quite a challenge. Another challenge could be in terms of acquisition of resources and the control, monitoring and reporting of finances related to such acquisitions, mainly because large sums of money would be involved.

4.2.1.5 *Number of staff members*

Closely related to learner enrolments, responses on the numbers of staff members at schools indicated that the majority of principals are from schools with staff members of between 11 and 20 educators (52.9%), which implies as stated above, schools with enrolments of about 800 learners. Almost three-tenths (31.7%) work in schools with staff members of between 21 and 40 educators, while just over a tenth (14.4%) work in schools with 40+ staff members. Only 1% of the schools have educators less than 10 staff members, which obviously relates to farm/rural schools. These staff complements indicate potential challenges regarding school financial accountability because of the big school sizes.

4.2.1.6 *Quintile of the schools*

The majority of respondents (54.8%) indicated that they work in quintile 2 schools. About 31.7% of the respondents indicated that they work in quintile 1 school. A small number of respondents (11.5%) indicated to be in quintal 3 schools. Quintal 1 and 2 schools are regarded as the poorest schools; as a result, parents in these schools are not required to pay school fees. The data shows that most township schools are becoming 'no-fee-paying' schools. This poses major challenges and implications regarding financial accountability in these schools in terms of managing large amounts of finances, especially if cognisance is taken of the fact that the majority of principals in these schools are relatively inexperienced as pointed out above.

4.2.2 The profile of finance officer

Table 4.2 depicts data pertaining to the finance officers.

Table 4.2 General information of the finance officers

Question		f	%
Gender	Male	12	11.7
	Female	82	79.6
	Missing	9	8.7
Total		103	100
2. Age	20-30	20	19.4
	31-39	27	26.2
	40-49	38	36.9
	50+	9	8.7
	Missing	9	8.7
	Total	103	100
Service	1-10	47	45.6
	11-15	14	13.6
	16-20	9	8.7
	20+	21	20.4
	Missing	12	11.7
	Total	103	100
3. Post	Administrative staff	91	88.3
	Other	3	2.9
	Missing	9	8.8
Total		103	100

As depicted in table 4.2, the finance officers surveyed had the following demographics:

4.2.2.1 Gender of the respondents

There were more female finance officers (79.6%) than there were males (11.7%), while 8.7% did not respond to this item. This shows that the majority of finance officers in primary schools are female.

4.2.2.2 *Age of the respondents*

The responses revealed that (19.4%) of the finance officers were of the ages between 20 and 30 years, while 26.2% of the respondents were between the ages of 31 and 39, and 36.9% were between the age 40 and 49. There were also 8.7% who were in the ages of 50 years upwards. About 8.7% of the respondents did not respond. These data show that most of the finance officers in primary schools are in the 40 to 49 years range.

4.2.2.3 *Service of the respondents*

The majority of the respondents (45.6%) have the experience of between 1 and 10 years. About 13.6% have experience of between 11 and 15 years, while 8.7% have an experience of between 16 and 20 years, and 20.4% have a working experience of above 20 years. Clearly most finance officers can be considered relatively inexperienced (less than 10 years) in their jobs. This implies that they would need guidance and support in terms of executing financial accountability functions.

4.2.2.4 *Post of the respondent*

Responses to this question indicated that in almost all the schools, finance officers are administrative staff. Only 2.9% were not administrators. About 88.3% were administrators. Being administrative staff, finance officers are properly assigned this task, because they are better able to manage the different aspects of financial accountability, such as managing and keeping records up to date, collecting and banking monies and issuing out of receipts.

4.2.3 *The profile of participants in the interviews*

Participants in the interviews included educators and Departmental officials. Table 4.3 depicts their profiles.

Table 4.3 Profile of interview participants

Participant	Institution	Designation
Mr Head	Head Office	Governance Unit
Mr Macfirst	District office	IDSO
Mr Vincent	District office	IDSO
Mrs Nolly	District Office	IDSO
Mr Phatha	District Office	IDSO
Mrs Hope	SGB	Educator component
Mrs Maphandle	SGB	Educator component
Mr Amandla	SGB	Educator component
Mr Mosipha	SGB	Educator component
Mr Siyaphila	SGB	Educator component
Mrs Philani	SGB	Educator component
Mr Give	SGB	Educator component
Mr Sihle	SGB	Educator component

As illustrated in table 4.3, participants included five Departmental officials and eight educators. Of the five Departmental officials, four were based at District Offices, while one was based at the Head Office. Interviewed educators were all members of their schools' governing bodies.

4.3 FINDINGS ON FINANCIAL ACCOUNTABILITY: QUANTITATIVE DATA

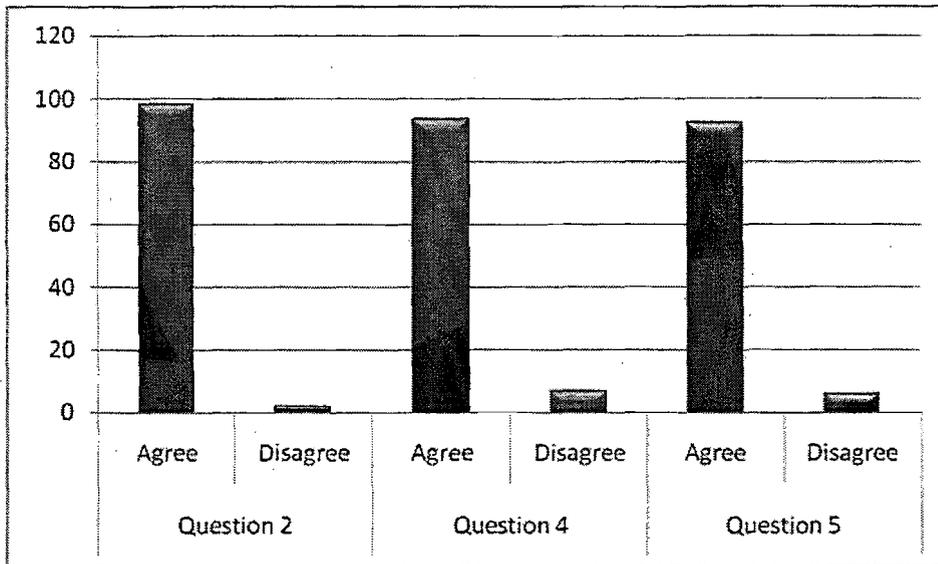
Data in this section is presented in terms of the financial accountability dimensions. These are financial planning, controlling, monitoring and reporting.

4.3.1 Data on financial planning

Financial planning relates to the budgeting function carried out by the SGB, which is the process of allocating finite resources to the prioritised needs of a school. In most cases, for a governmental entity, the budget represents the legal authority to

spend money (cf. 2.4 & 2.4.2). Data in this regard is presented in table 4.1. For purposes of data analysis, the strongly agree and agree and the strongly disagree and disagree categories were combined to reflect agree and disagree respectively.

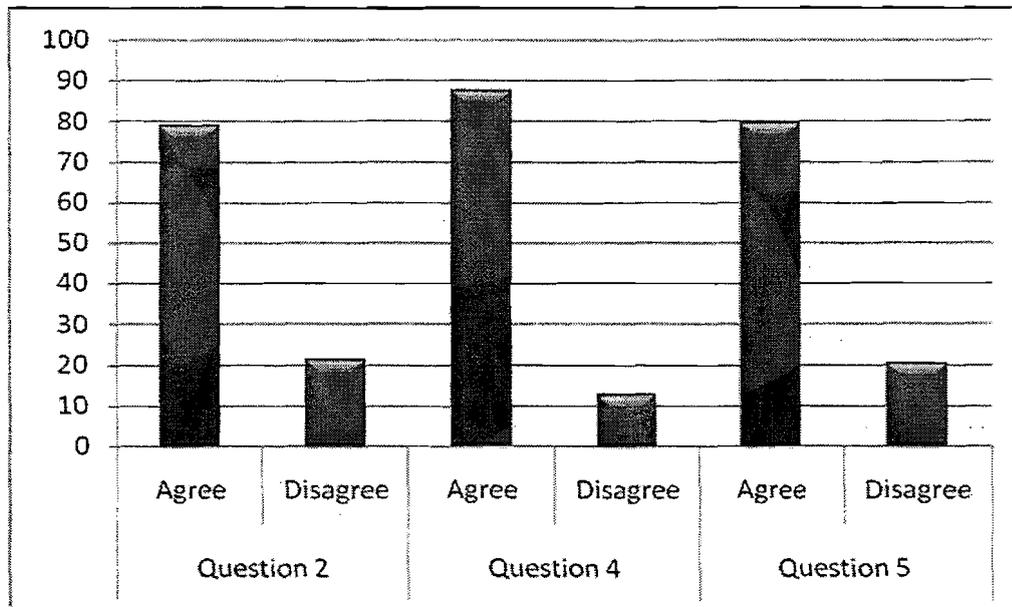
Figure 4.1 Data on financial planning: principals' responses



The majority of principals indicated agreement with the three questions, as illustrated in figure 4.1 above. Question 2 sought to find out if educators and non-educators make inputs in the preparation of the school budget. Almost all principals (98%) agreed and 2% disagreed. Question 4 sought to find out if all fundraising activities are included in the school development plan. This question relates to the systems that are put in place in an institution to avoid haphazard planning or unplanned fundraising, without a purpose. About 93.3% of the principals agreed and 6.7% disagreed. Question 5 aimed at finding out if parents make inputs in the school budget. The responses clearly indicate that about 94.2% of the principals agreed and only 5.8% disagreed.

Similar responses on financial planning were found with the finance officers as well. Figure 4.2 depicts data in this regard.

Figure 4.2 Data on financial planning: finance officers' responses



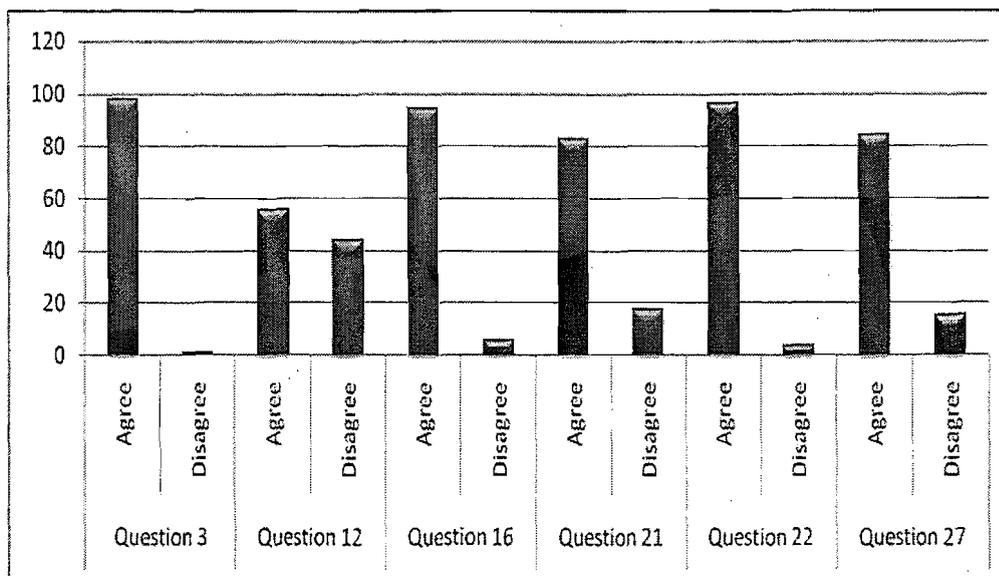
As depicted in figure 4.2, on whether educators and non educators make inputs in the preparation of the school budget (question 2), the majority (79%) of the finance officers agreed. The majority of almost 88% also agreed that all fundraising activities are included in the school development plan, and on whether parents make inputs in the school budget, a majority of about 80% agreed.

The data on financial planning suggests that schools generally perform financial planning function very well. This is borne out by the overwhelming majority of responses that agree with the statement in this dimension. It is also evidenced by similar responses between the principals and finance officers. This is an encouraging claim and can only point to a great improvement in the financial planning element of financial accountability, which should translate to an equally good control function.

4.3.2 Data on financial controlling

Financial controlling occurs when systems and procedures are established to make sure that the financial resources of an organisation are being properly handled, and there are processes or procedures for verifying the financial operations of a school, to determine whether funds have been or are being used in a legal and efficient way (cf. 2.4.4). Figure 4.3 depicts data in this regard.

Figure 4.3 Data on financial controlling: principals' responses

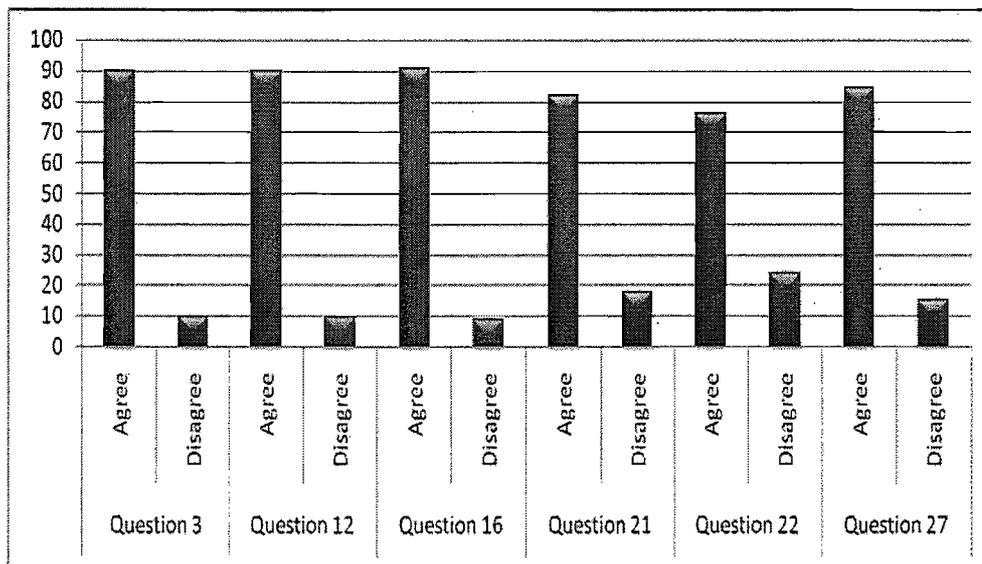


The data in figure 4.5 shows that the overwhelming majority of principals agreed with all the items on financial controlling. For instance, on whether the SGB has developed a finance policy, a substantial number of principals (98%) agreed, while only about 2% disagreed. On whether the finance officer keeps accurate records of minutes of all meetings held (question 12), just over half of the respondent principals (56%) agreed, while a substantial 44% disagreed. This is indicative of a flaw in the financial controlling function, because without accurate minutes of meetings, decisions taken can be flawed.

Responding to question 16, which relates to whether the finance officer keeps the financial record up to date, the majority of principals (94%) agreed while just over a fifth (6%) disagreed. On whether the records of school assets and liabilities reflect all assets and liabilities (question 21), about 83% of the respondents agreed, while 17% disagreed. The execution of financial management control depends on the quality of record keeping. The data above suggests that a significant number of schools still do not record all information regarding assets and liability. Respondents also agreed (96%) with the statement that income and expenditure are analysed against the budget (question 22). They (85%) also agreed with the statement that original invoices must be produced before payment can be made.

The finance officers seemed similarly to agree with the statements regarding financial controlling. Figure 4.4 illustrates data to this regard.

Figure 4.4 Data on financial controlling: finance officers' responses



As illustrated in figure 4.4, an overwhelming majority of finance officers agreed respectively to questions 3, 12, 16, 21, 22 and 26 relating to whether the SGB had developed a finance policy (90%), the Finance Committee keeps accurate records of minutes of all meetings held (90%), the finance officer keeps records up to date

(91%), the records of school assets and liabilities reflect all assets and liabilities (82%) income and expenditure are analysed against the budget (76%) and original receipts must be produced before payments can be made (85%).

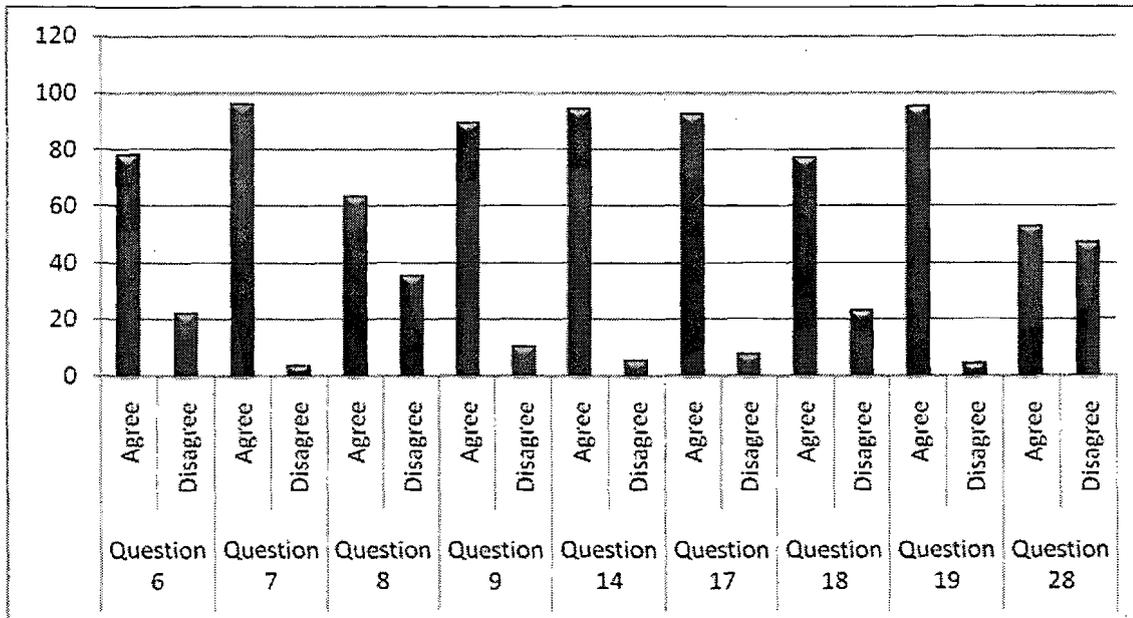
The responses from both principals and finance officers similarly project a situation at schools, where financial controlling is executed well. It is, however, notable that responses to questions 21 and 22 indicated significant numbers of finance officers who disagreed. In this regard, 18% and 24% respectively disagreed with statements relating to whether income and expenditure are analysed against the budget (question 21) and the records of school assets and liabilities reflect all the school's assets and liabilities (question 22).

Financial controlling is closely related to financial monitoring.

4.3.3 Data on financial monitoring

Financial monitoring relates to proper accounting procedures in terms of bookkeeping and keeping financial records, and forms the basis for sound financial management and accountability (cf. 2.4.5). Figure 4.5 depicts data on financial monitoring.

Figure 4.5 Data on financial monitoring: principals' responses



Question 6 sought to find out if the financial policy indicates procedures for cutting costs. The majority of the principal respondents (78%) agreed. However, a sizeable minority (22%) disagreed.

Question 7 aimed at finding out if the finance officer is responsible for maintaining financial records. The majority of the respondents (96%) agreed with the statement while only 4% disagreed.

On whether the finance officer was appointed in writing (question 8), the majority of principals (64%) agreed, while a sizeable 36% disagreed. This revealed that most of the finance officers in schools have not been appointed in writing, which is a requirement in terms of good financial accountability practice (cf.2.4.4.1). This is risky in terms of financial accountability in that, if the finance officer is not formally appointed, when things go wrong, there will be no way of holding him/her accountable.

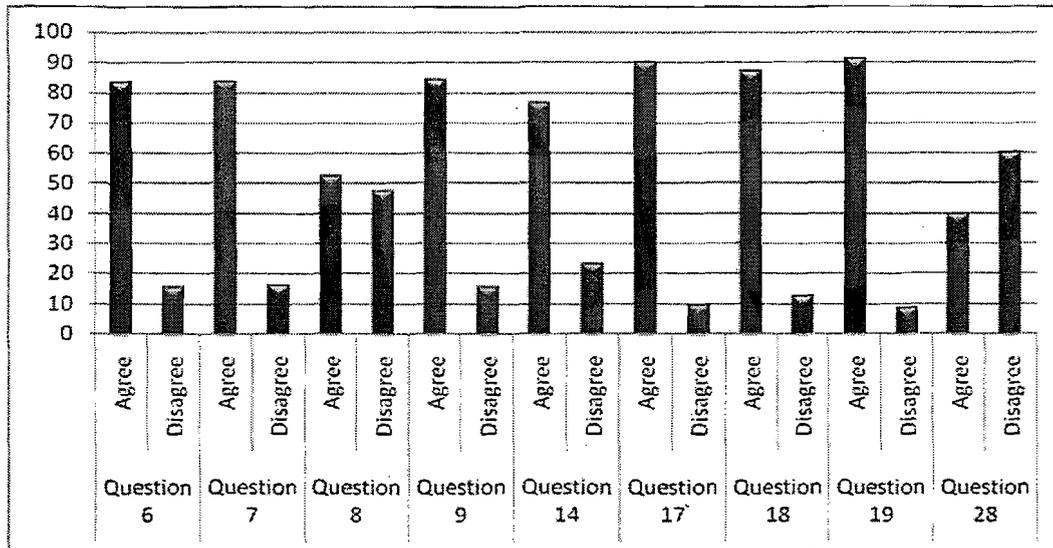
Question 9 sought to find out if the amount for petty cash is approved by the SGB. The majority (89%) of the respondents agreed to this question, whilst 11% disagreed and, on whether the financial committee approves any purchase above the amount allowed for petty cash (question 13), the majority of principals (94%) agreed while only 4% disagreed.

Asked if a monthly record system for analysing income and expenditure is used (question 17), the majority of principals (92%) agreed, while 8% disagreed. Question 18 sought to find out if a daily record system with petty cash voucher is used. The majority of the respondents (77%) agreed and 23% disagreed. Question 19 sought to find out if bank reconciliation is done every month and almost all the principals (95%) agreed, while only 5% disagreed.

Question 28 sought to find out whether blank cheques are only signed when absolutely necessary. Responses indicated that just over half (53%) agreed, while a significant 47% disagreed. Though not the majority, but the claim by almost half of the respondents that blank cheques were signed, even if it is only when absolutely necessary, is important because in terms of proper financial accountability practices, no blank cheque should be signed, regardless of how necessary it is at the time.

Finance officers also seemed to agree with the statement relating to financial monitoring. Data in this regard is presented in figure 4.6.

Figure 4.6 Data on financial monitoring: finance officers' responses



The majority of finance of officers (84%) agreed with the statement relating to whether the financial policy indicates procedures for cutting costs (question 6). However, almost a fifth (16%) disagreed. This is significant in that it indicates that many schools do not work at being efficient with the use of their funds, in terms of cutting costs.

As contained in financial monitoring good practices, this statement (question 7) aimed at finding out if the finance officer is responsible for maintaining financial records (cf. 2.4.3 & 2.4.5). The majority of the respondents (84%), agreed to this statement and 16% disagreed. On whether the finance officer was appointed in writing (question 8), 52% of the finance officers agreed, while 48% disagreed. The latter response indicates that in almost half of the schools, finance officer are not officially appointed. This confirms principals' responses on this question, and as stated above, this is risky and not in line with good financial accountability practice.

Question 9 sought to find out if the amount for petty cash is approved by the SGB. The majority of the finance officers (85%) agreed, whilst 15% disagreed. Question 14 sought to find out if the Finance Committee approves any purchase above the

amount allowed for petty cash. Most finance officers (77%) agreed and just over a fifth of them (23%) disagreed.

On whether a monthly record system for analysing income and expenditure is used (question 17), the majority of finance officers (90%) agreed, while 10% disagreed. The responses in this case, seem to be supportive of principals' responses and suggest that monitoring in terms of monthly analysis of income and expenditure, is done. This is also expressed in responses to question 18, which sought to find out if a daily record system with petty cash vouchers is used. The majority of the finance officers' (87%) agreed, while 13% disagreed. Finance officers' responses seem to agree with principals', which suggests again, that monitoring is well done in terms of daily record-keeping, even in the case of petty cash. However, the 13% who disagreed is noticeable enough to deduce that this may not be entirely true of all schools.

Question 19 sought to find out if bank reconciliation is done every month. According to finance officers' responses, this is done, as evidenced by 91% who agreed and 9% who disagreed. This echoes the principals, who also agreed with the statement.

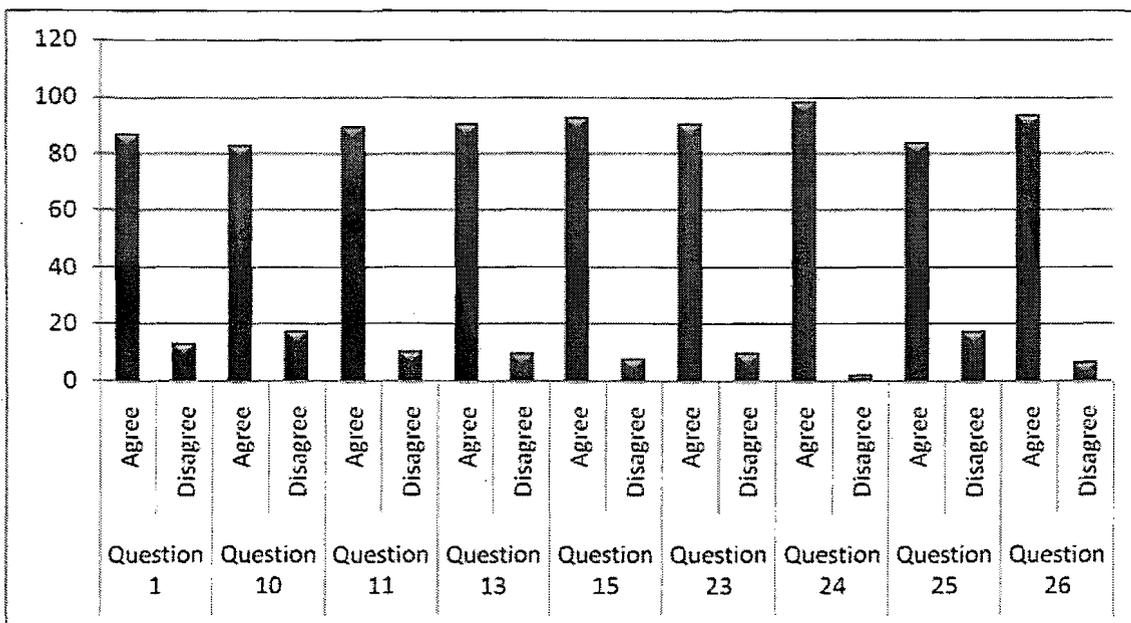
There were also differences in responses between principals and finance officers with regard to question 28, which was aimed at finding out whether blank cheques are only signed when absolutely necessary. Whereas just over half of the principals agreed, over half of the finance officers (60%)_disagreed. These responses seem to suggest that while not a regular occurrence, it does happen that blank cheques are signed when 'absolutely' necessary, though there is supposedly, full knowledge that, that is not supposed to happen.

4.3.4 Data on financial reporting

Financial accountability means 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 and providing a financial report as part of being accountable for how public money is spent, and such reporting shows how a school is funded and from which sources ((cf. 2.2.2 & 2.4.6). Figure 4.7 depicts data on financial reporting.

Figure 4.7 Data on financial reporting: principals' responses



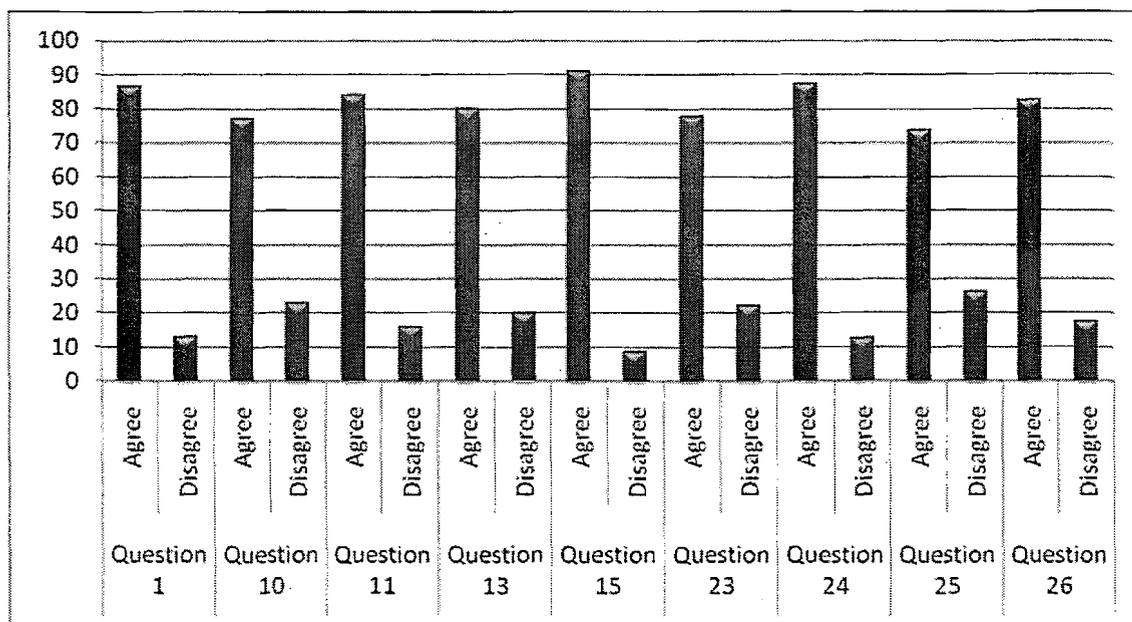
As can be seen from figure 4.7 above, principals seem to agree with all the statements pertaining to financial reporting. These include whether:

- the school budget is presented to parents for approval (question 1);
- the Finance Committee presents the financial statements to the SGB quarterly (question 10);
- the SGB explains the finance statements to the parents. (question 11);
- the Finance Committee has regular meetings to ratify expenditure as per budget (question 13);
- the Finance Committee has appointed a qualified external auditor (question 15),

- the SGB presents a financial report to parents at an annual general meeting (question 23);
- audited annual financial statements are submitted to the Head of Department every year (question 24);
- educators are given financial reports on a regular basis (question 25); and
- it is easy for interested parties to inspect audited financial statements (question 26).

Similar responses were recorded in the case of finance officers. Figure 4.8 depicts data in this regard.

Figure 4.8 Data on financial reporting: finance officers' responses



It can be seen from figure 4.8, that finance officers also indicated agreement with the statement relating to financial reporting, although not to the same extent in terms of frequency counts. However, all responses, both principals' and finance officers', indicate an average of about 80% in terms of responses indicating agreement. This, as alluded to above, suggests that financial monitoring is very well executed at schools.

The frequency analyses presented in this section have indicated, generally that SGBs in schools do exercise financial accountability practice. The researcher was, however, intrigued by the pattern of responses from principals and finance officer. In particular, the researcher was intrigued by the fact that their responses overwhelmingly indicated agreement with statements relating to financial accountability. This implied that SGBs were fully accountable. However, the researcher noted that despite these responses, there were notable responses whose frequency counts indicated disagreement between principals and finance officers. This prompted the researcher to extend the empirical research to include interviews with Departmental officials and educators who serve in SGBs (cf. 3.3.3).

4.4 FINDINGS ON FINANCIAL ACCOUNTABILITY: QUALITATIVE DATA

Qualitative data was gathered through interviews. In reporting the views of participants, fictitious names are used to ensure complete anonymity and confidentiality (Cohen *et al.*, 2002:92).

4.4.1 Views on financial planning

Financial planning is mainly about the budgeting function carried out by the SGB (cf. 2.3.5.1). The questions asked related to how schools prepare their budgets and whether their expenditure indicates adherence to their budgets. Mr Head, the Head Office Governance Unit official indicated that he did not know how schools prepared their budgets. He further indicated that from documents submitted to the Head Office, school were, however, preparing budgets as required according to financial management and accountability practices. He, however, added:

“... It is the responsibility of the SGB to identify the needs of the school, prioritise them, and in a parents’ meeting, explain in detail how the monies are going to be spent. 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. Whatever is done in schools, there is no sustainability, and that creates a very serious problem. The people were not properly trained to run the budgets”.

This view indicates that schools do not budget properly and they do not adhere to their budgets. Interestingly, Mr Head postulated that the reason for this, was that some of the schools did not receive proper training on how to execute the budgeting function.

Views expressed by IDSOs also indicated that they do not actually know how the budgeting function is executed at schools. Instead, they proffered views about how budgeting should be done. This also implies that the financial record submitted by schools annually, are not analysed to identify anomalies and areas that required schools to be supported and developed. For instance, Mr Macfirst responded by stating:

“I do not know how schools do their budgets, but I know that the SMT must sit together, and the SGB must play a very prominent part in the drafting of the budget. I do not want to utter loose statements, but I know that the SGB in township schools are not financially literate, so that the principal and the members of the SMT play the important role in the drawing of the budget”.

The IDSOs further indicated, without stating if schools did or did not, that SGBs must adhere to their budgets. Mr Phata remarked:

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

Mr Vincent stated: "They must stick to the budget. What would stop them? Look, the budget is a vehicle that carries all the income and how to spend it", while Mrs Nolly opined: "You cannot budget this way, and decide to spend the other way. Schools are duty bound to spend according to their budget".

Mr Vincent, Mr Nolly and Mr Phatha indicated similar views indicating what SGBs must do, which was aptly expressed by Mr Vincent who, and stated:

"The South African Schools' Act requires that all SGB members draw the budget and present it to the parents in an annual general meeting. The schools should comply with this requirement, but I know that drawing a budget is a skill. It starts from the needs' analysis, where the SGB request all the needs from different school committees. The needs are prioritised, considering the amount of money the school has raised. All the schools' expenditure is decided against the schools' income".

The SGB educator participants' responses on this question were slightly different from the officials' responses and were much more revealing. This is perhaps because they are in the SGB, and are thus or should be directly involved in the budgeting processes. From their responses, it does seem as if the budgeting processes are not carried out transparently and collaboratively. For example, Mrs Hope commented:

"In our school, the figures put in the budget do not correspond with the needs of the school. The budget is just a formality, because it is a one man's show".

Ms Maphandle voiced out the lack of transparency and the fact that the budget was done by the principal, who decided on what would be purchased. She commented:

“There is no transparency in the drawing of the budget in our school. The principal decides on what will be bought, then calls an SGB meeting, where we are presented with the budget. No one is expected to question. The parents have no say. The LTSM portion is done by one HOD⁴ and the principal”.

On whether they adhered to the budget, Ms Maphandle commented:

“We don’t stick to the budget. The principal, at any time when he wants to spend money, just buys without even consulting the SGB”.

Mr Amandla remarked that for the two years he had been an SGB member, he could not recall being in a budget meeting. He stated:

“You can’t believe I have served in the SGB for two years, I don’t remember the SGB sitting together, drawing a budget. In fact, the budget is drawn for submission to the district office. Otherwise, I think, if it was not for submission, we were not going to draw it or have it”.

Mr Amandla further stated, on the adherence to the budget:

“Even if we want to stick to the budget, the principal would bring issues that were not budgeted for, and the chairperson will agree with him. So, there is no use of forcing matters. We just keep quiet, because our principal wants us to do things the way he wants”.

While the foregoing responses indicated things were not done properly in terms of the budgeting function, the other five respondents seemed to confirm that budgeting was executed properly. Mr Mosipha stated: “Our school is a very organised school and we have a very active SGB. All the activities of the SGB are transparent in our school. The SGB looks for the needs of the school, analyses

⁴ Head of Department

them, prioritises them and sits together to draw the budget. All committees are involved in this process. The budget is then presented to the parents for their approval". He, however, went on:

"Adhering to the budget is still a problem. Sometimes we do deviate, more especially when there is something very important and was not budgeted for".

Mr Siyaphila commented:

"The committees bring their needs to the SGB to be prioritised. From there, the budget is drawn. After that, it is presented to the district. There is transparency in our school".

Though indicating transparency and a proper process of preparing the budget, a serious omission was that, he did not mention if the budget was presented to parents in a general meeting for approval. On whether they adhered to the budget, Mr Siyaphila and Mr Give agreed that they adhere to the budget. In this regard, Mr Give pointed out:

"We have a programme in our school which makes it easy to follow the budget. Our Finance Committee has a duty of making sure that, all that has been budgeted for is done".

Mrs Philani related to the procedure that they followed during the budget preparation process and stated:

"We do it step by step. There is transparency in our school. We are all involved in the drawing of the budget. We even review the previous years' budget together before drawing the new one".

Mrs Philani continued and indicated that they adhered to the budget, except when necessary. She stressed:

“We do stick to the budget. The only time we deviate from the budget is when there is something we did not think about when drawing the budget, Sometime we do not just spend the money already budgeted for, but we raise funds for it or ask for the donations somewhere else”.

Mr Give and Mr Sihle responded by stating the importance of sticking to the budget. Mr Sihle stated that the budget is drawn by the SGB and that no one has a right to interfere with that. Mr Philani pointed out:

“You know what? Many schools have a tendency of drawing the budget, and do something else instead of sticking to the budget. In our school, every one is involved in the drawing of the budget, and we stick to the budget”.

The information given above has revealed that, all schools do prepare and draw budgets. However the question of transparency is still a challenge in some schools. The problem of one person or few individuals drawing a budget without the involvement of the whole SGB, is a serious challenge as it goes against the principles propounded by the Schools Act and Public Finance Management Act (cf. 2.2.1 & 2.2.2). The question is: how the SGB can be accountable if it is not involved in the drawing of the budget? This led to the next question, which sought to find out how SGBs spend school funds.

As reported earlier, Mr Head was of the opinion that expenditure at schools was not spent according to the planned budget. He made the point that looking at the budgets drafted year in and out by schools, he would find that a school budgets for an item in the same manner and allocates the same amount of money for that item. This indicates that budgeting is not done for purposes of expenditure and accountability. This is also indicative of schools not spending monies in terms of the PFMA, which stipulates, *inter alia*, that the accounting officer must take effective and appropriate steps to prevent, within his/her area of responsibility, any

irregular, fruitless and wasteful expenditure, and in addition, expenditure must be lawful and authorised (cf. 2.2.2).

Mr Head further pointed out that it is very crucial that the SGB be accountable, and ensure that "... each and every cent that has been contributed towards the school, must go in the expected direction. The purpose of the money that has been provided to a school is to better the education of the learners". He hinted at incorrect and unauthorised expenditure. He explained:

"I think you know the importance of finance. ... You find that the school has been provided with a large amount of budget (money), but when you go to class, the environment is not conducive for learning. A practical example is that of a principal who has a "posh" furniture in his office, but when you go to the staff room, there are no tables, only broken chairs. That is not acceptable. You realise that the spending of finances at that school is faulty. A school has to be a learning institution. We know of the instances, where principals engage in cheap labour, but pay large amounts of money, and that is wrong".

Without revealing exactly how schools spent their monies, IDSOs responded to this question by advising. Mr Macfirst said:

"I know that it can be a very serious problem to deal with money, and that money can be a very serious problem in schools. One can easily be implicated, and that is what we do not want. I believe and wish that schools under my supervision could deal with money in a very professional manner".

Mrs Nolly commented:

“The SGB should spend the money as required by policy. The SGB should at all costs try to be economical in spending the public’s money. The SGB, in spending school funds, must not only think of spending the funds, but also think of taking care of the things bought. All the systems of retrieval, stock taking and updating of the asset register must be taken of”.

Mr Vincent responded by saying:

“I know that the SGBs are faced with the task of making sure that the school funds are used in a manner that will benefit the learner. It is unfortunate that SGBs lack the skill of dealing with finances, especially in township schools. The principal as an accounting officer must play a guiding role. I know that dealing with finances can put one in trouble, more especially when one needs to account”.

As was the case before, the most enlightening responses came from educators. Ms Maphandle indicated that money was not properly spent, and hinted at corruption where expenditure did not match the goods received. She said:

“We would plan together as the SGB. The principal will change our entire plan, and do what he thinks is right for him. He just convinces the chairperson, and he is done! That is frustrating. The SGB does not spend the finances, but the principal. Our allocation is hardly six months, but we do not have money to pay for services. The principal has ordered books which did not arrive, but there are invoices showing the delivery. The chairperson has signed the cheques”.

Mrs Hope expressed frustration at what she saw as a principal who does everything alone and never involves the SGB. She stated:

"We call our principal a "Spiderman", because he is doing every thing. He is the SGB, the Finance Committee, the SMT. He is everything. He does not give anyone a chance. Our SGB parent members agree to everything that he says. The worse part of it is, he does not sign cheques. The deputy, who was an acting principal the previous year, is still a signatory".

Mr Amandla commented that their SGB: "is just a "rubber stamp". The principal is doing everything". Mr Sihle sadly opined:

"I do not see the SGB as being functional. We are just there in the SGB. There is only one person doing everything. We do meet and discuss issues, but the implementation never takes place. No one is prepared to confront the principal".

From all the responses above it was evident that the SGBs in some schools do not have the capacity to function. The principals in some instances make it difficult for the SGB to function.

While the foregoing remarks point at spending being improperly done, some SGBs seemed to be doing their best to do things right. Mr Mosipha proudly responded by saying:

"Our principal is a very organised person. We have a programme of action which makes it easy for the SGB to function. We stick to our decisions. We discuss all expenditure before the actual purchases. This procedure is followed whenever something needs to be bought. The minimum of three quotations is asked for before ordering. We only buy things that are going to benefit the learner".

Mrs. Philani said, also with pride:

“Our principal is very transparent. Every purchase is discussed and three quotations are sought. There principal does not sign any cheque without authorisation and being minuted. We review our budget regularly”.

Mr Give indicated the importance of the policy in executing their duties and emphasised: “We are guided by Schools Act, and we make sure that every move is transparent”. Mr Siyaphila stated that they had regular meetings with the Finance Committee, and gave reports for all expenditure, which made everyone satisfied.

All of these responses showed an image of schools where all the typical basic principles of accountability are taken into consideration. The next aspect investigated was financial controlling.

4.4.2 Views on financial controlling

Financial controlling aims to verify the financial operations of a school, to determine whether property and funds have been or are being used in a legal and efficient way (cf. 2.3.5.2).

The question posed sought to find out if schools have financial control systems, among others, financial policies, budgeting policies and expenditure policies.

Mr Head indicated that judging by the documents from schools, it appeared that schools had most financial accountability policies. He, however, pointed out:

“... but analysing the records, as I pointed out earlier with the budget processes, it seems implementation of those policies is sadly poor or not adhered to. Yes, reports from district officials are well done. They say only nice things about schools. But, when you go to schools, you find that so many things are contrary to the reports

given about those schools. Furthermore, I think from the districts' point of view, schools that are producing good results, are taken for granted that their finances are running smooth".

As if to confirm Mr Head's assertion, IDSOs indicated that school records were actually not scrutinised. For instance, Mr Phatha indicated:

"Well, I must admit. We do not really get to check if schools have control systems in place, or if they do, they are implemented. It is only when a case has been reported that they (financial records) are checked thoroughly. It is taken for granted that, one cannot submit a document that is self implicating to the district".

Mr Macfirst hinted that schools had to make arrangement for him to check their books. He stated: "If you want me to check your books, then I must arrange with you. I once did it with one of the schools. I know all the schools under me; their books are up to date", which on closer scrutiny, seems to suggest that IDSOs do not really check schools' financial performance. Therefore they would not know if financial control was executed in schools.

Educators had mixed and strong opinions about the issues of financial controlling. Mrs Hope stated that in their school:

"...it is a hopeless situation. When what is budgeted for differs from the actual expenditure, clearly there is no control. This is done hurriedly when books have to be audited. That is the part we absolutely never get to be involved in. Of course I think those books are doctored. Remember, (*tongue-in-cheek*) our principal is Spiderman".

Mrs Maphandle reiterated that there is no transparency in financial matters. She further stated:

“Our district is as corrupt as our principal. Our principal was investigated in 2006, after Dinako⁵ wrote a report about our school. The IDSO came for few months. We don’t know what happened thereafter. Since then, we do not see any one coming to check our records. Even if they come, after a long period, we are not given any feedback”.

Other educators gave a different picture. They indicated that in so far as record-keeping, their SGB Finance Committees tried to ensure that these were correctly kept. Mr Mosipha indicated that their school is one of the best schools in record keeping. He stated proudly:

“Our IDSO is very impressed about our records. I must say, we do not have a problem with the district in this regard. As the SGB, we have made sure that the financial policy is strictly implemented. Of course, we are not perfect. But I can assure you, issuing of receipts, control of petty cash, deposits of money, requisitioning for payment, are strictly done according to our school policy. And our financial records are auditing every year, and in time, I might add”.

Mr Give responded by saying: “We do have records, and they are up to date. We try our best to implement the school’s financial policy”.

Mrs Philani expressed her feelings and stated:

“Our school is doing exceptionally well. Our SGB records, I mean finances are run well. All our finance records are up to date. There is transparency in our school, which makes it easy for all SGB members to cooperate. Our IDSO does not have a problem with us and thanks God, we have a new IDSO who is very supportive”.

⁵ An organisation tasked with conducting a “forensic” investigation into the school funds.

The views expressed above, indicate two scenarios. First, some schools do manage their finances well and apply correct financial controlling principles. Secondly, some schools do not execute proper financial controlling principles. It can also be inferred that there are instances of “window-dressing” and “taken-for-granted” attitudes from the officials who are supposed to support and develop principals and SGBs in terms of financial accountability and its attendant elements.

The next aspect investigated is financial monitoring.

4.4.3 Views on financial monitoring

Financial monitoring, as highlighted in section 2.3.5.3, is an important aspect of financial accountability in the school, and ensures that planning and control is more effective. The question on this aspect sought to find out if and how SGBs monitor their schools’ financial performance to ensure financial accountability.

From the Departmental officials, it was apparent that they tried to monitor schools’ financial performances, but that this was not regularly done. Mr Macfirst, though not addressing the question, stated:

“First of all, as an IDSO, I must do the financial monitoring of all the financial records, the receipt books, bank deposit books - whether they do tally, and are in accordance with the policy. I would like to see when I am doing financial monitoring, the extent to which we are abiding by Circular 13 of 2000 policy and in the execution of financial matters. We have tried to monitor one of the schools the previous year, but we did not come up with anything. I think I need to convene a cluster meeting and try and find out if the principals have a problem in dealing with finances”.

This response gave an impression that the IDSO did not really know how the school monitor their finances, although the researcher could sense that there were challenges in this regard.

Mrs Nolly explained how she monitors her schools and how the records should be controlled.

“Every time I visit my schools, I check if the financial records are controlled. The principals must check as to how the petty cash is controlled by the finance officer of the school. How reconciliation is done and how often are meetings held”.

Mr Vincent responded on this question by saying:

“I have encouraged the principals in most of my schools to have a programme, where they control their finance officers. Bookkeeping is one way of monitoring the records of the finances”.

Mr Phatha had this to say:

“It is our duty to support schools. In our visits to schools, we check all the school records including finances. There are quarterly reports that are submitted to the district, with the aim of finding out in what area is the school lacking, or the area that needs development. But in all earnestness, it is not easy to see how the monitoring is done. Those records may very well be ‘cooked’”.

This question also evoked mixed reactions from educators. Some expressed opinions that clearly indicated that, all was not very well in terms of elements of financial accountability. Where monitoring is concerned, the following were some of the views expressed:

“Monitoring? Monitoring what? We do not know. As I said before, we are not involved. We are just told about this and that. I, personally have not seen any bank reconciliation being done. Maybe, they do it. Only the principal and the so-called finance officer know” – Mrs Hope.

“Well, there is no transparency. Honestly, I do not know if this is done, or if it is, I’m not sure it is a true reflection of what is happening” Mrs Maphandle.

“I do not think the books are checked. It is just a formality that we send our books to the district. We were investigated as a school, but we have not received any report. That is the only time when our finances were controlled and monitored” – Mr Amandla.

It is, however, encouraging that despite the pessimism expressed by the participants above, some school and their SGBs seem to be doing well in this regard. For instance, Mrs Philani confidently and assertively stated:

“Our school is doing very well indeed. Financial records are kept up to date. There are regular reports to the entire SGB. At least, finance policies are adhered to. You see, when there has been reason to deviate from the policy, say for example in the use of petty cash, the next meeting, a report is given and documentation produced. This helps us to keep on making improvements on such issues”.

Mr Give simply reiterated what he said before:

“As I said, we have a programme in our school which makes it easy to follow the budget. This applies to implementing policies regarding such issues as reconciliation, petty cash and general financial

control. Our principal insists on adhering to the South African Schools Act and the Finance Management Act”.

These are indeed encouraging responses. While cognisance is taken of the earlier responses, these responses indicate that schools and their governing bodies can achieve success in their financial accountability responsibilities.

The next question related to financial reporting.

4.4.4 Views on financial reporting

Financial reporting is perhaps the most important element of financial accountability. As pointed out elsewhere in this text (cf. 2.2.3; 2.2.4.1; 2.2.4.2 & 2.4.5), financial reporting means 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.

Two questions were asked to cover this area. These related to how often schools report about expenditure and how and when they give financial reports to parents and educators. It must be reiterated that, according to the Schools Act, SGBs are supposed to give account of the schools' financial positions to the Department of Education and the parent community, or to any person who, legitimately has an interest in the school (cf. 2.4.5).

Typically, Departmental officials proffered information by way of advice. Mr Head, as before, pointed out that reports are sent to the Head Office, but due to the volume of such reports, it is not always easy to check all of them.

“... but from those that we manage to check, it is clear that there are differences among schools. As I pointed out earlier, some details seem to be the same this year and last year. One can conclude what that means. On whether parents get reports, I am not so sure

because we rely on district reports, and these are normally “nice” reports. Authentic? Not sure. You know, there are cases handled by the Labour Relations Unit where it becomes clear that there are conflicts on the handling of funds in many schools. There was even a time when the Department considered withdrawing Section 21 functions from many schools. So you see, there may be major problems”.

Mr Vincent responded by explaining: “It is procedural that the school should have a Financial Committee, which must meet every month to discuss how money should be spent, and how money is spent at the school”. He explained that the treasurer and the school finance officer should report during this meeting, which “is an official meeting, and which is a must to hold”. He went on to say:

“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. As far as educators are concerned, they seem not to be informed”.

Mrs Nolly response was:

“During the end of the term’s report, I always request principals to give a record of their SGB meetings, their attendance in the form of percentages to indicate how many parents attend the meetings. At the end of the 4th term, I want them to include the minutes of the parent’s annual general meeting, and the adopted budget. I do this so that all the schools make sure that they hold these meetings. Another important meeting for the SGB, is the financial statements’ meeting, I always encourage the principals to explain in detail to parents how the schools have spent the monies”.

Mr Vincent was much more direct to the question. He opined that parents did get reports, but doubted if the intention was to make them understand as partners with the schools or it was just a formality to comply with the Schools Act. He commented:

“You see, most principals claim that parents are illiterate and would not understand all the intricacies of the financial management jargon. I often ask, what exactly do they report? You see, financial reporting to parents seems just a formality. I know. Even in my own child's school, the report is just a summary with figures. It doesn't show me how exactly my child benefits from what we pay. So I think while they do have general meetings and report, the intention is not for parents to understand”.

Mr Phatha responded by saying:

“Parents do get reported to about the school finances during the general meetings. The SGB holds meetings and explains to parents how they have spent the finances. You see, the parents must not be taken for granted. If you do not explain to them how funds are spent, they do not give support. It is the responsibility of the SGB to explain the budget and the financial statements”.

Mrs Nolly stated that, that was one issue difficult to assess. She further alluded to parents' illiteracy as perhaps a factor. She reasoned:

“Often principals complain that parents do not understand the reports read to them. As such, they have to summarise the reports. But then, some parents do complain about not being informed. This goes for teachers as well. They often complain that they do not know what is happening with the school funds. They just see things being bought. How and how much the school has, they are not told.

When they need money for things like transport to workshops and meetings, they claim that they are told there is no money, despite these being budgeted for. So you see, it is not easy to know if reports are made to parents and educators”.

Educators also expressed mixed views on this aspect. Mr Siyaphila an SGB member mentioned the fact that parents meetings are not well-attended. He remarked:

“You are asking an important question. I sometimes ask myself if this exercise is worth the effort. We do our best to ensure that our financial management is effective. We do hold meetings to report about finances, but the attendance is poor. Even those parents who attend, seem not to understand. But then, in our school we believe that the more transparent we are, the more trust we get from parents. Judging by the donations and support we get, I think our financial management and accountability do work”.

Mrs Hope dejectedly remarked that, while they do report to parents, the financial reports were not always authentic. She responded by saying:

“We do hold meetings, even if we report what we do not practice. It is frustrating to listen to the principal in the parents meeting telling lies about how we have spent the money. There is no financial report given to educators.”

Mrs Philani responded in a proud manner and said:

“We have a format that we follow on a monthly basis. The financial report is given by the SGB in the staff meeting. The Finance Committee compiles a report on a monthly basis. The SGB meets with the parents every quarter with the aim of giving a financial

report and other things that might need reporting. At the end of the year, we give and explain the budget in an annual general meeting. The audited financial statements are reported to the parents at the beginning of the year and submitted to the district by June of every year”.

Mr Give emphasised that reporting to parents might seem like a futile exercise, but was critical in ensuring that there is trust and that learners benefited. He commented:

“You see, money is a sensitive issue. If there is no transparency, then there is trouble. When the principal buys a car, there are suspicions that he used school funds. So, in our school, we make sure that educators get reports. That way, if there are financial difficulties, they understand, because they know the state of affairs. Parents are given annual financial reports. We try to make our reports as simple and relevant as possible”.

Mr Amandla was more outright in his response. He stated:

“Look, our principal runs a one-man show. You dare not challenge him. Since being declared a no-fee school, it has become worse. We are not informed of the financial status of the school; and we are SGB members. The chairperson is simply manipulated. Towards the audit of finances, the principal and finance officer are not available for some time. They claim to be busy with reconciling financial statement. This is where I suspect the manipulation of figures is made”.

The responses to this element of financial accountability indicated mixed views. Clearly some schools do well, while others seemingly do not. This raises a number of issues worth discussing.

4.4.5 Discussion of interview responses

The responses from the interviews present a number of aspects regarding financial accountability as schools. While not representative of the population of schools in the research area, the findings provide some important insights into how financial accountability is handled at schools.

On financial planning, with regard to the budgeting function, it seems that schools do prepare budgets. However, it seems, in some cases, as if the manner of drawing budgets lacks transparency. This may be due to a number of reasons. It might be because SGBs lack the capacity to prepare budgets and, ultimately, the task remains with the principal to take over. This might also be caused by the fact that these have to be submitted to the Department, and as a result, the concern becomes more about submission than addressing the needs of the schools as evidenced by the Head Office official who noted that the same items appeared in one school's budget, with the same money allocation as the previous year.

Adhering to the budget is not always possible, because budgets, by their very nature, are planning tools and not necessarily accounting tools (Niemann, 2002:373). However, large deviations, which are unauthorised are not advisable in terms of principles of accounting and good practice. It is clear from some responses that, this is an occurrence in some schools. The remark that "even if we want to stick to the budget, the principal would bring issues that were not budgeted for" attests to regular deviations.

It is also encouraging that some schools engage in budgeting good practice. In this regard, it is remarkable that some schools have devised ways of budgeting that are transparent and inclusive of stakeholders.

Financial controlling, in essence includes aspect of expenditure. This seems to present challenges to schools. While some schools reportedly adhere to correct procedures where expenditure is concerned, some schools face problems. The

fact that some expenditure is actually not budgeted for, that the planning that was done jointly and is changed anytime and anyhow, indicates that there are challenges. This can make it difficult for schools to deliver on their mandate of being accountable.

It is also clear that some schools do not really apply financial controlling principles. For instance, the suggestion that some schools, due to good performance in their results, are taken for granted as being financial accountable, raises the gap in Departmental structures in terms of monitoring and controlling what schools do.

The notion that there are possibilities of fraud and manipulation of financial statements raises serious concerns. Besides being illegal and criminal, this limits schools from exercising their financial expenditure to the benefit of learners. It, however, is noteworthy that some schools manage to keep their records up to date and a true reflection of their financial affairs, which implies that these schools can be regarded as being financially accountable.

Financial monitoring is perhaps one of the critical building blocks of financial accountability. In this case, it does seem as if some schools do not exercise this function. As indicated by some educators, remarks like: "... we are not involved"; "there is no transparency"; "it is just formality" attest to the poor state of financial monitoring at some schools.

Some schools seem to be doing well in terms of financial monitoring. This is evidenced by financial records being kept up to date, regular reports to the SGB, educators and parents, as well as documenting all the deviations and accounting to the SGB. These are examples of good practice in financial monitoring and, accountability in general.

Financial reporting is the most important element of financial accountability. From responses in this regard, it is clear that there also are schools that do well and those that do not. Labour Relations' handling of cases pertaining to conflict over

the handing of schools funds attest to challenges some schools have in reporting, and ultimately accountability. While it is accepted that parents may not be well-versed in matters of financial management and accountability, it is equally clear that some schools simplify their reports so that parents can understand them. In conclusion, it can be deduced from the responses that schools do practice some financial accountability and that there are schools that completely miss the mark.

4.5 CHAPTER SUMMARY

This chapter has presented the data analysis and interpretation thereof. This included both the statistical analysis and the analysis of data collected through interviews.

This has led to a conclusion that the status of financial accountability in schools reveals gaps in terms of financial planning, controlling, monitoring and reporting, as they relate to financial accountability. The next chapter presents the summary, conclusions and recommendations.

CHAPTER 5

SUMMARY, FINDINGS AND RECOMMENDATIONS

5.1 INTRODUCTION

The summary of this study is represented in this chapter. The important aspects that were dealt with in the literature study regarding financial accountability are first outlined. The discussion then details findings of the study in terms of the research aims. The chapter then concludes with the presentation of recommendations.

5.2 SUMMARY

Chapter 1 of this study explains the fundamental reasons for this study by outlining the rationale of the study, and the research methodology. It presents the problem statement, the research questions and aims. The research design outlines data collection, population and sampling, including details about the research procedure.

Chapter 2 outlines the nature of financial accountability based on the literature study. Firstly, the legal framework for school financial accountability is presented (cf. 2.2) then the conceptual framework is explored (cf. 2.3). Secondly, accountability and financial accountability are defined and discussed (2.3.2 & 2.3.3), then the elements of financial accountability are presented (cf.2.4). Thirdly, the role of the SGB in financial accountability is presented in terms of accounting to the Department of Education (cf. 2.5.1), and to the parents (cf. 2.5.2). Finally, financial planning, controlling, monitoring, analysis and reporting finances (cf. 2.5.3.1; 2.5.3.2; 2.5.3.3; 2.5.3.4 & 2.5.3.5 respectively) are discussed.

Chapter 3 presents the empirical research design. The research design and methodology (cf. 3.2) described quantitative and qualitative research approaches. The research method included the literature and empirical studies (cf. 3.3). The

questionnaire as data collection instrument, questionnaire design, questionnaire construction and questionnaire administration (cf. 3.3.1; 3.3.1.1; 3.3.1.2 & 3.3.1.3 respectively) are then explored. The interview as a data collection mode (3.3.2) is then presented. Finally, reliability (cf. 3.3.2.2), data analysis (cf. 3.3.2.3), population and sampling (cf. 3.3.3) response rate (cf. 3.3.4) are then presented.

Chapter 4 concerns presentation, analysis and the interpretation of data collected by means of questionnaires and interviews. Firstly the general data (cf. 4.2), the profile of principals (cf. 4.2.1), the profile of the participants in the interviews (cf. 4.2.2) are discussed. Then the data on financial accountability in terms of the quantitative data (cf. 4.3) are presented and include data on financial planning (cf. 4.3.1), financial controlling (cf. 4.3.2), financial monitoring (cf. 4.3.3) and financial reporting (cf. 4.3.4). Then the qualitative data on financial accountability: (cf. 4.4) are analysed and interpreted and include, views on, financial planning (cf. 4.4.1), financial controlling (cf. 4.4.2), financial monitoring (cf. 4.4.3), financial reporting (cf. 4.4.4) as well as a discussion of interview responses (cf. 4.4.5).

Chapter 5 summarises the entire research study in terms of findings from the research and presents the summary, the findings and the recommendations.

5.3 FINDINGS FROM THE RESEARCH

Findings are presented according to the research aims.

5.3.1 Findings regarding research objective #1: the nature of school financial accountability

School financial accountability is a legal requirement as stipulated in the Schools Act and the PFMA. The School Governing Body is therefore responsible for financial planning, controlling, monitoring and reporting, which are elements defining financial accountability. The governing body is therefore charged with the

financial accountability function, which implies an obligation to account for the financial actions as is legally prescribed (cf. 2.2).

Financial accountability, in essence, refers to the obligation of an individual, firm, or institution to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. In this context, financial accountability refers to 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 (cf. 2.3.2 & 2.3.2).

School financial accountability therefore comprises the following elements:

- *Financial planning*, which is a process that a school organisation uses to work out what resources it has available, what resources it needs and where extra resources can be found (cf. 2.4.1).

The budget is an important aspect of financial planning. The Schools Act (Chapter 4, Section 38) stipulates that a governing body of a public school must prepare a budget each year, according to prescriptions determined by the Member of the Executive Council in a Provincial Gazette, which shows the estimated income and expenditure of the school for the following financial year. This makes budgeting at schools, a legal requirement. In terms of the Schools Act, the school budget must be presented to the parents at a general meeting for approval, which is an important aspect of financial accountability (cf. 2.4.2).

- *Financial controlling*, which occurs when systems and procedures are established to make sure that the financial resources of a school are being properly handled (cf. 2.4.3). Financial control can be achieved through:

- *internal* controls, which are systems of policies and procedures that protect the assets of a school, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations, and consist of the accounting and financial procedures manual and delegation of responsibility (cf. 2.4.3.1).
- *external* controls, which basically imply auditing - a form of external control and is a comprehensive analysis, by a professional from outside the school, of that school's financial management procedures and activities, and produces a report that shows how well the school is managing its resources. Auditing is a legal requirement for schools in South Africa in terms of the School's Act (section 43(1) (cf. 2.4.3.2).
- *Financial monitoring*, which has to do with proper accounting procedures in terms of bookkeeping and keeping financial records, and provides information, credibility, possibilities for future planning and most importantly, it is a legal requirement in terms of the Schools Act (section 42(a) (cf. 2.4.4).

Financial monitoring consists of-

- *record-keeping*, which comprises activities conducted on a daily, monthly and yearly basis (cf. 2.4.4.1);
- *preparation of financial statements* consisting of balance sheets and income statements (cf. 2.4.4.2); and
- financial analysis (cf. 2.4.4.3).
- *Financial reporting*, which provides an opportunity for the school to report to the community namely, parents, learners, and government and account for the ways it has used resources provided by the government, and earned by the school for the education of learners, and consists of three major reporting activities namely, reporting on the budget against the actual

financial performance, reporting on the cash flow and the annual financial report (cf. 2.4.5).

5.3.2 Findings regarding research objective #2: the role of the SGB in school financial accountability

The School Governing Body's role in financial accountability entails (cf. 2.5):

- *Accounting to the Department of Education*, through appointing a registered auditor to audit the records and financial statements of the school, and submitting a copy of the annual financial statements, audited or examined, to the Head of Department, within six months after the end of the financial year.
- *Accounting to the school parent community*, after the financial records have been audited.
- Reporting through availing financial records for self-scrutiny, in line with Section 43(6) of the Schools Act.
- Reporting at the parents' annual general meeting, since this is where the governing body 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 budgetary process, thus affording first, the SGB to justify the use of funds for educational purposes and second, affording parents the opportunity to comment on and acknowledge the annual report.
- Issuing out on a regular basis, special newsletters and circulars at parents' evenings.

Financial accountability is therefore the responsibility of the governing body 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.

5.3.3 Findings regarding research objective #3: How School Governing Bodies currently execute school financial accountability.

Findings regarding how School Governing Bodies execute school financial accountability revealed accountability activities on four areas namely, financial planning, controlling, monitoring and reporting.

5.3.3.1 *Financial planning*

Financial planning mainly entails the budgeting function. Quantitative data mostly indicated agreement with all the items related to this aspect, from both principals and finance officers. However, qualitative data revealed mixed views on the budgeting function.

It was found that schools do prepare and develop budgets, and these were reported to the Department and the parent community of schools. However, it was found that there were strong possibilities that the budgets were prepared as a matter of procedure, as is legally required by the Schools Act. It was found that the budgets were possibly not a true reflection of the realities at schools.

Though officials from the Department revealed that they did not know how schools handled budgets, there were strong hints that the budgets were not reflective of the real school operations. The fact that some budgets indicated similar items for successive years, is indicative of irregular and unauthorised expenditure. This could also be indicative of lack of capacity in budgeting.

Educators' views indicate clearly that there are many challenges facing governing bodies with regard to the budgeting function. Firstly, it was found that there was lack of transparency in budgeting at schools. This was made even clearer with the

finding that some principals do the budgeting themselves and even influence expenditure patterns, to an extent that there are deviations from the budgets. While indicative of poor collaboration and involvement of stakeholders in this regard, it is also possible that principals are forced to act on their own. This is premised on the finding that reveals the parent components' low literacy and consequent incapacity to engage fully in financial management processes.

The main finding with regard to financial planning is therefore, that SGBs show lack of capacity in executing the budgeting function, which points to possible weaknesses in the requirement for accountability. It is also notable that in some schools, there are indications of the budgeting function being carried out properly.

5.3.3.2 *Financial controlling*

Findings regarding financial monitoring indicated different situations at schools. From the Departmental officials, it was found that there were strong possibilities of the non-implementation of finance policies at schools. This was based on the analysis of financial records, especially at Head Office.

From educators' responses, it was found that, while SGBs drew the necessary controlling policies, these were not implemented. It came out, for instance, that what was budgeted for, was not the same as the actual expenditure and that there was no transparency regarding financial matters at some schools. This suggested that record-keeping was possibly not authentic.

It was also found that some schools had properly functioning controlling systems and that these were adhered to. This is indicative of some examples of good practice at schools within the same communities, which suggests that, it is possible for SGBs, regardless of capacity challenges, to still execute good financial accountability systems.

5.3.3.3 *Financial monitoring*

Departmental officials, though indicating that they controlled and monitored schools' financial records, did hint at the possibility of records being "doctored". Educators also seemed to hint at this. It was found that in some schools, educators were not involved and did not actually see the records. Instead, they were just informed about the financial status of their schools. Lack of transparency seemed to be the main feature in this regard as well. It was also suggested that financial monitoring may just be done as a formality and for 'window-dressing' purposes.

However, some educators indicated that in their schools, they were doing relatively well. It was found that in those schools, Finance Committees seemed functional, records were kept up to date, and financial policies were adhered to. This is an important finding in that it points to good financial accountability at some schools, and actually suggests that, despite the challenges and constraints at schools in general, it is possible to engage in good financial accountability practices.

5.3.3.4 *Financial reporting*

Responses from Departmental officials 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. These officials reported that parents do not understand the terminology used in financial reports.

It was found also, that educators 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.

The main finding regarding financial reporting was that, indeed, SGBs did report to the Department by way of submitting audited financial records and also did report

to the parents. However, it was also clear that these reports, especially for parents, were not valuable. Firstly, because they did not understand the intricate accounting jargon used. Secondly, because there were possibilities that some records were not a true reflection of the actual financial situation at schools.

The findings of this study have identified gaps in financial accountability and these relate mainly to:

- lack of capacity to perform financial accountability functions;
- poor monitoring of schools' financial management and accountability performances, both by Departmental officials and schools themselves;
- poor adherence to policy prescriptions as provided for in the Schools Act and the PFMA.

These gaps call for serious intervention from the Department of Education, firstly, because large sums of taxpayers' monies are disbursed to schools. Secondly, because the interests of the learners take the 'back sit' when financial accountability lacks at schools.

5.4 RECOMMENDATIONS

The following recommendations are made with regard to how SGBs can execute correct financial accountability processes:

Recommendation 1

To succeed in involving parents in financial accountability aspects like budgeting and reporting, SGBs need to simplify the language used to be at the most basic to be understood, even by the most illiterate parent.

Motivation

It can be argued that parents, even the most illiterate, do conduct some form of budgeting at their homes and families. Therefore the language used in the financial accountability processes, must be devoid of intricate jargon, and instead use terminology with which parents are familiar.

Recommendation 2

Principals and educators need capacity-building to be able to handle communication with parents who are not educated.

Motivation

It seems the challenge principals have in involving parents in such issues related to financial accountability, revolves around the frustration over parents who are not literate and the inability to reach them. Thus, capacity is needed with regard to communication with parents, especially in terms of relaying information concerning seemingly difficult issues like financial reports.

Recommendation 3

There is a need for Departmental officials to monitor financial accountability processes constantly at schools.

Motivation

It is clear from the findings of this study that Departmental officials do not really monitor financial management and accountability processes at schools. Consequently, they do not know how schools are doing in this regard, except for what schools have to do.

Recommendation 4

There is a need for the different Departmental structures to open lines of information “feeding”, so as to be able to detect areas in which schools need

development and support and provide means of “check-and-balances” to assist schools. For example, cases handled at Labour Relations could be ‘fed’ into and used by development and support units to intervene, especially where regular patterns indicating weakness, are identified.

Motivation

The analysis of school financial data at Head Office clearly indicated a weakness in schools’ financial records. However, this did not seem to activate action in the form of assistance to schools or investigation of noted irregularities. This, in way, can lead to schools being complacent in the way they execute their financial accountability obligation. This also can lead to fraudulent activities being perpetrated at schools.

Recommendation 5

Principals should be encouraged to establish cluster-based capacity-building networks or units aimed at self-development.

Motivation

At this level, it would be easy for principals to share and seek advice from their colleagues on how to manage processes that prove challenging for them. The fact that some schools in the same community, with the same types of parents, manage to involve them in financial accountability processes implies that there are prospects of other schools succeeding equally well in these processes.

Recommendation 6

There is 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 accountability.

Motivation

The fact that schools appear to fail in adhering to stipulations of these Acts, is a clear indication that there is lack of capacity to do so, and places the onus on the Department to address it. Just organising training for SGBs and not monitoring the implementation of such training programmes, should not absolve the Department from the responsibility of ensuring that the law is not violated.

The study, as is typical of research was limited by certain factors.

5.5 LIMITATIONS OF THE STUDY

The study was limited by the following factors:

- The questionnaire appeared to have a disadvantage in that respondents seemed to indicate responses that appeared too similar. This could be because the issue of financial accountability is sensitive, and despite assurances of anonymity, respondents could have tried to protect their schools and thus responded overwhelmingly in the positive.
- The choice of respondents could have presented a weakness, in that the principals and finance officers work together on financial accountability aspects like controlling and monitoring. Consequently, in schools where principals do everything, the finance officers could have been influenced to respond positively, while principals could have, as hinted above, attempted to protect their schools. However, while not generalisable, the qualitative data provided insights into financial accountability matters at schools, and enabled the drawing of meaningful inferences.

The limitations of the study generate a need for further research in the area of financial accountability.

5.6 RECOMMENDATIONS FOR FURTHER STUDY

- Parents' illiteracy levels seem to be a factor inhibiting the implementation of financial accountability. Research should be conducted on practical and effective ways of addressing parental inability to participate in such programmes.
- Research should explore ways to help principals to be able to exercise transparency in financial accountability matters.
- Research including a broader population of stakeholders should be conducted on school financial accountability. This could include non-SGB educators and parents.
- The roles of Departmental officials should be investigated so as to understand how they could effectively develop and support SGBs in terms of their financial accountability responsibilities.

5.7 SUMMARY

This chapter has presented the overall summary of the research and presented the summary of each chapter, findings relating to the research aims, recommendations, limitations of the research and recommendations for further research.

The study has therefore succeeded in gaining insights into the state of school financial accountability.

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APPENDIX A

UMnyango WèzeMfundo
Department of Education

Lefapha la Thuto
Departement van Onderwys

Enquiries: Nomvula Ubisi (011)3550488

Date:	10 July 2008
Name of Researcher:	Ngubane Dumisani Lucky
Address of Researcher:	Plot 59 3 rd Avenue
	Balmoral Estate
	De Deur 1884
Telephone Number:	0835432991
Fax Number:	0117553150
Research Topic:	An investigation of financial accountability in schools
Number and type of schools:	210 Primary Schools
District/s/HO	Johannesburg South, Sedibeng East and West

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.

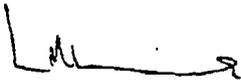
Permission has been granted to proceed with the above study subject to the conditions listed below being met, and may be withdrawn should any of these conditions be flouted:

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.
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 must supply the Director: Knowledge Management & Research with one Hard Cover bound and one Ring bound copy of the final, approved research report. The researcher would also provide the said manager with an electronic copy of the research abstract/summary and/or annotation.
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



CHIEF DIRECTOR: INFORMATION & KNOWLEDGE MANAGEMENT

The contents of this letter has been read and understood by the researcher.	
Signature of Researcher:	
Date:	

APPENDIX B

LETTER TO THE RESPONDENTS

59 3rd Avenue

Balmoral Estate

De Deur

1884

Dear Sir

I am interested in finding out about the financial accountability practices at schools. Kindly assist me in this regard by completing the questionnaire hereto attached.

Please note: There are no right or wrong answers, only honest ones. Therefore do not spend too long on an item. Your first spontaneous response is the most valid. So work quickly and accurately. Please respond to all items. Your response will be treated with the utmost confidentiality and the result of the questionnaire will be used purely and strictly for study purposes. Therefore be assured of the strictest anonymity with which this questionnaire and your responses will be handled.

Thank you, once again for your kind assistance.

Mr. DL Ngubane

Contact numbers:

Cell: 083 543 2991

Work: 011 755 1823

APPENDIX C

Section A

Please indicate by placing a cross X in the appropriate block in this section

Your gender

Male	Female
------	--------

Your age

20-30	31-39	40-49	50+
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Years in position

1-10	11-15	16-20	20+
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Your post description

Principal	Financial officer
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Number of staff in the school

Less than 10	11-20	21-40	40+
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Number of learners in your school

1-500	1-800	1-1000	+1000
-------	-------	--------	-------

Location of the school

Township	Farm / Rural
----------	--------------

What quintile is your school?

1	2	3	4
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Section B: Financial Accountability

The following statements relate to elements of school financial accountability. Please indicate the extent to which you agree with the statements as they relate to your school.

Scale:

1.= Strongly agree	2.=Agree	3.=Disagree	4.=Strongly disagree
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1. The school budget is presented to parents for approval during the third term of the year	1	2	3	4
2. Educators and non-educators make inputs in the budget preparation	1	2	3	4
3. the SGB has developed a finance policy	1	2	3	4
4. All fundraising activities are included in the school development plan	1	2	3	4
5. Parents make inputs in the school budget	1	2	3	4
6. The financial policy indicates procedures for cutting costs	1	2	3	4
7. The finance officer is responsible for maintaining financial records	1	2	3	4
8. The finance officer has been appointed in writing	1	2	3	4
9. The amount for petty cash is approved by the SGB	1	2	3	4
10. The finance committee presents financial statements to the SGB quarterly	1	2	3	4
11. The SGB explains the finance statements clearly to the parents	1	2	3	4
12. The finance committee keeps accurate records of minutes of all minutes of all meetings held	1	2	3	4
13. The finance committee has regular meetings to ratify the expenditure as per budget	1	2	3	4
14. The finance committee approves any purchase above the amount allowed for petty cash	1	2	3	4
15. The finance committee has appointed a qualified external auditor	1	2	3	4
16. The finance officer keeps financial records up to date	1	2	3	4
17. A monthly record system for analyzing income and expenditure is used	1	2	3	4
18. A daily record system with petty cash voucher is used	1	2	3	4
19. Bank reconciliation is done every month	1	2	3	4
20. The finance committee prepares annual financial records at the end of the year	1	2	3	4
21. The record of school assets and liabilities reflects all assets and liabilities	1	2	3	4
22. Income and expenditure are analyzed against the budget	1	2	3	4
23. The SGB presents a financial report to parents at the Annual General Meeting	1	2	3	4
24. Audited annual financial statements are submitted to the Head of Department by June every year	1	2	3	4
25. Educators are given financial report on a regular basis	1	2	3	4

26 It is easy for interested parties to inspect audited financial statements	1	2	3	4
27. Original invoices must be produced before payments can be made	1	2	3	4
28. Blank cheques are only signed when absolutely necessary	1	2	3	4
29. Financial statements indicate the balance sheet and the income statement	1	2	3	4

Thank you for your assistance.

APPENDIX D

RESEARCH SCHEDULE

1. How schools prepare their budget? And
2. Do their expenditure indicates adherence to their budget
3. Does your school have financial control system among others, financial policies budgeting policies and expenditure policies?
4. How does the SGB monitor its financial performance to ensure financial accountability?
5. How often does your school report about expenditure?
6. How does the school report these expenditure?
7. When does the school give the financial report to parents?