

An investigation into the effectiveness of finance committees at schools

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To whom it may concern

This letter serves to confirm that the dissertation entitled *An investigation into the effectiveness of finance committees at schools* by Ms NM Makiri has been language edited by CTrans. This means that the dissertation has been edited for spelling, grammar and syntax. However, the onus rests on Ms Makiri to work through the changes proposed by CTrans, and to either accept or reject them.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Redelinghuys'.

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DECLARATION

I hereby declare that:

An Investigation of the effectiveness of finance committees at schools

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

Ntombizodwa Moudrick Makiri

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ABSTRACT

This study intended to explore the effectiveness of finance committees at schools. A qualitative design, using interviews with purposely selected participants made up of fifteen school principals and ten finance officers in the Sedibeng Districts of the Gauteng Department of Education was used for data collection. This was aimed at exploring how effective school finance committees are and to recommend ways of improving their effectiveness in executing their financial management function. The literature study exposed the conceptual framework and essence of the functional effectiveness of school finance committees, which laid the basis for the empirical study. The empirical study was based on the social constructivist paradigm with the phenomenological approach as the strategy of enquiry.

Findings of the study indicate that school finance committees are generally structured in line with policy directives. It was also found that the performance and attitudes of office-bearers of finance committees affected the effectiveness of finance committees. Firstly and for various reasons, principals as *ex-officio* members generally played a dominant role in finance committees. Reasons include their perceived 'high' level of knowledge regarding financial management and the lack of knowledge and skills of other finance committee members to execute their responsibilities. Secondly, finance committee effectiveness was found to be negatively affected by poor budgetary processes – from the planning process to the implementation and monitoring, which include weaknesses in financial administration and reporting as well as evaluation of the budget implementation process. As a result, the management of funds was often characterised by budget variances and the need for virement.

Recommendations of the study address the need for intensive capacity-building for finance committee members in specific areas of their roles and functionality. This must be accompanied by constant monitoring by Departmental development and support officers responsible for school governance. In this regard, there must be a feedback and system that enables corrective action to

be taken as soon as signs of poor performance emerge. Finally, it is recommended that the structure of the finance committee be reviewed, especially as it concerns office-bearers. In this regard, it is recommended that finance officers be charged with the responsibility of financial administration and not double up as secretaries of school governing bodies.

KEY WORDS: Financial management, financial planning, financial control and monitoring, financial reporting, record keeping, financial analysis, finance committee(s)

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NOTES

1. The reference technique and the reference list are written according to the NWU referencing guide (2012) available at <http://www.nwu.ac.za>.
2. Where page numbers are not indicated in sources cited, this is because these sources are from websites that do not indicate page numbers.

CHAPTER 1

ORIENTATION

1.1 INTRODUCTION AND PROBLEM STATEMENT

According to Section 37(5) of the South African Schools Act¹ (Republic of South Africa, 1996), “*all assets acquired by a public school ... are the property of the school*”. Assets of schools include both movable property and money or school finances (Department of Education, 1997:37). The control and administration of the school’s property is, per prescription of the School’s Act, the responsibility of the school governing body (SGB). This is informed by Section 37 (1 and 3), which mandates the SGB to open and maintain a banking account that it administers in accordance with directions issued by the Head of Department.

Functions related to Section 37 (1 and 3) are given further expression in Sections 38,42 and 43 of the Schools Act, and direct the SGB to:

- prepare a budget and present it to the general parent body for approval;
- keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions;
- draw up annual financial statements in accordance with the guidelines determined by the Member of the Executive Council; and
- appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act to audit the financial records and statements.

An analysis of these functions points to a need for a rigorous and meticulous financial management function as a responsibility of the SGB. In facilitation of this function, Section 30(1) of the Schools Act allows SGBs to establish committees, including an executive committee and a finance committee. As far as the management of finances is concerned, the finance committee is pivotal in carrying out the prescriptions of aforementioned sections of the Schools Act.

¹ Hereafter the Schools Act.

The finance committee may be composed of the treasurer, principal, educators, parents (not necessarily from the SGB) and non-teaching staff (Bischoff & Mestry, 2003:64). Van Rooyen (2007:129) points out that there is no legally binding structure regarding the composition of the finance committee and recommends that it may be composed of the chairperson, vice chairperson, secretary and two additional members who do not have to be SGB members. Whatever its composition, the finance committee is the most important committee of the SGB.

The finance committee's main purpose is to advise the SGB in relation to the management of the school's finances. Unquestionably, therefore, to lead successfully and effectively in financial management, the finance committee must be committed in performing their compulsory financial duties, and be able to effectively activate, direct, motivate, and show leadership (Bischoff & Mestry, 2003:148). The finance committee, for example, has a series of important functions it carries out throughout the financial year; the main ones being financial planning, leading, organising and controlling (Bischoff & Mestry, 2003:65).

In more specific terms, the SGB through the finance committee is charged with (Republic of South Africa, 1996):

- establishing a school fund and administering it;
- ensuring that all money received by a public school including school fees and voluntary contributions are being paid into the school fund;
- opening and maintaining a banking account;
- preparing a budget each year, according to guidelines determined by the Member of the Executive Council, which shows the estimated income and expenditure of the school for the following financial year;
- appointing a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, 1991 (Act No.80 of 1991), to audit the records and financial statements; and

- submitting a copy of their audited annual financial statements to the Head of Department within six months after the end of each financial year.

Although the basic legislation aims to ensure that all schools manage their funds effectively, numerous studies indicate difficulties experienced by SGBs with financial management. For instance, Squelch (2001:138) notes that a pressing problem in many schools is that SGBs do not have a clear understanding of their roles, duties and responsibilities. Mestry (2004:126) reports that principals and SGBs have been subjected to forensic audits by the Department of Education due to mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records. He further argues that there is indeed a lack of capacity for school governors, especially lay governors, to play an active role in, for example, school budgeting. Van Deventer and Kruger (2005:234) assert that there is a strong need for financial management skills in public schools, and further indicate that it is imperative for both SGB members and the principal to perform their financial tasks with circumspection and thoroughness. Bush, Clover, Bischoff, Moloi, Heystek and Joubert (2006:7) report that a large-scale survey of principals in the Gauteng Province demonstrated anxiety about managing finances and the need for additional training. Xaba and Ngubane (2010:153) mention that SGBs experience immense challenges regarding financial management, especially the financial accountability function.

In addition, newspaper articles also indicate challenges schools experience regarding the financial management function. The following are some media headlines published:

- The principal and deputy of one of Pretoria schools refused to resign from their positions following allegations of fund irregularities (SAPA, 20 April 2009).
- Schools blow budgets on printers (*IOL News*, 29 January 2010).
- Parents query Delft school irregularities (*Cape Argus*, 12 April 2010).
- Majority of school finances poor (*The Citizen*, 1 November 2011).

- Auditing ordered as principal accused of misusing school funds (*The Star*, 25 October 2011).

The financial management function involves much more than simple book-keeping, accounting and auditing functions. As is indicated in the conceptual framework, it involves financial planning, organising and controlling. Most studies report on specific functions, in particular, planning and organising as financial management functions of SGBs. This has resulted in 'generalistic' and flawed conclusions of SGBs and schools as failing in managing finances, and that schools are 'bad at managing finances'. While this reflects a fraction of what happens at some schools, it ignores the important role of the mandated structure of the SGB that is by delegation, solely responsible for the financial management function, namely the school's finance committees. This, I identify as an anomaly and a gap in research on the essence of the school financial management function. What is not known is the effectiveness of schools' finance committees in executing financial management. This study, therefore, purports to investigate this structure by exploring its effectiveness in executing financial management.

No studies relating specifically to the effectiveness of finance committees in executing their financial management function at schools were found. Instead, an analysis of the difficulties mentioned above relates to specific aspects of financial management like roles and responsibilities, financial accountability and, it can be argued, the often misplaced attribution of failing financial management at schools on the SGB and principals. This flawed reasoning also includes notions of causal relationships between the so-called well-performing schools and effective financial management and poorly performing schools and ineffective financial management. This study, however, moves from the premise of financial management as involving the financial management function, which is, through delegation by the SGB, a responsibility of the school's finance committee.

Therefore, this study sought to answer the question:

How effective are school finance committees in executing their financial management function?

Therefore the intent of this exploratory qualitative study was to investigate the effectiveness of school finance committees in executing their financial management function. To this end, this study seeks to answer the following questions:

- What does the effectiveness of the school finance committee involve?
- How effective are finance committees at schools in executing their financial management function?
- How can the effectiveness of finance committees in executing their financial management function be improved?

These questions will be addressed by focusing on the following objectives:

- To determine what the effectiveness of school finance committees involves.
- To explore how effective finance committees at schools are in executing their financial management function.
- To recommend ways of improving the effectiveness of finance committees in executing their financial management function.

The aim and objectives of this study will be based on a conceptual framework that outlines the dimensions of the study phenomenon.

1.2 CONCEPTUAL FRAMEWORK

This study will be underpinned by a framework that describes the effectiveness of the finance committee. In this regard, the effectiveness of the finance committee is described in its successful execution of financial management functions namely, financial planning, financial organising and financial controlling. According to Motsamai, Jacobs and De Wet (2011:107), the following are some major elements that describe effectiveness in executing the financial management function:

- *Financial planning* relates to the budgeting process, which entails its conceptualisation, compilation, purpose and approach. This is expressed in the prescriptions of Section 38(1) of the Schools Act, which directs the SGB to prepare a budget each year according to guidelines determined by the Member of the Executive Council, which shows the estimated income and expenditure of the school for the following financial year, as well as execute all activities related to the budgeting process.
- *Financial organising* relates to matters concerned with, *inter alia*, financial policies, accounting policies, financial accountability, fundraising, which activities are related to financial management functions like recording, accounting and financial reconciliation. Included in organising, are the establishment of organisational structures like the finance committee and organisational functions that include the roles and functions of the principal, the SGB, the Department of Education and other stakeholders.
- *Financial controlling* relates to functions concerned with taking corrective action, auditing and interdependence of planning, controlling and controlling norms.

The conceptual framework informs the study's research design on financial management functions, and provides aspects for data collection and is reflected in the research method.

1.3 OVERVIEW OF THE RESEARCH METHODOLOGY

The design for this study was qualitative and used interviews for data collection. It was underpinned by a social constructivist paradigm, which holds the assumption that individuals seek understanding of the world in which they live and work and they develop subjective meanings of their experiences, that is, meanings directed toward certain objects or things. For this reason, it was decided to investigate the effectiveness of school finance committees in executing the financial management function by exploring and gaining insight

into how participants view and construct meaning regarding the effectiveness of their finance committees. Through the qualitative interview approach, this study sought, as it were, to understand participants' experiences from their own viewpoints and the meaning that they assign to events involving their execution of the financial management function (Ferreira, 2012:35). Therefore, data collection was phenomenological in that phenomenology as a strategy "seeks to understand and interpret the meaning that the people give to their everyday lives" (Fouché, 2002:273). To this end, the study describes what meaning a phenomenon or concept has for various individuals and is a strategy that identifies the essence of human experiences about a phenomenon as described by participants through seeking to understand their lived experiences (Creswell, 2009:13).

To achieve the aim and objectives, this study, sought to collect information rich data by interviewing participants most likely to provide meaningful insights. For this reason, principals and finance officers of school finance committees were selected. This was informed by the fact that the principal's *ex-officio* SGB role puts him/her at a central position to provide data that are relevant and meaningful; and that the finance officers, as day-to-day administrators of school finance and as members of finance committees, are best suited to provide information pertaining to how the financial management function is executed.

The full description of the research method is detailed in Chapter 3.

1.4 CONTRIBUTION OF THE STUDY

The management of finances is one of the most important responsibilities of the SGB and in particular, the finance committee. Therefore, this study aims at exploring the effectiveness of school finance committees at school in executing their financial management function, thus putting finance committees as entities responsible for effective financial management at school on the platform for scholarly exposure and research. It is hoped that the findings of this study will also assist SGBs, finance committees and interested stakeholders to gain insight into factors that can enhance the execution of school financial

management generally as a legal requirement and to understand the pivotal role of proper management of school finances in advancing the best interests of schools and therefore, learners. To this end, a literature review focusing on the role of finance committees was undertaken carefully. This, it was hoped would contribute to the overall effectiveness of schools' finance committees in managing finances and by extension, the overall effectiveness of SGBs and schools.

1.5 DEMARCATION AND CHALLENGES OF THE STUDY

The thrust of the study was on the finance committees and their functional effectiveness in financial management, hence the participant demarcation to school principals and finance officers as members of school finance committees.

The study was further confined to purposefully selected participants of school finance committees at schools in the Sedibeng Districts 7 and 8. For purposes of convenience, the study was also delimited to primary schools, informed mainly by the purpose of the study, which did not aim at generalising findings to all school finance committees, but rather to gain insight into the study phenomenon.

Matters pertaining to school finances being sensitive, posed challenges pertaining to eliciting certain data. One of the challenges concerned principals who wanted to sit in on interviews with their finance officers. Although this was resolved through undertakings and assurances of anonymity and confidentiality, some finance officers ended up being uneasy and providing single-word and single-sentence responses. Probing assisted in this regard. Where they were unsure about questions or whether they should respond, they were not coerced into answering questions. Participants were also provided with the draft of their responses for validation, and assurance was given that they were not prejudiced in any way.

Despite these challenges, the data collected were useful in exposing the nature of school finance committees' functional effectiveness. Furthermore and in

retrospect, it was realised that more useful data could have been gathered had document analysis been used, which, however, does not undermine the aim and objectives of this study. Rather, this puts the study of finance committee effectiveness on a broader academic research discourse and platform.

1.6 CHAPTER DIVISION

The chapter division of this study is as follows:

- Chapter 1 provides an introduction, problem statement, and overview of the research method, including the contribution, demarcation and challenges of the study.
- Chapter 2 presents the literature review on the nature of the finance committees, the functions of finance committees, and an exposition of the effective functioning of finance committees.
- Chapter 3 covers the empirical research design.
- Chapter 4 deals with the analysis and interpretations of data collected.
- Chapter 5 provides findings and conclusions from the literature review and the empirical research and recommendations of the study.

1.7 CHAPTER SUMMARY

This chapter presented the general orientation of the study by outlining the rationale, purpose, conceptual framework, overview of the research method, contribution, study demarcation and challenges, and chapter layout. Chapter 2 presents an in-depth literature review to expose the essence of finance committees' structure and functional effectiveness.

CHAPTER 2

THE NATURE OF SCHOOL FINANCE COMMITTEES: STRUCTURE AND FUNCTIONAL EFFECTIVENESS

2.1 INTRODUCTION

Schools have been given much more freedom in managing their own affairs and this opened the door to better ways of managing school funds (Dean, 2004:114). This view is supported by the Ministerial Review Committee (2003), which states that financial decision-making forms the major aspect of SGBs' functionality. To illustrate, at schools SGBs are legally responsible and accountable for governing and controlling the school organisation. They are expected to perform allocated functions in terms of the Schools Act on behalf of the school.

The management of school finances can be one of the most challenging responsibilities of principals because for many, as Clarke (2008:278) postulates, it is an area in which they have little or no training or expertise and it is also likely that the elected members of the SGB may be equally ill-equipped for the task. In this regard, Oosthuizen (2003:216) asserts that SGBs must at least be knowledgeable about the procedures for regular reporting, regular balancing of books and regular punctual maintenance of all records, documentation, books, stock-taking and prescribed audit inspections. Without reservation, SGBs require some of the following skills: financial accounting, keeping financial records of all transactions, budgeting, cost management, income generation, payroll and procurement (Bischoff & Mestry, 2003:6). To fulfil this responsibility, the best functioning SGBs will have to establish committees and sub-committees to perform specific tasks, *inter alia*, fundraising committees, finance committees and tuck shop committees.

This chapter presents the nature of school financial management with regard to the finance committees and their roles, functions and responsibilities. The legal framework pertaining to the management of school finances is discussed first.

2.2 THE LEGAL FRAMEWORK FOR SCHOOL FINANCIAL MANAGEMENT

The management of school finances is located within a legal framework mainly outlined in the provisions of the South African Schools Act 84 of 1996, and is further given meaning by the implications of the Public Finance Management Act 1 of 1999.

2.2.1 The South African Schools Act No.84 of 1996

Joubert and Prinsloo (2009:25) state that the purpose of the Schools Act is to provide for school education in South Africa and in particular, the organisation, governance and funding of all public schools. The Schools Act thus lays the basis for and gives full direction to the management of school finances. To this end, the point of departure is contained in Section 15 of the Schools Act which states:

Every public school is a juristic person, with legal capacity to perform its functions in terms of this Act.

As a juristic person, the school exists independently from its members, which implies that the school has rights and responsibilities in its own name as if it were a natural person (Potgieter, Visser, Van der Bank, Mothata & Squelch, 1997:12). This implies that the school can buy, sell, hire or own property, enter into contracts, make investments and sue or be sued. However, it does so through its SGB, that is, the governing body acts on behalf of the school – it has decision-making powers concerning the school and may bind the school legally (Potgieter *et al.*, 1997:12). The SGB thus acts as an agent of the school as a juristic person (Beckmann & Prinsloo, 2009:172), and this the SGB does from what Section 16(2) refers to as a position of trust, which compels it according to Section 20(1)(a) to:

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

The most important consideration of the provisions set out above is that a member of the SGB shall not be liable for any debt, damage or loss incurred by the school unless he or she acted without authorisation or with malicious intent, in which case he or she may be held responsible for the debt, damage or loss (Rajah, 2003:2).

In complying with the provisions of acting as an agent for the school, the SGB assumes a control function of the school. This is given expression by the SGB being a legally mandated structure through legally set procedures. In this regard, the SGB is elected in terms of Section 16 and procedurally in terms of Section 28 of the School Act. Its position regarding the control of a public school is spelt out in Section 16(1) of the Schools Act, which states:

Subject to this Act, the governance of every public school is vested in its governing body and may perform only such functions and obligations and exercise only such rights as prescribed by the Act.

This in essence implies that the SGB stands in a position of trust towards the school and implies that the overall governance of a public school is vested in its SGB, which makes the SGB liable for performing the statutory and fiduciary functions relating to the school assets, liabilities and resources according to Section 16 of the Schools Act. The inclusion of assets, liabilities and resources introduces the financial management aspect in SGB's functional mandate. In this regard, the Schools Act explicitly directs the SGB's mandate.

Although Chapter 4, Section 34(1) directs that the state must “*must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in education provision*”, Section 36(1) of the Schools Act states that “*A governing body of a public school must take all reasonable measures within its means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners at the school*”. This means that SGBs must devise plans and carry out projects to generate further funds for the school. In doing so, it is obvious that the SGB will be

involved directly in the administration, control and management of school finances. This in essence means that the SGB must take responsibility for the financial management of the school finances.

The Schools Act actually outlines a trajectory of how the finances have to be managed at schools. Section 37 lays out the basic tenets of the SGB's financial management, which are that:

- (1) *the governing body of a public school must establish a school fund and administer it in accordance with directions issued by the Head of Department;*
- (2) *subject to Subsection (3), all money received by a public school including school fees and voluntary contributions must be paid into the school fund;*
- (3) *the governing body of a public school must open and maintain a banking account; and*
- (4) *money or other goods donated or bequeathed to or received in trust by a public school must be applied in accordance with the conditions of such donation, bequest or trust.*

As part of administration, control and management of school finances, the Schools Act further states in the same section that:

- (6) *The school fund, all proceeds thereof and any other assets of the public school must be used only for-*
 - (a) *educational purposes, at or in connection with such school;*
 - (b) *educational purposes, at or in connection with another public school, by agreement with such other public school and with the consent of the Head of Department;*
 - (c) *the performance of the functions of the governing body; or*
 - (d) *another educational purpose agreed between the governing body and the Head of Department.*

In terms of financial management, the SGB is, therefore, responsible for financial planning, control and monitoring, which aspects are essential for financial accountability. According to Van Rooyen (2007:141), the SGB is thus charged with the financial accountability function of school financial management. The SGB does this by establishing, as directed by the School Act, the necessary financial management infrastructure, which includes, as stated in Van Rooyen (2007:140):

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

School governing bodies, consisting of elected members that are representative of school community constituencies, may consist of more than ten members at some instances as determined by the school enrolment. It is therefore clear that the SGB cannot execute the functions stated above as the SGB as a whole. This is furthermore compounded by the specialised nature of the functions involved in managing finances (Xaba & Ngubane, 2010: 154). Consequently, the Schools Act mandates the SGB to establish entities or committees to execute some functions on its behalf. In fact Section 29(1) of the Schools Act directs: "*A governing body must, from amongst its members, elect office-bearers, who must include at least a chairperson, a treasurer and a secretary*". This obviously locates the handling and management of school finances on an elected office-bearer, specifically the treasurer.

Section 38 of the Schools Act specifically directs the SGB to:

- *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 keep a record of its assets, liabilities and financial transactions;*

- *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;*
- *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 Act; and*
- *at a request of an interested person, make the records and the audited or examined financial statements available for inspection.*

From the point of view of accountability and transparency, it is clear that the treasurer of the SGB cannot perform all the functions listed above alone. For this reason, the Schools Act mandates the SGB to elect committees to perform some of the functions. In this regard, Section 30(1)(a) and (b) states that “*a governing body may establish committees, including an executive committee and appoint persons who are not members of the governing body to such committees on grounds of expertise, but a member of the governing body must chair each committee*”. The finance committee is one such committee that can be established by the SGB.

As alluded to earlier, the financial management operations at schools are further given meaning by the implications of the Public Finance Management Act No 1 of 1999 (Republic of South Africa, 1999). It must be mentioned though that schools are not included in public institutions listed in the PFMA schedule. However, the prescripts of the PFMA can be considered as good practice in financial management in institutions for which public funds are disbursed.

2.2.2 The Public Finance Management Act of 1999

The intention of Public Finance Management Act 1 of 1999 (PFMA) is to ensure that all statutory bodies perform their functions within their budgets and that there are no deficit balances, while overdrafts and loans are limited as far as

possible (Department of Education, 2008:82). The PFMA (Republic of South Africa, 1999:44) adopts an approach that focuses on responsibilities and outcomes. In terms of Chapter 6, Section 56 the underlying principles of the PFMA are:

- *to regulate financial management or regulate the use of public funds, which implies that one should “let managers manage, but hold them responsible”;*
- *to ensure all revenue, expenditure, assets and liabilities are managed effectively and efficiently, for example, those entrusted with the responsibility of managing the organisations finances must be able to introduce a broad view of financial management including the management of revenue, expenditure, assets and liabilities;*
- *to focus on outputs that relate to policy priorities; and*
- *to secure transparency and accountability by establishing “good systems for financial control”.*

Although the financial management function of a school is the responsibility of the SGB, the principal’s role is equally important where school finances are concerned. Because the school principal is an *ex-officio* member of the SGB, he or she is also the accounting officer – accounting to both the SGB and the Department, which means that he or she is finally accountable for all processes at school (Brijraj, 2004). This implies that he or she is also accountable for how finances are managed at school. In terms of the PFMA, some of the good practices where finances are concerned relate to how finances should also be administered, controlled and managed. In this regard, Section 38 of the PFMA prescribe as important practices that include effective, efficient and transparent systems of financial and risk management and internal control; responsibility for effective, efficient and economical and transparent use of resources; and prevention of unauthorised, irregular, fruitless and wasteful expenditure and losses resulting from criminal conduct. Therefore, the key responsibilities in managing public finances appear to be based on principles of effectiveness, efficiency, economic and transparent use of financial resources, effective and appropriate steps to prevent any irregular expenditure and fruitless and wasteful

expenditure and the responsibility for the management and safeguarding of assets and the management of the liabilities.

The legislative framework as outlined in the Schools Act and as implied in the PFMA clearly directs financial management processes and procedures expected of schools. Main issues emanating from the Schools Act include procedures and directives relating to the establishment of school fund accounts, matters relating to the collection of income and responsibilities relating to expenditure and accounting concerning finances, budgetary responsibilities and processes and accountability processes in terms of auditing and reporting procedures and processes. To succeed in doing this, the SGB of every public school must make sure that there are proper policies and procedures in place for the effective, efficient and economic management of school finances, and the SGB must have systems in place to monitor and evaluate the correct implementation of policies and procedures and to report thereon (Mestry, 2004:129; Clarke, 2008:282).

Other legislation relevant to public schools relate to the funding of education and consequently schools, which in essence describes contemporary school governance and funding of education in South Africa.

2.3 CONTEMPORARY SCHOOL GOVERNANCE AND FINANCE IN SOUTH AFRICA

As pointed out earlier, Section 20(1)(a) of the Schools Act directs the SGB to “*promote the best interests of the school and strive to ensure its development through the provision of quality education for all learners at the school*”. This is essentially the school governance mandate of all SGBs of schools in South Africa. This mandate implies that the SGB must, in all its roles and responsibilities, put the interests of the school and by extension, the learners first. This translates into three main roles that define this mandate. According to various experts on school governance (Ranson & Crouch, 2009; Balarin, Brammer, James & McCormack, 2008; Business in the Community, 2008; Barton, Lawrence, Martin & Wade, 2006; Heystek, 2004) the three roles that

define the SGB's mandate of promoting the best interests of the school and therefore, learners are:

- providing the school with a strategic direction;
- acting as critical friend; and
- holding the school to account.

Although these three roles are inseparable in practice, they can be separated for purposes of definition. Providing the school with a strategic direction involves, according to Xaba (2006:13) a strategic role and implies setting a long-term strategic framework with a strategy that sets aims and objectives within the school's vision and mission, setting policies and targets for achieving objectives and monitoring and evaluating progress. The Open University (2012) describes setting a strategic direction as a role that *"involves a period of reflection and evaluation of the school's current status, combined with forward thinking about future education initiatives and projections relating to the potential budget and pupil numbers"* and ends up with *"plans that clearly link the demands of the school and its community; the aims, values and culture of the school; and the available resources, whether financial, human or material"*.

Acting as a critical friend implies that the SGB provides advice, support and challenge to the school and principal (Business in the Community, 2008:14). Balarin *et al.* (2008:15) define acting as a critical friend as implying that the SGB asks questions and tries to understand what the school is doing well and where it needs to do better, and includes monitoring and evaluating the schools' progress by also supporting the principal in the performance of his functions and giving him/her constructive criticism. Heystek (2006:403) points out in this regard that critical friendship is only achieved where there are trust and mutual respect, and as such the SGB should feel able to question and challenge the principal.

Holding the school to account can be understood from the point of view of demanding accountability, which Balarin *et al.* (2008:30) define as *"a relationship of formalised control between parties, one of whom has the*

authority to hold the other to account for what they do and typically includes an evaluation of what has been done in relation to the required standards”, and further argue that to be accountable usually carries with it a sense of being responsible for something and answerable to another for the discharging of that responsibility. Applied to the SGB, holding the school to account implies that the SGB sets the target for school performance and achievement and delegates the implementation thereof to the principal and school, and in return expects the principal and school to account as to the achievement of such targets.

A scrutiny of the school governance mandate as stated in the Schools Act and the roles the SGB has to play in pursuit of this mandate indicates financial management implications for the SGB, mainly because in setting the strategic direction of the school, the SGB also does so by setting financial strategic direction, which may involve the utilisation of funds and allocation of resources. This points to the availability of finances and starts with the funding of schools as described by the National Norms and Standards for School Funding (NNSF) (Department of Education, 1998). In this regard, the NNSF classifies schools into quintiles based on the poverty index relating to the location of the schools. Based on the quintile classification, a determination is made of how much should be allocated to a particular school. The NNSF gives effect to Section 35 of the Schools Act, which states that

Subject to the Constitution and this Act, the Minister must determine norms and minimum standards for the funding of public schools after consultation with the Council of Education Ministers, the Financial and Fiscal Commission and the Minister of Finance.

To achieve this, as stated by Mestry and Bischoff (2009:46), the provincial departments of education are, firstly, guided by the principles for funding that require that poorer schools must receive more funds than schools serving better-off communities and consider the relative poverty of the community around the school (individual or household advantage or disadvantage regarding income, wealth and level of education) and resource-targeting based on conditions of school buildings and poverty index of communities around

schools. Consequently, schools are categorised into quintiles for purposes of funding by the state as illustrated in figure 2.1 below.

Figure 2.1 **Quintile classification of schools - 2007**

School wealth quintile	School ranking	Expenditure allocation of the resources	Cumulative % of schools	Per learner expenditure indexed to an average of 100
1	Poorest 20%	35%	20%	175
2	Next 20%	40%	40%	125
3	Next 20%	20%	60%	100
4	Next 20%	15%	80%	75
5	Most affluent 20%	5%	100%	25

Adapted from Mestry and Bisschoff (2009:47)

Secondly, for purposes of funding, schools are classified into Section 21 and Section 20. Section 21 schools are those schools that have the capacity to manage their own finances competently and apply for Section 21 status. In their case, the state transfers the resource allocation into their accounts and gives the SGB the financial freedom to spend the funds according to stipulated legal requirements. Among other functions, Section 21 schools take on the responsibility to spend their allocated funds and account for doing so. The use of such funds is, however, prescribed and SGBs are required to spend them in that manner (Mestry & Bisschoff, 2009:50). For example, it is generally prescribed that Section 21 schools spend their allocated funds as follows: LTSM = 55%, Maintenance = 12% and Services = 33% (% of the money allocated).

Section 20 schools, contrary to Section 21 schools perform functions prescribed in Section 20 of the Schools Act and thus do not receive direct financial allocation or funding. Rather, they base their budgets on the so-called paper budgets and requisition their resources from the Department, which then

supplies them with such resources. In essence, the Department through the District actually administers the funds on behalf of these schools.

Because the funds made available to schools are never sufficient for all the schools' resource needs, the Schools Act (Section 36) empowers SGBs to take all reasonable means to supplement the resources supplied by the State. The Schools Act also empowers schools to charge school fees for such purposes. However, in terms of the Schools Act certain categories of parents who qualify, have the right to apply for exemption (full or partial) from paying school fees. Furthermore, in terms of the NNSSF, schools falling in quintiles 1 and 2 can be declared no-fee schools and may not charge compulsory school fees. Such schools receive an additional allocation per learner instead of the national standard of funding (see fig. 2.1 above).

The provisions relating to the funding of schools by the State and the requirement of some schools to charge school fees imply the use of public funds or taxpayers' money. As such, this can only be achieved by SGBs executing their school governance mandate and carrying out their attendant roles effectively. This also implies a legal requirement for schools to manage their finances in an effective, efficient and transparent manner, which, it can be inferred, demands accountability in the handling of school funds as they are in essence, public funds. For this reason, the functional effectiveness of school finance committees is of paramount importance and a legal requirement.

2.4 THE STRUCTURE AND COMPOSITION OF THE SCHOOL FINANCE COMMITTEE

As broached above, the SGB is mandated by the Schools Act to establish committees and subcommittees for which certain duties can be delegated. It was stressed that while the SGB has the treasurer as office-bearer, he or she cannot execute all the operational financial management processes. However, in administering, controlling and managing school finances, the activities involved include the following, as pointed out by Van Deventer and Kruger (2005:240):

- The drawing up of the school's finance policy.
- Setting up the structure within the school that will handle administrative and financial matters.
- Delegating certain financial functions to clerks, class teachers and school treasurers.
- Coordinating the school's financial activities.

For these activities and the fact that the SGB treasurer alone cannot execute these functions on a day-to-day operational basis, the finance committee becomes a critical committee of the SGB. This is mainly because the execution of financial management activities involves distinguishable overall management and oversight of schools finances and day-to-day financial income and expenditure activities that must be assigned or delegated to the finance committee and its functionaries or members. To this end, it is important to gain insight into the nature of the finance committee, which is the key element of this study.

Schools are organisations that result from the grouping of work and allocation of financial duties, financial responsibilities and authority to individuals in order to achieve specific educational goals (Van Deventer & Kruger, 2005:240). The finance committee is one such grouping or committee of the SGB established in terms of Section 30(1) of the Schools Act. Van Rooyen (2007:129) points out that "*members of the finance committee are the persons who, in practical terms, manage the school's finances*". According to Naidu, Joubert, Mestry, Mosoge and Ngcobo (2008:172), the finance committee may be composed of the treasurer, principal, educators, parents (not necessarily from the SGB) and non-teaching staff, with a maximum of eight members in the committee.

Van Rooyen (2007:129) specifically mentions finance committee members in terms of their portfolios and recommends that the finance committee may be composed of the chairperson, who could be the treasurer of the SGB, vice chairperson, who could be a member of the SGB, secretary and two additional members, who do not have to be SGB members. Bischoff and Mestry (2003:65) assert in this regard that the SGB may appoint people who are not members of

the SGB to serve on these committees and this can be done on the grounds of their expertise in a particular field, such as appointing an expert on financial matters (Bischoff & Mestry, 2003:65). However, it is important to note that Section 29(1) of the Schools Act stipulates that a *“governing body must, from amongst its members, elect office-bearers, who must include at least a chairperson, a treasurer and a secretary”* and that *“Only a parent member of a governing body who is not employed at the public school may serve as the chairperson of the governing body”*. Furthermore and most importantly, Section 30(1) states that a governing body may: (a) establish committees, including an executive committee; and (b) appoint persons who are not members of the governing body to such committees on grounds of expertise, but a member of the governing body must chair each committee.

The structure of the finance committee is that of being a subcommittee of the SGB, chaired by the treasurer and composed of the principal and additional members ‘appointed’ on the basis of the prescripts of Schools Act, and for reasons deemed by the SGB as needed, such as the possession of specific skills for their involvement. This would benefit the SGB and school regarding proper financial management and accountability. To this end, the office ‘bearership’ of the principal, treasurer and finance officer is of immense significance. At this point it is important to outline the role and responsibility of the principal, SGB’s treasurer and the finance officer as office-bearers of the school finance committee.

2.4.1 The role of office-bearers of the finance committee

Although the finance committee oversees financial management for the whole school, it is important to gain insight into the roles of the committee’s office-bearers. This is important in light of the challenges experienced by schools regarding financial management as espoused elsewhere in this text (see 1.1).

2.4.1.1 *The role of the principal*

The role of the principal in school financial management is perhaps one of the most misunderstood and contested. This emanates from his/her seemingly dual role in the SGB – that of being a fully-fledged SGB member and that of being an *ex-officio* member, acting in his/her official capacity as manager and leader at the school (Joubert & Bray, 2007:40; Xaba, 2011:209).

The principal as *ex-officio* member of the SGB, according to Section 20(3) is the professional manager of the school, which role “*must be undertaken ... under the authority of the Head of Department*”. This implies that the principal is an employee of the Department of Education and in this sense, “*represents the government*” and must do what the Department expects which in essence implies that he/she serves on the SGB to protect the interests of the employer – the Department of Education. In this regard, Ndou (2012:34) lists the following as responsibilities of the principal in the *ex-officio* role and as accounting officer at the school:

- The principal must maintain a complete set of the statutory provisions, prescripts and the departmental directives relating to the finances and financial management of the public school.
- The principal must ensure that he/she and staff members under his/her control appointed to assist the SGB in the execution of its duties, are acquainted with all statutory provisions and prescripts and departmental directives of which he/she must have knowledge to enable him/her to assist the SGB in the execution of its duties.
- The principal must ensure that all statutory provisions, prescripts and departmental directives are observed by him/her and by employees under his/her supervision without fail.
- The principal should maintain and retain sufficient documented evidence and make such documentation available for inspection.
- The principal shall avoid fruitless, wasteful and unauthorised expenditure when spending school funds as stipulated by the PFMA (Section 45).
- observe principles of value-for-money at all times.

- The principal as an accounting officer must assist the SGB in prioritising projects or activities and monitor expenditure where quality and the lowest quote are considered for service or purchases.

Therefore, though the SGB is responsible for the school finance and delegates the management thereof to the finance committee, the principal's role is pivotal in that as principal and accounting officer, he/she is responsible for the overall performance of the school, including its performance in monetary terms, which essentially defines the financial management function. This is what makes his/her role complex. For instance, Brijraj (2004) cites the Ministerial Review Committee's recommendations in this regard:

- (a) It is recommended that the regulations providing for the principal's role are amended to confirm his/her responsibilities as the chief accounting officer of the public school. It is the view of this report that the principal is in charge of professional management, administration and governance of the school.
- (b) If the principal is not satisfied with a direction(s) or resolution(s) taken by the SGB he/she needs to bring this/these to the attention of the SGB and report this/these to the HoD via the cluster/circuit office/LGS for relief. It should be made the duty of the principal to ensure that SGB decisions, directions and resolutions are effectively administered and he/she should also report to the SGB and the HoD circuit office any difficulties encountered in implementation.
- (c) The principal should also be recognised as the chief financial officer of the school. He/She may be assisted by the treasurer/accountant of the SGB or of the school where they exist. He/She is the one that signs off the payments (or at least co-signs) contracts and agreements on behalf of the school. Hence all agreements procurements, contracts, and appointment should bear his/her signature or that of his/her delegate. The principal must be placed at the centre of a school.

From these recommendations it can be seen that being accounting officer and school manager, the responsibility for the entire school's performance lies with the principal and that as accounting officer acting as *ex-officio* SGB member, the principal promotes the interests of the employer as well. However, the former seems to be more important since it determines the employer–employee relationships and requires, as suggested by Brijraj (2004) that the principal:

- subscribes to the conditions of service as per Employment of Educators Act;
- subscribes to the SACE Code of Ethics; and
- ensures that all educational policy is implemented.

It is clear, therefore, that the role of the principal in the finance committee is not that of being just an ordinary member of the SGB, but is that of an accounting officer, whose decisions are crucial in the implementation of financial resolutions and processes taken at SGB and finance committee level. By virtue of his office, this also implies that the principal's role includes rejection or refusal powers to decisions that are contrary to departmental directives and statutory provisions. However, in the best interest of the school, it is important to highlight the role of the principal as that of serving on the SGB of the school and rendering all necessary assistance to the SGB in the performance of their functions in terms of the Schools Act and cooperating with members of the school staff and the SGB in maintaining an efficient and smooth-running school.

2.4.1.2 ***The role of the treasurer***

According to Section 29 of the Schools Act, at its first meeting, the SGB must, from amongst its members, elect office-bearers, who must include the treasurer. The treasurer has an oversight role over the school's financial management. Volunteer Now (n.d.) specifically refers to the treasurer as having a "*watchdog role over all aspects of financial management, working closely with other members*" of the finance committee and the SGB to "*safeguard the organisation's finances*". In line with the prescripts of the Schools Act, the treasurer as office-bearer would be a parent member of the SGB, depending on

the specific needs of the school and for obvious reasons, would be the chairperson of the finance committee. However, if the SGB is not confident to perform their financial management duties, a person with financial knowledge or financial expertise can be co-opted to assist with this role (Republic of South Africa, 1996).

Due to the complex nature of being a 'watchdog' over financial management, the treasurer's responsibilities are to act as an information and reference point for the chairperson and other SGB and finance committee members and include, according to Volunteer Now (n.d.), clarifying financial implications of proposals, confirming legal requirements, outlining the current financial status, and retrieving relevant documentation. In analysing these responsibilities, the treasurer's main role is the general oversight on the school's finances and includes (Volunteer Now, n.d.; Western Cape Education Department (WCED), 2003; Mestry & Bischoff, 2009:87; Van Rooyen, 2007):

- Overseeing and presenting budgets, accounts and financial statements to the management committee.
- Liaising with designated staff about financial matters.
- Ensuring that appropriate financial systems and controls are in place.
- Ensuring that record-keeping and accounts meet the conditions of funders or statutory bodies by monitoring, on a monthly basis, the deposit of all funds received in the school's account and the authorisation of all payments, all donations received, in cash or in kind and all petty cash transactions, including the reconciliation of petty cash.
- Ensuring compliance with relevant legislation.
- Providing a financial report on a quarterly basis to the SGB.
- Monitoring actual income and expenditure against the approved budget.

In light of the responsibilities of the treasurer as surmised above, it is clear that these are complex and that a treasurer, who is a parent and not involved at school on a daily and operational basis, needs to have some book-keeping skills that will enable him/her to take charge of school finances, to control the budget, keep accurate records of the money donated to the school or of funds

raised and to compile and balance the school financial report (Department of Education, 1997:21). However, because the treasurer is not the person responsible for handling money matters on a daily basis, there is a need and allowance for the appointment of a person for such daily duties. Accordingly, a finance officer is for this reason appointed and delegated day-to-day financial administrative duties.

2.4.1.3 ***The role of the finance officer***

According to Mestry and Bischoff (2009:87), “*the finance officer is the ‘bookkeeper’ of the school*”. Mestry and Bischoff (2009:87) and Du Plessis (2012:125) list the numerous administrative duties that the finance officer attends to such as:

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

According to the Learning Trust (2006:16), other duties of the finance officer include receiving of income, maintaining the cash book of the school, doing the monthly bank reconciliation statement, ensuring the completion of monthly and quarterly reports, monitoring the budget against actual income and expenses, maintaining various registers, compiling the annual financial statements and any other delegated and related tasks required by the finance committee.

According to Lötter, Waddy, Naicker, Goolam (n.d.:iv), the finance officer is delegated with the responsibility of money matters mainly as a person who will be available on a day-to-day basis to do the job and may be an administrator (non-educator at the school), an educator or a parent (who is available most of the time). Lötter *et al.* (n.d.:iv) further state that the finance officer keeps records of all financial transactions, and keeps the principal, the treasurer, and the finance committee fully informed about financial matters. It is also important to

note that the delegation of this responsibility to the finance officer should be made in writing and, most importantly, for all the finance officer's duties. Lötter *et al.* (n.d.:iv) state that "*the principal must make sure that responsibility is properly delegated*" and "*if delegations are not properly done, then ultimately the responsibility lies with the principal*" which means that "*the principal should work closely with the finance officer to ensure that all the rules are being followed*". This point emphasises accountability regarding financial management and further outlines the accounting officer status of the principal.

The roles of the principal, treasurer and finance officer indicate the need for a well-functioning and effective finance committee. This is especially because the roles as indicated above seem to overlap and, as such, indicate the need for cooperative financial management with roles clearly defined. In this regard, Volunteer Now (n.d.) specifies the need for effectiveness of the finance committee as dependent on having clear responsibilities and functions and carrying out such functions effectively. To this end, the functional effectiveness of the finance committee is paramount.

2.5 THE ROLE OF THE SCHOOL FINANCE COMMITTEE: FUNCTIONAL EFFECTIVENESS

The effectiveness of the school finance committees is dependent on a clear definition and understanding of the entire committee's role and functioning, as well as a collaborative and clearly defined interaction of the principal, treasurer and finance officer in terms of their roles. Therefore, the responsibility of the finance committee must be clearly understood. This involves an understanding of what the committee's role is, why it is needed and how it functions.

The school finance committee derives its mandate from the SGB-delegated responsibilities. These responsibilities are mainly those of the treasurer, but performed on an operational level, which the treasurer cannot always perform. Therefore, a finance committee, as broached above, is an SGB sub-committee, chaired by the treasurer and delegated with duties related to overseeing the financial matters of the school. According to Rabinowitz (n.d.) the finance

committee is needed because among others, it helps a SGB to fulfil its fiduciary responsibility; protects the organisation from legal challenges and liability; guards the organisation against illegal, unethical, or incompetent activities by fiscal managers; protects the organisation from actual or apparent conflict of interest; acts as the SGB's eyes and ears in the financial operation; relieves the whole SGB of having to struggle with the complexities of the organisation's finances; can evaluate both the financial operation and the people in charge of it from a position of knowledge; makes the audit easier, both by assisting the fiscal operation in gathering material and cleaning up records; and by working with the auditors beforehand to make sure that they have everything they need to complete the audit efficiently and effectively and can interpret the audit for the rest of the SGB. For this reason, and according to Foley (2007), the finance committee's role is "*primarily to provide financial oversight*" for the SBG and school. Doing so involves numerous responsibilities, which can be expressed in tasks that include planning, control and monitoring functions of school financial management.

2.5.1 Financial planning

Financial planning is the first and most important responsibility of the finance committee, mainly because it determines the success of the finance committee's effectiveness in carrying out its role. This is also because the achievement of a school's educational goals depends largely on how finances are used and most importantly, whether they are used for the sole purpose of advancing the interests of the school and by extension, of the learners. This expresses the reasons for translating educational goals into financial terms as is the purpose of effective financial planning.

Maritz (2005:5) defines financial planning as "*a process that an organisation uses to work out what resources it has available, what resources it needs and where extra resources can be found*". Engelbrecht, Jooste, Muller, Chababa and Muirhead (2002:20) state that financial planning shows how much and what type of inputs are required, how the inputs will be managed to get to the required outcome and what the targets are for effectiveness, efficiency and

equity. Lewis (2003:19) makes the point that financial planning “*is both a strategic and operational process linked to the achievement of objectives*” and “*involves building both longer-term funding strategies and shorter-term budgets and forecasts*” and as such, it can be concluded that financial planning lies at the heart of effective financial management.

Being both strategic and operational implies that financial planning is concerned with translating the school’s goals into financial goals and thus it ensures that school funds are managed effectively (Correira, Flynn, Uliana & Wormald, 2003: 20). Van Deventer and Kruger (2005:238) make the point that sound financial planning begins with the vision, mission and general aims of the school as the framework, determines the school’s outcomes according to the needs of the school and identifies actions for each activity or area of school programmes, searches for relevant alternatives and measures the costs of school programmes in order to establish school fees and other financial sources to supplement the income of the school and evaluates the output of each school programme.

Therefore, financial planning can be categorically classified as the most important role of the finance committee. To this end, the most important tools for financial planning are the financial strategy and the budget (Maritz, 2005:6).

2.5.1.1 *The financial strategy as a financial planning tool*

Maritz (2005:5) describes a financial strategy as being concerned with the medium- to long-term needs of the organisation and aims at ensuring “*that an organisation knows what its financial needs are and where it will get the necessary funding to meet those needs*”. To this end, Lewis (2003:20) points out that a financial strategy sets out the overall approach the organisation is going to take to achieve its objectives and outlines the actions that will be taken for each objective. Therefore it can be said that a financial strategy sets out the path a school will follow to achieve its educative teaching objectives and this is done in financial terms. For example, in the pursuit of excellent results in a learning area, a strategy sets out the manner in which this will be achieved, and

in financial terms, details what is needed, how much it will cost, where the money will be sourced from, how it will be used to achieve the set objectives and how will it be accounted for. Maritz (2005:6) extends the description of a financial strategy and states that it involves the following:

- *Ways to increase income*

The finances needed to achieve the educational goals of a school can never be sufficient and, therefore, the financial strategy of a school must include raising additional funds to supplement the income provided by the Department of Education. In this regard, Section 4(36) of the Schools Act states that the SGB, and by extension, the finance committee must *“take all reasonable measures within its means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners at the school”*. This the finance committee can do by seeking donors and sponsorships for various school programmes and engaging in internal income-generating activities. According to Maritz (2005:7), these can include asking for contributions, selling goods and merchandise like publications and T-shirts, selling certain services, providing training to other people or organisations, providing managerial services and earning interest on investments.

- *Ways to reduce expenditure*

The financial strategy can also include plans for reducing expenditure and ensuring efficiency in the use of the finances. In this regard, Maritz (2005:7) argues that the aim of an expenditure strategy is to see how one can spend less money, while at the same time continuing to do the same amount of work or even more work. Accordingly, Maritz (2005:7) advocates reducing expenditure by:

- cutting services when the impact of such a service does not justify the amount of money being spent on it;
- outsourcing, because it is sometimes cheaper to get someone from outside the organisation to do a specific task than it is to employ a fulltime worker to do it;

- full utilisation of staff time by ensuring that all of the employees are being used to their full capacity;
- getting cheaper suppliers who can provide products or services at a cheaper price than the rest;
- finding equipment that can be rented more cheaply than others; and
- monitoring expenses to make sure that the organisation's money is not being abused or wrongly spent, for example telephone accounts, paper usage and internet usage.

Reducing expenditure, therefore, requires the finance committee to shop around for cost-effective equipment, as well as strictly monitoring the income-expenditure variables of the school's finances.

- *Financial planning steps*

Maritz (2005:8) points out that a financial strategy must include carefully executed financial planning steps that include setting medium- to long-term goals and objectives for the organisation, developing medium- to long-range implementation plans, determining the financial, human, and physical requirements necessary to achieve the plan, developing concrete income and expenditure plans and revising the financial strategy by not being afraid of changing plans if it is realised that enough money is not found or more money than is needed is found.

The financial strategy is, therefore, an important financial planning tool and clearly dictates the elements of budgeting as a financial planning tool.

2.5.1.2 *The budget as a financial planning tool*

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*”. This provision of the Schools Act makes budgeting a legal requirement and, thus, as an aspect of financial planning budgeting is also concerned with the setting of the school's financial goals and involves

translating government guidelines on the effective management of funds (Correira *et al.* 2003: 20).

Van Deventer and Kruger (2005:241) point out that school budgets are drawn to express the mission of an individual school in monetary terms. Similarly, Reschovsky (2006) describes the school budget as a powerful planning instrument that indicates and prioritises school activities and resources required to perform education related activities. On the basis of this, it is important that schools have proper financial planning skills. This is mainly because it is through budgeting that schools, like any other organisation, will align their financial resources with their educational purposes. Bush and Heystek (2005) contend that it is essential to give the SGB budgetary powers so that it is accountable for all problematic decisions about the school's financial income and expenditure. Therefore, a budget serves as a planning device, a managerial tool, and a basis for financial and academic reports, especially with regards to matters of accountability (Correira *et al.*, 2000:763; Esterhuysen, Horn & Liebenberg, 2005:127).

It is important for the finance committee to take cognisance of the essential elements of the budgeting process. The budgeting process involves a cycle of activities, which, according to International Budget Project (2001:18) includes budget formulation, budget enactment, budget execution and auditing and assessment.

■ **Budget formulation**

Budget formulation occurs when the budget plan is put together (International Budget Project, 2001:19). This is the stage at which the budget formulation process should be led by asking questions such as (Lötter *et al.*, n.d.:54):

- Which services are essential at the school?
- What are your school's priorities (when spending limited funds)?
- What are the most efficient and economical ways for the school to get the services it needs?

- How are we doing? How can we improve? What do we need to change?

The questions outlined above form the basis of good budgeting from the preparation stage to its implementation (International Budget Project, 2001:19). In this regard, budget formulation focuses on the objectives of the school such as mentioning the aims, analysing the situation and identifying the advantages and disadvantages of budgeting activities, which eventually need to be communicated to all stakeholders.

▪ **Budget enactment**

Enactment refers to the stage where and when the budget plan may be debated, altered and approved (International Budget Project, 2001:19). This stage involves all activities undertaken to finalise and ratify the school budget. At this point all the needs of the school have been analysed, collated and prioritised and budgetary allocations made. Budget enactment involves the consultation process with stakeholders, after which it is finally scrutinised by the SGB and approved. This then becomes the budget presented to the general meeting of parents for approval and adoption.

▪ **Budget execution**

Budget execution occurs when the policies of the budget are carried out (International Budget Project, 2001:19). This, it can be reasoned, is done by the SGB through the treasurer, principal and finance committee. This in essence entails the implementation, control and monitoring of the budget. This is an important aspect of the finance committee's role and responsibility in that it determines the success of the school's educational goals in financial terms. For this reason, these concepts are detailed separately below.

- *Budget implementation, monitoring and control*

Budget implementation relates to the actual expenditure on items budgeted for. An important consideration regarding budget implementation is that money is expended in line with the budget allocation and time frames as outlined in the financial planning strategy, which at schools translates into school development and operational plans. However, International Budget Project (2001:20) points out that:

in practice, budgets are not always implemented in the exact form in which they were approved; funding levels in the budget are not adhered to and authorised funds are not spent for the intended purposes. Deviations can result from conscious policy decisions or in reaction to changing economic conditions, but concerns arise when there are dramatic differences between the allocated and actual budgets that cannot be justified as reflecting sound policy.

This implies that in some cases, deviations from the actual budget do occur and for various reasons. This is where budget monitoring becomes crucial. According to Swartz (2009:18), budget monitoring involves the development of a control system or monitoring instrument and is also referred to as budget “*variance reporting, that is, on a month by month basis, the actual expenditure (and income) is compared with budgeted expenditure (income) and any variance must be identified investigated and explained in order to avoid over expenditure*”. Arikawe (2009:8) contends that the purpose of monitoring is to ensure the efficient and effective programme/project implementation. It provides timely information on the work planned and done to all the parties concerned. For this purpose, The Learning Trust (2006:67) states that schools should provide financial monitoring reports to SGBs at least termly, and the information reported should include the current budget, expenditure to date, a comparison of spending against the budget and most crucial, a written or ‘minuted’

verbal commentary explaining variances and seeking approval to make budget changes.

In explaining budget monitoring, Arikawe (2009:8) states that it involves the collection and analysis of data about budget activities and that the data should be easy to understand and allow budget users to keep track of budget activities to determine whether budget objectives are being achieved, and to make whatever changes that are necessary to improve budget performance. This is termed 'budget variance analysis'. Lewis (2003:51) explains variance analysis as 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 argues that variances can thus be favourable – when actual income is higher than the budgeted amount, or when actual spending is lower than budgeted; or adverse – when actual income is lower than the budgeted amount, or when actual spending is higher than budgeted. It can be stated that if there are large or unexplained budget variances, this would mean that budget control is poor.

Budget control refers to measures taken to correct any budget deviations and to ensure that expenditure at school is in line with the budget. Mestry and Bischoff (2009:121) contend that controlling relates to safeguarding funds and ensuring that they are spent as authorised. FAO Corporate Document Repository (n.d.) defines budget control as "*the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision*" and makes the point that budget control relates budgetary responsibilities to policy requirements. This implies that the school finance committee has a responsibility towards the budgeting processes in such a way that they match finance policy requirements. This clearly points to the requirements of the law governing the use of and accountability regarding school finances as

prescribed in, for example the Schools Act and the school finance policy.

Budget control therefore involves two principles: firstly, a control technique whereby actual results (expenditure monitoring) are compared with budgets and secondly, any differences (variances) being made the responsibility of key individuals who can either exercise control action or revise the original budgets (FAO Corporate Document Repository, n.d.; Master Minds, n.d.; Dyson, 2001:305), in this case, the principal, treasurer, and the SGB.

■ **Auditing and assessment**

Auditing and assessment occur when the actual expenditure of the budget is accounted for and assessed for effectiveness (International Budget Project, 2001:19). The main intention of this stage is to measure whether there is effective use of resources. In this case, the finance committee and the SGB measure whether the expenditure of the school's finances has attained its intended outcomes, and whether the attainment of educational outcomes matches the educational strategy set for various periods of the school strategic development plan. According to International Budget Project (2001:21), this stage presents a valuable opportunity for budget groups to obtain information on the effectiveness of particular budget initiatives, as well as to advance accountability.

The implications of the budget as a financial planning tool for the finance committee mainly include making sure that the school finances are used expressly for purpose of education as required by Section 37(6) of the Schools Act which states the following:

The school fund, all proceeds thereof and any other assets of the public school must be used only for –

(a) educational purposes, at or in connection with such school.

(b) educational purposes, at or in connection with another public school, by agreement with such other public school and with the consent of the Head of Department.

(c) the performance of the functions of the governing body; or (d) another educational purpose agreed between the governing body and the Head of Department.

In essence, this implies that the finance committee has to engage in financial planning and budgeting as a way of ensuring the school's educational goals in financial terms are effectively pursued and achieved. This is further supplemented by the finance committee's responsibility for effective financial control.

2.5.2 Financial control

According to Maritz (2005:13), financial control refers to all 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. Lewis (2003:3) contends that financial control occurs when systems and procedures are established to make sure that the financial resources of an organisation are being handled properly.

Maritz (2005:13) points out that financial control involves and deals with two elements, namely financial responsibility within an organisation and, secondly, decision-making and implementation. Financial responsibility is the control exercised by the finance committee or senior management at school through making finance policy, ensuring that the finance policy is being used, making sure that budgets are realistic and meet the goals of the school's objectives, ensuring that spending is monitored and that the school's assets are protected (Kokemuller, 2015; Maritz, 2005:14).

Decision-making and implementation refer to the day-to-day management of financial matters and concern people who apply policy, authorise expenditure, prepare and monitor the budget and make financial proposals (Maritz, 2005:14). Budget control in terms of decision-making and implementation, therefore,

refers to a scrutiny of what has been achieved so as to introduce, where possible, corrective measures.

For financial control to be effectively executed, two crucial principles, namely internal and external controls are necessary.

2.5.2.1 ***Internal controls***

School Financial Management Unit (2006:3) defines internal controls as the framework of checks and balances identified to ensure that the assets of the school are safeguarded, that the accounting information produced is accurate and complete, and the information obtained from the school's accounting system can be relied upon and used with confidence by people involved in school decision-making and by stakeholders generally. Barnet London Borough (2012:6) advocates the view that by building controls (internal financial controls) into systems, schools should be confident that transactions will be properly processed or that any errors will be detected promptly. Cuomo (2005:2) defines internal controls as *“systems of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations”*.

Swartz (2009:5) posits that internal controls are implemented to minimise the risk and any financial consequences to which the Department (school) might otherwise be exposed to as a result of fraud, negligence, error, incapacity or other cause, minimise opportunities for mismanagement and fraud, as well as to protect the schools personnel from charges of mismanagement and fraud to ensure that the schools' money is spent for educational purposes only. Swartz (2009:5) further asserts that internal control systems are designed to provide reasonable assurances that the organisation's objectives are achieved efficiently, effectively and economically.

Internal controls aim to provide assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors or irregularities are either prevented or can be detected promptly. Cuomo (2005:2) postulates that internal control systems 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.

According to Lunenberg (2010:1) internal controls relate to the accounting function and responsibility, where policies and procedures are adopted to safeguard assets and verify the accuracy and reliability of accounting data. In this regard, Lunenberg (2010:2) points out that internal controls must be characterised by the following:

- A clear formal organisation, with definitions of job responsibilities that must be estimated so as to fix accountability for each and every aspect of a financial transaction.
- Financial accounts being set up for each division or other unit of administration so as to render expenses and income readily traceable to specific administrators, especially during the budget preparation and the evaluation phases of the financial accounting system.
- Differentiating between officers or employees who handle assets and those who are responsible for receiving and storing material.
- Ensuring that not only one person is responsible for complete control over all phases of an important transaction, for example, the same individual should not be responsible for preparing purchase orders and for making out the cheques in payment of those purchases.
- Avoiding duplicative processes in the work flow from employee to employee, but ensuring that the work of the second employee provides a check on the work of the first, for example, the cheque drawn to pay for

supplies and materials should be co-signed by a second employee who verifies the accuracy and legitimacy of the transaction.

These characteristics actually imply a system of internal controls that must be transparent and executed according to laid-down principles. According to Maritz (2005:15), although there are many different forms of internal controls, the two most important forms are the accounting and financial procedures manual and delegation of responsibility.

▪ **Accounting and financial procedures manual**

An accounting procedures manual is a document or a record of the policies and procedures for handling financial transactions (Nagy & Hampton, 2014). According to Nagy and Hampton (2014), 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. To avoid misunderstanding and confusion and to ensure proper implementation of procedures, financial management policies should be documented (Lewis, 2003:61). The manual would also include details relating to accounting procedures, including (Cuomo, 2005:3; Lewis, 2003:17; Engelbrecht *et al.*, 2002:30 as cited by Ngubane, 2009:32):

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

A scrutiny of details listed above, indicate a clear need for thoroughness and the importance of the accounting and financial procedures manual. In this regard, Snyder, Hasson and Janks (2003:5) surmise this as involving, key types of controls, organisational controls, segregation of duties, physical control and or custody of assets, authorisation and approval, documentation, accounting, personnel, supervision and management.

■ Delegation of responsibility

Delegation of financial responsibility starts with the Schools Act's devolution of school governance to SGBs, which includes the delegation of financial management responsibility. This, in essence, describes the different roles and responsibilities of SGBs. In a general management sense, delegation refers to the distribution of responsibility (Earley & Weindling, 2004:48) and specifically, giving a specific task to a specific staff member (Mestry & Bischoff, 2009:76; Naidu *et al.*, 2008:83). Naidu *et al.* (2008:83) actually make the point that "*authority and responsibility are decentralised*" and as such they are "*delegated to lower levels of management*". For this reason, Department of Education (1997:19) states that "*a good governing body uses different talents of the members, and works together as a team*", which in a sense, implies the provision that makes allowance for different office bearers in the SGB.

Delegation of responsibility in the management of school finances is manifested through the election of the treasurer, the finance committee and the finance officer, all of whose responsibility is seeing to the effective and efficient execution of the school financial management function. For this reason, Barnett London Borough (2012:1) asserts that "*the governing body should ensure that – personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities, clear statements of criteria for personnel selection and formal job descriptions are maintained, the finance staffing levels are adequate and there are effective arrangements to deal with the absence of key financial personnel*". This also includes the segregation of duties to reduce the risk of error or intentional manipulation through checks built into the financial management processes and ensuring that there are transparency and accountability as elements of internal controls. In this regard, Barnett London Borough (2012:2) lists functions which should be separated as including those of:

- authorisation (the authorisation of a transaction such as a purchase order or a payment);

- execution (the placing of an order, receiving of goods and services or charging and receipt of a fee);
- custody (the holding of the goods or services);
- recording (the completion of the accounting records); and
- in the case of a computerised accounting system, systems development and operation (the determination of operating procedures and the carrying out of those procedures).

In the case of school financial management, KwaZulu-Natal Department of Education and Culture (2002: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. In this regard, Ministry of Education (2007:10) asserts that delegation of duties must be along segregation of duties so that no one person is responsible for all financial management duties. This can be, for example, in the form of duties segregated in such a way that schools try to separate as many as possible of the following functions:

- Receipting of cash.
- Banking.
- Ordering of goods/services.
- Authorisation of expenditure.
- Cheque-signing.
- Accounting records.

The exposition on internal controls indicates just how carefully finance committees must handle and manage school finances. This is also complemented by executing effective systems of external controls.

2.5.2.2 **External controls**

External controls at school can be realised through an audit conducted by an external entity. This, in fact is a prescription of the Schools Act which, in Section 43(1) 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.*

According to Lewis (2003:72), *“an external audit is an independent examination of the financial statements prepared by the organisation”* and *“is usually conducted for statutory purposes (because the law requires it) and can also be for investigative purposes (for example, to look for a fraud)”*. The external audit’s main purpose is to verify that the annual accounts provide a true and fair picture of the organisation’s finances and that the use of funds is in accordance with the aims and objectives as outlined in the Constitution (Lunenberg, 2010:2). Brimley and Garfield (2005:339) surmise that an audit report should include the following:

- 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 or pertinent information concerning school operations, including inventories, insurance policies, deeds, and the like.
- Comparisons of school operations with those of other years, including receipts, expenditures, special accounts and related information.

In the end, external controls, in the form of the external audit, serve the purpose of accountability for school funds. Lewis (2003:73) states in this regard that *“an audit results in a report, which gives an ‘audit opinion’ as to the ‘true and fair’ view of the state of affairs of the organisation and operations for the period”* where *“‘True’ means that the transaction did take place and that an asset exists and ‘Fair’ means that a transaction is fairly valued and that assets and liabilities are fairly stated”*. It is for this reason that financial monitoring is an essential part of managing school finances and should be understood in its entirety and for its importance.

2.5.3 Financial monitoring

Financial monitoring relates to assessing the financial performance of a school. The school, having set itself financial performance targets and objectives, needs to continuously check if the progress or lack thereof is in line with intended targets. This, Obondoh, Nandago and Otiende (2005:34) refer to as monitoring and tracking resources, which is necessitated by the need for providing feedback, and is a final stage of managing school finances in order to determine the financial standing of the school, credibility of accounting records, detecting or preventing errors for the future, giving feedback to stakeholders, especially parents, and showing transparency. Furthermore, tracking helps the SGB to assess the school’s progress (holding the school to account), getting feedback-giving evidence of success or failures, enhancing sustainability, rationalising inputs, assisting in decision-making processes, and re-planning. It can therefore be seen that monitoring and tracking enable the SGB not only to

review and assess performance progress, but also to be a critical friend to the school and to hold the school to account.

According to Ministry of Education (2007:21), indicators of a sound financial system with sound monitoring systems include the fact that

- financial policies are in place, have been approved by the SGB and are reviewed annually;
- written delegations from the SGB to committees and staff are in place, and signed copies of the delegations are retained on the delegations file;
- budgets are in place, have been approved by the SGB and are monitored monthly by the board;
- financial reports are produced monthly for budget holders, the principal and the SGB, and the format and content of these reports enable the recipients to make informed and timely decisions;
- adequate cash funds are available to ensure the on-going operations and financial stability of the school;
- the school's annual reports are produced on time and receive an unqualified audit report; and
- the management letter received from the school's auditor contains no adverse comments.

Clearly financial monitoring is the most time-consuming and labour-intensive activity in the financial management process because it is a never-ending and on-going activity, with the basic aim of assisting the management of the school to plan and control finances (Maritz, 2005:17). In a sense, therefore, financial monitoring has to do with proper accounting procedures in terms of bookkeeping of financial records. For this reason, Lewis (2003:31) contends that financial monitoring forms the basis for sound financial management and accountability in that it provides:

- information;
- credibility in terms of keeping accurate financial records promoting integrity;

- accountability and transparency and helps to avoid suspicion of dishonesty; and
- a legal requirement in that it is a statutory obligation to keep and publish accounts as a condition for accountability and sound financial management.

To this end, Section 42(a) of the Schools Act 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 the Executive Council.*

Most importantly, Lewis (2003:37) postulates that financial monitoring facilitates future planning in that it helps with understanding more about operations of organisations and thus with information spanning two or three years, it is possible to detect trends.

Financial monitoring is clearly not done as an end in itself but as a means of ensuring that finances are controlled and thus managed effectively. To this end, financial monitoring consists of three elements namely, record keeping, preparation of financial statements and financial analysis.

2.5.3.1 Record-keeping

Record-keeping in matters of school finance can be considered as the most critical aspect of financial monitoring for the reason that it is from such records that tracking of expenditure against income and the budget can be easily seen. For this reason, school financial records should provide accurate information. Department of the Treasury Internal Revenue Service (n.d.:2) states that financial records must be kept for reasons that include the following:

- Monitoring programmes since records can show whether programmes are improving, which are successful, and what changes an organisation may need to make.
- Preparing financial statements, which is important for maintaining revenue and expense statements and balance sheets so as to prepare accurate financial statements.
- Preparing annual returns and tax returns where necessary because records must support income, expenses, and credits.
- Identifying sources of receipts because organisations may receive money or property from many sources and accurate records can identify the sources of such receipts.

Regarding reasons for record-keeping, Lewis (2003:31) contends that all organisations need to keep records of their financial transactions about their financial position. This can be helpful for a school because financial records:

- provide information that can be accessed about the school's financial position;
- provide credibility so that organisations can be seen to be scrupulous in their handling of money and because keeping accurate financial records promotes integrity, accountability and transparency and avoids suspicion of dishonesty;
- are a legal requirement as there is often a statutory obligation to keep and publish accounts, and donor agencies almost always require audited accounts as a condition for granting aid; and
- facilitate future planning because though financial accounting information is historical, it helps managers to plan for the future and understand more about the operations of the organisation and with information spanning two or three years, it is possible to detect trends.

The reasons outlined above for scrupulous and accurate record-keeping cannot be overemphasised for the school organisation. This is because, firstly, financial record-keeping is a legal requirement as prescribed in the Schools Act and,

secondly, because accurate record-keeping will always show if the school is achieving its set financial targets and objectives and will also help to establish trends relating to success and or failure to achieve performance targets. Above all, accurate financial records will always help the school to make sure that income and expenditure are solely for the interests of the school and specifically the learner in terms of effective teaching and learning purposes.

Various record-keeping methods exist. For instance, numerous experts (Lewis, 2003:31:17; Maritz, 2005:17; Shapiro, n.d.; Department of the Treasury Internal Revenue Service, n.d.; Mestry & Bischoff, 2009:129) postulate that there are various methods of record-keeping, but cite three most commonly used, namely the cash-basis, chequebook and accruals accounting. However, regardless of which accounting method a school uses, it is important that it be done accurately and be reflective of financial activities at the school. For this reason, Shapiro (n.d.:15) maintains that for accurate financial record keeping, various activities are done at different times or duration bases. She, for instance, advances the following categories of record keeping activities:

- Daily tasks, include the following:
 - Receipting incoming money.
 - Maintaining a petty cash system with petty cash vouchers.
 - Banking (depositing the money that has come in).
 - Writing cheques based on approved cheque requisition forms.
- Monthly tasks, include the following:
 - Petty cash, which includes:
 - i. outlining a petty cash schedule with all petty cash expenditure in categories;
 - ii. compiling a petty cash schedule, using the information on the cash vouchers;
 - iii. counting the money in the petty cash box;
 - iv. topping up the amount in the petty cash box to the amount agreed by the governing body structure, using a petty cash cheque to get the money; and

- v. filing the vouchers and supporting documentation.
- Current account, which entails:
 - i. drawing a receipts and payments schedule;
 - ii. writing out monthly cheques against requisitions and then sending them for signing with supporting documentation; and
 - iii. filing documentation.
- Other records, including:
 - i. writing the cash book up or making entries; and
 - ii. bank reconciliation, wherein the bank statement is reconciled with the cheque book and the appropriate adjustments are made in the cash books.
- Reporting, which refers to the production of management reports and includes:
 - i. variance reports showing the difference between actual income and expenditure and budgeted income and expenditure; and
 - ii. preparation of 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; and
 - organising an independent audit, and preparing a balance sheet.

In the execution of all these financial activities, Department of the Treasury Internal Revenue Service (n.d:5) emphasises that it is also important that there should be supporting documents that include grant applications and awards, sales slips, paid bills, invoices, receipts, deposit slips and cancelled cheques. These documents are crucial in a record-keeping system because they provide evidence and support the entries in the financial books. It can be said that supporting documents thus serve the purpose for which accurate record-keeping is done, as pointed out above. In essence, accurate record-keeping comprises 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 organisation

owns and owes to others as pointed out by Lewis (2003:31). This is essential for preparing financial statements as a second element of financial monitoring.

2.5.3.2 *Preparation of financial statements*

Preparing financial statements is a thorough process that prepares for financial reporting and is in essence a financial monitoring element. According to Shapiro (n.d.:9), it is an accounting statement, which lists what is owned (assets) and owed (liabilities) at a particular point in time. Maritz (2005:26) points out that an on-going financial planning and analysis have to be done to evaluate an organisation's financial position and requires the use of book-keeping information to produce different kinds of financial statements like the cash flow statement, statement of activities and statement of the financial position. In this regard, Maritz (2005:26) posits that the two most important and most used financial statements are the balance sheet and the income statement. However, the cash flow statement is a third useful financial statement for financial monitoring.

■ **The balance sheet**

The Learning Trust (2006:133) defines a balance sheet as a snapshot of a business's financial condition at a specific moment in time, usually at the close of an accounting period. Maritz (2005:26) contends that the balance sheet gives an overall picture of the financial situation of an organisation at a given moment, usually at the end of an accounting period, shows how 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. Traynor and Glasser (2008:8) point out that the purpose of a balance sheet is to review the financial strength and capabilities of the organisation as well as answer important questions such as the following:

- Is the school in a position to expand?

- Can the school easily withstand the normal financial ebbs and flows of revenues and expenses?
- Should the school take immediate steps to strengthen cash reserves?

Therefore, a school's balance sheet will comprise two components namely, assets and liabilities. According to Lewis (2003:41), the balance sheet is compiled to depict two parts – one part recording all balances on assets accounts and the other recording all balances on liability accounts plus the income and expenditure account balance. An asset is anything that has value, such as equipment, real estate or cash in the bank account whereas liabilities are money owed to others, such as a mortgage on property and the balance of loans and debts to suppliers (Myers, 2013; Traynor & Glasser, 2008:8).

The balance sheet, as a monitoring tool, therefore can help the SGB to identify and analyse trends and the financial strength of the schools as well as determine what needs to be done to improve the financial position of the school (Maritz, 2005:27). Lewis (2003:52) illustrates the components of a balance sheet (Figure 2.2), and a scrutiny thereof, shows how comprehensive the balance sheet should be in order to depict the school's financial position clearly.

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.

Adapted from Lewis, 2003:52

■ 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). Lewis (2003:41) states that an income statement presents a summary of:

- 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.

Maritz (2005:29) list categories of the income statement as:

- net income (total income less any money that had to be returned);
- less cost of goods sold (cost of inventories) – if the organisation sells goods;
- equals gross margin (gross profit on sales before operating expenses);
- less administrative expenses (salaries, wages, payroll taxes and benefits, rent, utilities, maintenance expenses, office supplies, postage, automobile/vehicle expenses, insurance, legal and accounting expenses, depreciation);
- equals operating profit (profit before other non-operating income or expense);
- plus other income (income from discounts, investments, customer charge accounts);
- less other expenses (interest expense);
- equals net profit (or loss) before tax (the figure on which tax is calculated);
- less income taxes (if any are due); and
- equals net profit (or loss) after tax.

Although seemingly complex at a glance, the compilation of the income statement is crucial, especially if it is done monthly and carefully. As a monitoring tool, it can be concluded that the income statement clearly shows the school's financial position and enables the finance committee and the SGB to take decisions in a more effective manner. It must be noted, however, that not all categories of the income statement, as illustrated above, would be as rigidly applicable to the school. This is mainly because the school is not a profit-making organisation and therefore its income statement would reflect surplus funds rather than actual profit (Bourgeois, 2003:16). This is where the SGB would be able to shift funds or apply virement among accounts, depending on the needs identified and decisions collectively taken.

■ **The cash flow statement**

According to Elliot and Elliot (2008:642), the cash flow statement represents all of an organisation's cash receipts and cash payments during a period and consists of statements of past cash receipts and payments, which are useful in providing a basis for predicting the future financial performance. Therefore, it can be said that cash flow statements consist of cash inflows and outflows. Cash inflows refer to receipts from sales of services and amounts received from the sale of assets, while cash outflows refer to the school's payments for goods and services (Delta Publishing Company, 2013:37). It can, therefore, be taken that the cash flow statement *"focuses exclusively on cash (and cash equivalents): how the organization generates cash and uses it, and for what purposes"* (The Canadian Institute of Chartered Accountants, 2012:24). Furthermore, The Canadian Institute of Chartered Accountants (2012:25) espouses that the cash flow statement provides opportunities for the school board (SGB) to reflect once more on the year just completed and to ponder the soundness of the financial plan for the upcoming year, which has as its foundation, the end-of-year results captured in the audited statements.

As a monitoring instrument, it can be seen that the cash flow statement is crucial in that it has to be updated on a regular, if not continuous basis, and it provides the finance committee and SGB with the tool for monitoring the

school's financial position. It can also come in very handy when preparing financial statements for reporting and auditing.

The income statement, the balance sheet and the cash flow statement also enable financial analysis.

2.5.3.3 **Financial analysis**

Flynn and Koornhoff (2001:872) and Atril and McLaney (2002:143) define analysis as a regular measurement and evaluation of the financial performance and status of an organisation. According to these authors, the process consists of gathering information about an organisation's financial position. Lewis (2003:47) points out that financial analysis is akin to interpretation of the balance sheet and the income statement and makes use of two types of financial analysis, namely the trend analysis that asks: '*How are we doing compared with the last period?*' and ratio analysis that provides a means of interpreting and comparing financial results. Lewis (2003:47) argues that the ratio analysis helps managers and consequently SGBs, to answer three primary questions namely:

- 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?
- effectiveness – is the school doing the best possible job of managing its resources?

The Times 100 Business Case Studies (2013) argues for financial analysis as an effective tool for monitoring the success of financial plans and provides an all-encompassing description of financial analysis as including the following typical elements:

- Budgeting – which means creating a budget setting out planned cash flows in and out of the business because by monitoring a cash flow

budget it is possible to identify any potential crisis points where liquidity will be poor.

- Solvency analysis – which involves calculating the net current assets of an organisation as shown in the balance sheet.
- Return on capital employed – which is a measure of the return made on all of the capital employed in the organisation in a given period.

These elements are important and relevant insofar as the finance committee monitors all aspects of school finances to present the financial position of the school and to eliminate possibilities of accounting mistakes and fraudulent activities. Flynn and Koornhof (2001:871) point out three objectives of financial analysis: helping the stakeholders watch the surplus of an institution to establish its stability in order to assess the risk attached to contributions by the public; helping stakeholders to see whether an institution has the ability to meet its financial obligations; and ensuring that the institution is operating efficiently and effectively.

Atril and McLaney (2002:143) present the following process of financial analysis:

- Identifying key indicators and relationships that require examination, taking into consideration who the target users are and why they need information.
- Calculating ratios that are considered appropriate for a particular user and the purpose for which the user requires information.

Knowledge of financial analysis will help the SGB and the finance committee to manage school finances effectively and efficiently. By means of this, misappropriation of funds can be prevented. Atril and McLaney (2002:4) mention that financial information must influence decisions, be free from any material errors or bias, be understood by those it is meant for and be available in time for it to aid with decision-making.

According to Engelbrecht *et al.* (2002:36), financial analysis compares operational plans with what happens in reality. This way, information about

expenditure forms a crucial part of reporting, and shows whether money is being spent on the right of things. In this regard, Lewis (2003:52) makes the point that interpreting the balance sheet, income statement and the cash flow statement can be done through trend analysis, which asks the question: “How is the school doing, compared with the last period?” Financial analysis can also be done by means of a ratio analysis, which is a means of interpreting and comparing financial results in order to address issues of financial sustainability, efficiency and effectiveness. These issues (Engelbrecht *et al.*, 2002) as cited by Ngubane (2009:48) address questions such as whether the school will have financial resources to continue serving people tomorrow as well as today; whether services are rendered with the best combination and amount of resources; and the extent to which the school meets its financial targets.

Financial analysis lays the basis for the finance committee and the SGB to prepare and be ready for financial reporting.

2.5.3.4 ***Financial reporting***

Financial reporting refers to conveying information about the status of school finances to interested parties and in particular, stakeholders. Section 43(6) of the Schools Act states the following:

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.

In this regard, the SGB is obliged to avail financial information to interested parties and in this case, the Department, the parents and any other person whose interest is legitimate and justifiable. This implies that the SGB must account to the Department because it provides the funding for schools from taxpayers’ money and parents of learners – because they have a stake in the education of their children, and because they are also taxpayers whose money funds education. In some instances, parents contribute to the school funds through direct payments and through taking part in fundraising for the school.

This also includes educators as members of the school community who need and use resources acquired through school funds.

It is, therefore, reasonable for the SGB and the finance committee to report on the use of school finances in such a way that there is transparency and accountability, which includes sharing accurate information with all stakeholders and implies that decisions taken, and their enforcement, are done in a manner that follows rules and regulations as well as 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 (Ngubane, 2009:49).

The financial report should include the budgeted and actual income and expenditure for the particular month and any variances between the actual and budgeted figures. Van Rooyen (2007:142) makes the point that in reporting finances, the reports must be made on a weekly basis, monthly basis, in SGB meetings and to the annual general meeting of the parents. According to Gale (2003), financial reports must exhibit certain qualities that make them useful to stakeholders and these include relevance, reliability, understandability and timeliness. The reports must be reliable because users use them for decision-making. Dunn (2005) emphasises that information should not be misleading or deceptive. Reliability means that information is reasonably free from error and bias and faithfully represents what it is supposed to represent. Understandability is the ability of users to understand the financial reports. Dunn (2005) defines understandability as *“information to be presented in a way that is readily understandable by users who have reasonable knowledge of business and economic activities and economic activities and accounting and who are willing to study the information diligently”*. Dunn (2005) also emphasises that if there is any information that is relevant but complex, it should not be excluded from the financial statements. Timeliness of financial reports is very crucial because if there is undue delay, reporting of information may lose its relevance.

Financial reporting must cover three major activities, namely reporting on the budget against the actual financial performance, reporting on the cash flow and annual report.

■ **Reporting on the budget against actual financial performance**

According to Palmer (2012), part of using the budget is reconciling actual spending against the budget. In order for the finance committee to successfully monitor the school expenditure against the budget allocated, they first need to know how much the budget is and how it was compiled, what areas the budget covers, and what drives expenditure. To monitor throughout the year, the finance committee needs to know what has been spent against the budget, the commitment against the budget and how much is remaining. The difference would mean a variance against the budget.

Palmer (2012) reports that there are four key causes of budget variances, namely faulty arithmetic in budget figures, errors in the arithmetic of actual results, reality is wrong and differences between budget assumptions and actual outcome. Therefore it is the responsibility of the finance committee to make sure that the reports are reliable because users, in this case the SGB, will want to use them for decision-making (Obondoh *et al.* 2005:36) and as mentioned earlier, reliability means that information is reasonably free from errors and bias and faithfully represents what it purports to represent.

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) – when actual income is higher than the budgeted amount; or when actual spending is lower than budgeted for or 'adverse' (generally bad news) – when actual spending is higher than budgeted for (Lewis, 2003:51; Shapiro, n.d.:25).

■ Reporting on the cash flow

Cash flow statements provide users of financial statements with a school's information and its ability to generate cash and a positive cash flow is crucial for the continuing success and existence of the school (Everingham & Kana, 2000: 90). A cash flow statement is designed to show cash generated or utilised in a school's financing activities. The overall objective of a financial statement analysis is to examine a school's financial position with a view to forecasting a school's future prospects (Correira *et al.*, 2003. 139).

Lewis (2003:55) makes the point that reporting the cash flow forecast will help the finance committee to plan the likely timing of receipts and payments over the year. Once they have done that and the school's information is projected, they will be able to compare their actual receipts and payments with the forecasts, which will help the finance committee to ensure that they have enough money to pay the bills. These bills include day-to-day running expenses. Lewis (2003:55) suggests the following options amongst others, for managing the school's cash flow:

- Exercise good credit control.
- Review grant schedules and charging policies.
- Bank all monies received daily.
- Prioritise major payments.

Considering the issues raised above, the finance committee must strive to execute their financial management knowledgably and this will be reflected in annual financial reporting.

■ Annual financial reporting

Schools prepare annual reports for the financial year equal to a calendar year. The annual report is for the public and for the internal school stakeholders on the accomplishments in the past year, hence the reporting process is linked to the planning process, the definitions of objectives and measuring. According to KwaZulu-Natal Department of Education and Culture (2002:120), the purpose of

annual financial statements is to provide financial information to the SGB, parents and other interested parties and as such, these statements form the basis of the SGB's external responsibility to the community. Therefore, at the end of each year, the finance committee needs to prepare annual financial statements as directed by Section 42(b) of the Schools Act that reads as follows:

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 where money has come from, for what purpose it has been received, how it has been spent and what the outcomes of operations are and as stated by Campher, du Preez, Grobler, Loock and Shaba (2003:3), "*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 order to give a clear picture of the state of the school finances, the SBG should see to it that monthly and quarterly statements are kept. Ultimately, the SGB must be able to give account of how finances have been used against the targets set during the financial strategic planning process; and for this reason, the finance committee must be effective in its execution of the financial management functions.

2.6 CHAPTER SUMMARY

This chapter presented the nature of the finance committee and its functional effectiveness. Finance committee functioning was outlined and placed within the context of public schools. Various concepts and processes related to financial management were clarified and discussed. The SGB, by the virtue of the prescriptions of the Schools Act, is responsible for financial matters of the school and its delegation of the financial management function to the finance committee is all the more of crucial importance.

In the following chapter, attention will be given to a description of the methodology of the study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The previous chapter highlighted the main parameters of the effectiveness of finance committees. The research method presented at this stage outlines the empirical study in relation to the study's paradigmatic orientation, research design, strategy of inquiry, data collection, data analysis and interpretation, participants and their selection, quality criteria and ethical standards.

The research paradigm is presented first.

3.2 RESEARCH METHOD

The study sought to explore the effectiveness of school finance committees in executing the financial management function. To do so, the research method included aspects discussed in the following subsections.

3.2.1 Research paradigm

A research paradigm defines a researcher's way of viewing his/her research material and, thus, determines his/her approach to research and is important in data collection, analysis and interpretation (De Vos & Schulze, 2002:45). Since the study sought to explore the effectiveness of finance committees at schools, the social constructivist worldview guided it. According to Creswell (2009:8), social constructivists hold the assumption that individuals seek understanding of the world in which they live and work and they develop subjective meanings of their experiences, that is, meanings directed towards certain objects or things. The intent of this research was achieved better through exploring and gaining insight into how participants view and construct meaning regarding the effectiveness of their finance committees. During interaction with participants, the researcher carefully listened to what they said regarding the study phenomenon in order to interpret or make sense of the meanings they have about the effectiveness of finance committees at schools. This is in line with the

social constructivist's "*aim to rely as much as possible on participants' views of the situation being studied*" (Creswell, 2009:8).

3.2.2 Research design

A qualitative research design was employed in this study. According to Creswell (2009:4), qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysed inductively, building from particulars to general themes, and the researcher making interpretations of the meaning of the data. Furthermore, Nieuwenhuis (2007c:55) makes the point that qualitative researchers believe that the way of knowing reality is by exploring people's experiences regarding specific phenomena and attempting to see how they construct reality by asking about it. Therefore, the qualitative approach for this study was deemed appropriate as it allowed the interpretation of meaning participants construct or ascribe to the effectiveness of their finance committees in executing the financial management function at their schools. To this end, there was interaction with them about their perceptions of the study phenomenon and sought out a variety of perspectives on it.

3.2.3 Strategy of enquiry

To describe the experiences that finance committees have, the phenomenological strategy was used. According to Creswell (2009:13), phenomenological research is a strategy of inquiry in which the researcher identifies the essence of human experiences about a phenomenon as described by research participants or to be more precise, it is a strategy that allows for understanding people's lived experiences where the "*researcher sets aside his or her own experiences in order to understand those of the participants in the study*". Fouché (2002:273) points out that to achieve this, the researcher should be able to enter the participant's life world or life setting and place himself/herself in shoes of the subject by means of naturalistic methods of study, analysing the conversations and interacting with research participants.

This strategy was deemed appropriate for the study in that it goes hand in glove with the social constructivist paradigm and the aims of qualitative research, which in this study, were appropriate to the achievement of the purpose. To this end, the researcher was determined that she would, with this strategy, be able to interact with participants in their own settings and, as such, would be able to interpret the meanings they attach to the effectiveness of their finance committees in executing financial management at their schools.

3.2.4 Data collection

In line with the research paradigm orientation as well as the design and strategy of inquiry, semi-structured interviews were used for data collection. According to Nieuwenhuis (2007a:87), an interview is a two-way conversation in which the interviewer asks the participants questions to collect data and to learn about the ideas, beliefs, views, opinions and behaviours of the participants. Leedy and Ormrod (2005:144) state that interviews are conducted because the researcher is interested in others people's stories. Because the aim of qualitative interviews is to see the world through the eyes of a participant, this study aimed at understanding in-depth the perceptions of each participant on the effectiveness of schools finance committees.

Semi-structured one-on-one interviews were deemed to be the most appropriate technique to collect information. According to Greef (2002:302), semi-structured interviews are used to gain a detailed picture of a participant's beliefs about a particular topic and consist of a set of predetermined questions on an interview schedule, which will guide the interview and not dictate it. Semi-structured interviews allow for deviations from the schedule.

The types of questions that were used in the interview schedule (see Appendix B) were open-ended. These types of questions were chosen because open-ended questions allow the interviewees to respond in the way and to the extent they desire. According to Greef (2002:305), interviews offer the following advantages:

- The participants narrate their experiences using their own words.

- The participants are able to bring solutions to the problem by collaborating through interaction.
- The researcher manages to probe the participants in order to get clarity about the phenomenon.
- The researcher manages to give direction to the participants.

The disadvantages of interviews are well-documented in research literature (Greef, 2002:305). To deal with them, good interview practices were adhered to as pointed out in the section detailing the role of the researcher.

3.2.5 Data analysis

Data analysis involves reading through the data repeatedly and engaging in activities of breaking down, building up the data into themes and categories and elaborating and interpreting on the data (Durrheim, Painter & TerreBlanche, 2006:321). In analysing the data of this study, an interpretive analysis, which relates to relying “*as much as possible on the participants’ views of the situation being studied, thereby generating meaning from the data collected*” was used (Creswell, 2009:8-9). According to Nieuwenhuis (2007c:59-60), the purpose of interpretive analysis is to provide thick descriptions of characteristics, processes, transactions, and context that constitute the phenomenon being studied. Furthermore, it gives a partial account of the multifaceted social world, which means linking the abstract and the concrete, and the theoretical and empirical.

Steps to be followed in interpretive data analysis as described by Durrheim *et al.* (2006:321) entail the following:

Step 1: Familiarisation and immersion

This step entails having a preliminary understanding of the meaning of the data. What needs to be done in the data analysis stage is to take the data and immerse oneself in it, meaning that one should read the text over and over again, making notes and brainstorming it. Therefore, by the time one has finished, one should know one’s data well enough to know more or less what

can be found where, as well as what kind of interpretations can be supported by the data and what cannot. After interviewing the participants, the interviews from the audio tape were transcribed *verbatim* to produce a written text, and then the text was read carefully to find similarities and differences from the responses so as to gain an understanding of what the data mean. This was noted for in-depth analysis.

Step 2: Inducing themes

Themes should ideally arise naturally from the data, but at the same time, they should have a bearing on the research question. After reading the text again and again about the effectiveness of the finance committee, the researcher connected what had been discovered from the participants' responses and then classified data that belonged together (Nieuwenhuis, 2007b:109). By doing this, she was able to induce broad themes that would facilitate the coding process.

Step 3: Coding

Coding is a process of reading carefully through the transcribed data, line by line, and dividing it into meaningful analytical units (Nieuwenhuis, 2007b:105). Coding means breaking up the data analytically in a relevant way. Here codes on the transcribed data gathered from interviews were assigned. These codes were then used to group responses into data that could be elaborated upon. The codes were, furthermore, used to generate categories and finally, themes to be used as subheadings during the data analysis and writing of the research report.

Step 4: Elaboration

The purpose of elaborating is to capture the finer nuances of meaning not captured by the original coding system. This gives an opportunity to revise the coding system. To achieve this, the sorted and coded data were re-analysed so as to ascertain that all information from the participants was noted and the explicit and implicit meanings were revealed.

Step 5: Interpretation and checking

One way of checking the interpretation, is to discuss it with other people, especially people who know a lot about the topic, as well as those who do not, but who are able to consider it from a fresh perspective. People, who had at one stage been finance committee members were consulted in order to get information that would enable comparison and/or confirmation. Furthermore, the study supervisor as an expert in the school governance discipline was conferred with to ensure that data analysis and interpretation captured the essence of the effectiveness of finance committees as was gleaned from the data.

3.2.6 Participants

In this study, participants consisted of finance committee members of schools in the Gauteng Province. Purposeful sampling was utilised and for convenience, the study was conducted in primary schools falling under the Sedibeng West and Sedibeng East Districts. According to Creswell (2009:178), the idea behind qualitative research is to purposefully select participants or sites (or documents or visual material) that will best help the researcher understand the problem and the research question. Therefore, a selection of 20 principals and 20 finance officers (cf. 2.4.1.3) from 20 schools was made for the interviews. The ultimate number of interviewees depended on saturation points and necessitated a reduction of participants to 15 principals and 10 finance officers.

Because the study did not intend to collect data for purposes of generalisation, the participants were chosen because it was assumed that they were knowledgeable and informative about the phenomenon under investigation and would be better able to assist me in understanding and gaining deep insight into the study phenomenon (Strydom & Delpont, 2002:334). Therefore, to reiterate, the data collected from this selection was by no means representative of the population of principals and finance officers, but would, in the researcher's judgement, provide valuable insights into how effective finance committees at schools were in executing the financial management function (Strydom & Venter, 2002:207).

3.2.7 Quality criteria

According to Guba and Lincoln (2000) in Creswell (2009:191), qualitative research can be judged using four criteria to ensure validity and reliability. They are credibility, generalisability, confirmability and dependability.

- *Credibility* refers to how accurately the data reflect reality (Maree, 2007:297). In this study, as suggested by Creswell (2009:191) and Strydom and Delport (2002:351), to attain credibility, it was ensured that the subject was accurately defined and described by ensuring that the study phenomenon was guided by the conceptual framework and dimensions describing schools' finance committee functions. These dimensions formed the framework for data analysis and interpretation.
- *Generalisability*, which according to Maree (2007:298), is the extent to which generalisations can be made from findings to a population. Since there was no intent to generalise, trustworthiness would be judged by researchers who would work within the same parameters to determine whether the findings can be generalised or transferred to other settings. However, it was ensured that the data reflect the actual views of participants and discussed this with my supervisor, who, on the basis of his expertise and knowledge of the subject, helped to verify the accuracy thereof.
- *Confirmability* is the degree to which others can confirm the results of a study (Kalof, Dan & Diets, 2008:164). In this study, the researcher relied on participants' responses. As suggested by Strydom and Delport (2002:352), "*confirmability will be achieved by determining if the findings can be confirmed by another*". In this case, a cross comparison with existing studies related to the parameters of this study was conducted and as pointed out earlier, the opinions, expertise and knowledge on the subject of study from my study supervisor were crucial.
- *Dependability* reflects how truthful the researcher is in the collection and presentation of data (Kalof *et al.*, 2008:164). To achieve this, as

suggested in Creswell (2009:191), member-checking was used and rich and thick descriptions to convey the findings were also used. Another person (a recently retired school principal familiar with school governance and school financial management) was also conferred with to review the entire research report and to provide objective assessment.

Due to the complex nature of ensuring validity and reliability in qualitative research and the non-generalisability of qualitative data, guidelines provided by Nieuwenhuis (2007b:115) were followed, namely to avoid generalising findings, to choose quotes carefully and to confirm them through member checking as indicated earlier, to maintain confidentiality and anonymity of respondents and to state the limitations of the study upfront.

3.3 ROLE OF THE RESEARCHER

Data were collected by means of interviews and ensured that the setting for the interviews was convenient for the participants and that questions asked were relevant. Participants were also allowed time to elaborate on their expectations and were given time to ask questions when they did not understand a question. During interviews, attention was also paid to the body language and facial expressions of the interviewees to help with the interpretation of the verbal information. Due to the fact that there was involvement in a thorough experience with the participants, it was necessary to continually recognise participants' biases, values and personal interests with regard to the research topic and process (Creswell, 2009). In that sense, as researcher, this role was extended to the observation of strict ethical standards.

3.4 ETHICAL CONSIDERATIONS

Ethical principles were complied with as they served to safeguard the dignity, rights, safety and well-being of all the participants in the research study (Marks & Yardley, 2004:32). It was ensured that the ethical principles met acceptable standards governing research with human participants (Leedy & Ormrod, 2005:101).

Permission for the participation of school principals and finance officers of the SGBs was obtained from the Gauteng Department of Education (see Appendix A). This, furthermore, included seeking ethical approval for the study from the Ethics Committee of the North-West-University (Vaal Triangle Campus).

The following ethical standards were adhered to during the research:

■ **Informed consent**

Informed consent, according to Marks and Yardley (2004:32) entails that the participants must be told prior to the research what the nature thereof will be and what the procedure will entail and, furthermore, that they may cease participation in the study at any time without penalty, as the study is voluntary. As suggested by Creswell (2009: 89), informed-consent forms were developed (see Appendix B) for participants to sign before they engaged in the research. Furthermore, the purpose and advantages of their participation was explained in detail. Participants were never forced and were not exposed to questions which degraded their dignity. Finally, the researcher attempted not to use language or information that deceived the participants. Before every interview session, participants were requested to sign the informed-consent forms, which would be stored safely for five years in line with the University's directives.

■ **Confidentiality and anonymity of the participants**

According to Creswell (2009:89-90), the general principle here is that the information collected by means of interviews should ensure confidentiality and anonymity. The participants' right to privacy should be respected and under no circumstances must a research report be presented in which the participants are identified or any personal data of the research group are revealed (Leedy & Ormrod, 2005: 102). Therefore, in this study, all data obtained was treated with the utmost ethical and confidential regard. In the report, participants' names or those of their schools were not used. Fictional names were created for this purpose.

- **Protection from harm**

Research participants were not exposed to undue physical or psychological harm. It was ensured that reasonable efforts were made to minimise discomfort and loss of self-esteem, as suggested by Leedy and Ormrod (2005:102). The questions compiled sought inductive reasoning from the participants, and they were validated together with the supervisor.

- **Honesty with professional colleagues**

Research findings were reported in a complete and honest fashion without fabricating data to support a particular conclusion. Full acknowledgement of all material belonging to other authors or persons was considered mandatory to avoid plagiarism and document theft (Leedy & Ormrod, 2005:102-103).

3.5 CHAPTER SUMMARY

This chapter presented the introduction and rationale of the study, which resulted in the description of the research problem, aim and objectives. Furthermore, the conceptual framework and the research method were outlined and overviewed respectively. The latter included a discussion of aspects relevant to qualitative research methods.

The following chapter presents data and interpretation.

CHAPTER 4

PRESENTATION AND INTERPRETATION OF DATA

4.1 INTRODUCTION

In this chapter the analysis and interpretation of data is presented. Interviews were the main source of collecting data. The intent of the empirical study was to explore how effective finance committees are at schools. Data analysis involved grouping of data and coding, which culminated, as discussed in the previous chapter, into categories and eventually themes used as sub-headings for interpretation and the report write-up.

The following section outlines a discussion of participants' demographic profiles in terms of their gender, experience in SGBs, school enrolments and quintiles. These features are deemed necessary for a deeper understanding of the effectiveness of their schools' finance committees.

Due to the fact that all responses by participants to questions were transcribed and subsequently quoted *verbatim* in this report, numerous quotes may include a variety of grammar errors.

4.2 DEMOGRAPHIC PROFILE OF PARTICIPANTS

Twenty primary schools were selected for interviews. Appointments were made through the principals of the schools. Out of the intended twenty principals and finance officers, only fifteen principals and ten finance officers were interviewed, because by then, data saturation had been reached. For purposes of convenience and purposive selection, all participants were from primary schools located in the townships of the Sedibeng Districts East and West.

4.2.1 Profile of participant school principals

The 15 principals who participated in the study were all from primary schools located in the townships. Their profiles indicated some distinctive characteristics as depicted in table 4.1 below.

Table 4.1 **Profile of participant school principals**

Principal	Gender	Experience	Enrolment	Quintile
A	M	18	815	1
B	M	6	649	2
C	M	18	1 048	1
D	F	2	554	2
E	M	6	935	2
F	M	6	840	1
G	F	4	706	1
H	F	5	1 022	1
I	F	14	908	2
J	F	16	364	2
K	M	18	870	1
L	F	2	241	1
M	M	8	533	2
N	F	5	665	1
O	F	3	679	1

As shown in table 4.1, of the 15 principals interviewed, the following features were notable:

- Seven were male and nine were females.
- Male principals (A, C, K) had experience in their positions of over ten years, while only two female principals had experience of over ten years (I and J). More than ten years can, in the researcher's opinion, be termed 'experienced' while less than ten years can be called 'less experienced'.
- Also notable was that principals A, C, E, F, H, I and K were at schools with enrolment numbers of over 800, which are particularly high enrolment figures and denote relatively big schools. In particular, principals C and H were from schools with enrolments of over 1 000 learners (1 048 and 1 022 respectively). These high enrolment figures

have significant implications regarding the management of finances and the effectiveness of finance committees, particularly where schools have Section 21 statuses and require careful financial management in order to provide for the best interest of the learners.

- It was also noteworthy that one school in particular, had an enrolment figure of only 241 learners, which though the school was a quintile 1 school, would presumably be challenged with regard to finances allocated and with raising additional funds. This was also in light of the principal's experience of being at the school for only two years.

Participants' experience has implications regarding their knowledge and skills of financial management and accountability. This could be said of principals with less than ten years of experience (B, D, E, F, G, H, L, M, N and O). In particular, principals D, L and O would presumably be relatively inexperienced insofar as being *ex-officio* SGB members and in terms of ensuring that there are accountability and proper financial management at their schools.

The participants' knowledge and skills in financial management would also be complicated by the quintile classification of their schools in that quintile 1 and 2 schools would experience a higher demand and expectation to exercise effective financial management and accountability by virtue of the fact that their financial allocation as Section 21 schools would entail large sums of money. In this regard, it is worth reiterating that principals B, E, F, G, H, L, M and N had less experience in the management of finances as *ex-officio* members of their SGBs (less than ten years) with principals D, L and O in particular having less than five years' experience.

4.2.2 Profile of the participant finance officers

As indicated earlier (see 2.3.1.3), the finance officer is delegated with the responsibility for money matters mainly as a person who will be available on a day- to-day basis to do the job and who may be an administrator. Thus the finance officer records all financial transactions and keeps the principal, the treasurer and finance committee fully informed on financial matters. In this

study, finance officers were also participants as their functions are critical to ensuring that there is financial accountability. In financial accountability, there is reporting of income, maintaining the cash book of the school, doing the monthly bank reconciliation statements, ensuring the completion of monthly quarterly reports, compiling the annual financial statements and any other delegated or other related tasks required by the finance committee (see 2.4.1.3).

The profiles of the finance officers who participated in the interviews are depicted in table 4.2 below.

Table 4.2 Profile of participant finance officers

Finance officer	Gender	Experience	Enrolment	Quintile
A	F	12	815	1
B	F	22	649	2
C	F	22	1048	1
D	F	4	554	2
E	F	15	935	2
F	M	3	840	1
G	F	12	706	1
H	F	15	1 022	1
N	F	20	665	1
O	F	10	679	1

The profile of finance officers who were participants indicates some distinctive features. The following are noticeable:

- There were a total of nine female finance officers and one male finance officer.
- The male finance officer had the least experience at three years while the female participants mostly had experience of more than ten years. It is apparent that the position of finance officers seems to be dominated by the female gender, which is an observed trend in

numerous other studies where finance officers were participants. This is also indicative of the gender composition of administrators or clerks in general at schools.

- The experience of finance officers who participated in this study also implies that they were experienced concerning matters relating to school finances and that their input in this study would be valuable and insightful. Notably, most of the finance officers participating in this study were more experienced than their own principals. Indeed, female finance officers, having worked as administrators (some for more than 20 years at their institutions) did provide valuable insights into the study phenomenon.
- The majority of the finance officers were from schools classified as quintile 1, which implies that they worked with large budgets and would need to be very meticulous with regard to financial management.

An observation made was that finance officers seemed to be more knowledgeable about most of their roles, which also indicates the importance of their roles in the school finance committees.

4.3 FINDINGS AND DISCUSSION

The process of analysing data resulted in the organisation of findings under the following main themes:

- Structure of the finance committees.
- Roles of key office-bearers in finance committees.
- Functioning of finance committees.
- Budgetary processes.
- The use of school funds.
- Financial reporting.
- Effectiveness of finance committees.
- Challenges experienced in the management of school funds.

These themes were arrived at through a rigorous process of analysis as directed by Durrheim *et al.* (2006:321) (see 3.4).

4.3.1 **Structure of the finance committees**

The SGB is mandated by the Schools Act to establish committees and subcommittees for which certain duties can be delegated. It is, therefore, important for the SGB to establish a finance committee, for purposes of financial management. According to Naidu *et al.* (2008:172), the finance committee may be composed of the treasurer, principal, educators, parents (not necessarily from the SGB) and non-teaching staff, with a maximum of eight members in the committee.

It was found that participants' schools had finance committees structured in terms of the directives from the Gauteng Department of Education. Mainly, finance committees consisted of three key members, namely the principal, treasurer and finance officer although in some cases, the chairperson of the SGB with additional members from the teacher and parent components were also elected onto the committee. In this regard, participants indicated that the number of additional members was dependent on the size of the school. Principal D captured the composition of the finance committee best. She stated:

You should remember that according to Circular 13 of 2000, the finance committee is a very small committee. It comprises the principal, the treasurer, the chairperson and the finance officer. So it is a very small committee.

Principal J also stated:

The FC comprises of three people, the principal, the treasurer and the chairperson. Like I've indicated, our treasurer is the chairperson and is a parent as required by SASA insofar as chairpersons of committees are concerned.

This was also articulated by Principal M who stated:

We are having a finance committee that comprises three people in terms of the policy, that is, the South African Schools Act. The first, who is the chairperson of the FC, is the treasurer of the committee, the chairperson of the SGB and the principal but we have decided to include our financial officer who ... assists us by taking minutes when we have our finance meetings. So eh, in total, we are four.

From participants' responses, it was found that finance committees were structured in line with directives from the Department of Education. It was further found, in line with Section 29 of the Schools Act, that key positions in the finance committees comprised the treasurer of the SGB, who was a parent and was also the chairperson of the finance committee, the finance officers appointed from the administrative staff to deal with the daily operational financial matters and the principal as *ex-officio* SGB member and accounting officer. This is an important aspect of the effectiveness of finance committees – that they are structured and composed appropriately (see 2.4.1). Of course, there were instances where additional members were elected and/or recruited into the SGB, which is not in conflict with accepted practices generally and is supposedly done to serve the advantage of school finance committees in terms of expertise, accountability and inclusiveness.

It must be pointed out that though the finance committees were reportedly in line with departmental policy directives, their compositions also differed at some stages and no tangible reasons were provided as to why certain members were recruited into the committees. This, it was suspected, was to effect representativeness. While this is good for transparency and accountability, the reasons or lack of such inclusions could account for some of the findings as will be presented later in the text.

4.3.2 Roles of key office-bearers in finance committees

As pointed out above, finance committees consist of three main or key office bearers, namely the principal, the treasurer and the finance officer. To

determine the effectiveness of finance committees, it was important to gain insight into the roles of these office-bearers from their own viewpoints.

4.3.2.1 ***The role of the principal in the finance committee***

Participating principals mostly emphasised three aspects to be considered as their most important roles in the finance committees. The first one was that as accounting officers, they had to ensure that school funds were managed in terms of the norms and standards of the Department and according to the finance policy of the school. They pointed out that as accounting officers they had to ensure that funds were controlled properly. They explained that this required them to have knowledge on how school finances had to be managed. Principal A actually asserted that it was his duty:

... to ensure that funds are controlled properly according to South African Schools Act and to ensure that people who are dealing with money are capacitated to ensure that policies ... and we adhere to the policies and also to ensure that we are controlling the finances in a proper way.

From this response, Principal A not only emphasised adherence to legislative and policy measures, but also emphasised his role as that of capacitating other members of the finance committee with the necessary knowledge for managing finances properly. This resonates with the prescripts of Section 16(a) of the Schools Act that “*The principal must assist the governing body in the performance of its functions and responsibilities, but such assistance or participation should not be in conflict with stipulations of the Department of Education*”.

Interestingly, Principal A had first indicated:

As an accounting officer of the school, in terms of the finances of the school, eh, I should have knowledge of how processes of the finances are managed in terms of the norms and standards of the Department of Education and in terms of, eh (pause) as well as PFMA in ensuring effectiveness and efficiency of public funds, [that they] are dealt with or

are utilised in the manner of the objectives of the school and the department.

Principal J also referred to proper finance management:

The first thing which I've got to do is to make sure that everything is done according to the standard set by the Department and the PFMA; and, is also taken into consideration. My role as an accounting officer is to see to it that the allocation money is used accordingly. Eh ... remember that allocation [sic] money must be used as prescribed by SASA.

In response to another question, Principal J indicated what appears to be his role as suggested above. He remarked

We sit regularly. As I'm speaking I'll be going to the Maintenance Committee at 12:10. You know why? I've observed that they are not utilising their funds, so I'm going to make them aware of that and I'll be assisting them, and I've designed a tool that will make it easier for them to work.

Principal M, while indicating the role as that of guidance also provided reasons thereof:

My role then is to guide them and give them directions in terms of the policy of the Department, (1) that is to SASA, (2) that is PFMA so that I can be able to guide them because of the parents are elected and they don't have a background of these policies and it's my duty to capacitate them, take them through the workshop on finances and the legislation framework.

The second aspect that principals regarded as important was accountability with regard to ensuring adherence to proper policy procedures where finances are concerned. This was articulated to include adherence to budgets, procurement procedures, ensuring that money was spent for educational purposes only and complying with departmental regulations on allocated funds. The following responses attest to the roles that indicate accountability or the need thereof:

... to ensure that policies.... and we adhere to the policies and also to ensure that we are controlling the finances in a proper way – Principal A.

Ja, I think as a principal of the school I'm the accounting officer because we...normally when we make budgets and all those things, the buck stops with the principal so anything that I'm doing in terms of finances, I must account – Principal C.

I must know what is going on, where does the money go, who receives the money, also the records, the accounting officer means everything, accounting for all the cents that come in and go out of the school – Principal D.

As an accounting officer it's my role to see that the money we receive eh, is accounted for and spent according to the budget and according to the policy and regulations set out in the SASA and eh, financial policy of the school. – Principal E.

My duty is to ensure that the finances are managed properly and we stick to procurement and also to ensure that the maintenance of the school and service are done appropriately – Principal I.

My role as accounting officer of the school is to make sure that stakeholders are informed in as far as the expenditure and the budget – Principal N.

From the statements, it is apparent that principals were aware that they are accountable for their school finances as accounting officers or as *ex-officio* officers of SGBs and finance committees. They actually pointed out that if school funds were misused, they would be held accountable by the Department of Education, educators, parents and the community because it is their duty as accounting officers to ensure that school funds were used properly and in line with policies and regulations.

The third aspect principals emphasised was that as accounting officers, they were expected to have knowledge of the financial management processes from

the budgeting process to correct financial accounting practices like drawing up of income and expenditure statements, as well as having thorough knowledge of what was happening to school funds. Principal A best expressed the financial management knowledge factor by stating:

....I should have knowledge of how processes of eh, (how) the finances are managed in terms of the eh ... the norms and standards of the Department of Education in terms of the PFMA; ensuring effectiveness and efficiency of how public funds are dealt with or are utilised; in the manner of the objectives of the school and the Department.

Furthermore, principals emphasised the purpose for the use of school funds and their roles in that regard. Principal G remarked that her role was to receive an allocation from the State and then sit with committees of the school, consider the school development plan and other projects and on that basis, draw up the school budget. Other principals stated the following:

Mmm. I am the accounting officer of this institution and my role is to make sure that public funds from the Department are used to benefit learners and to make sure that the school runs smoothly, and also to make sure that services are paid and maintenance money is used for maintenance purposes – Principal F.

Okay, I've got to ensure that everything that is purchased or done, everything that has to do with finances is budgeted for. The first thing which I've got to do is to make sure that everything is done according to the standard set by the department, and the PFMA is also taken into consideration – Principal J.

My role as an accounting officer is to see to it that the allocation money is used accordingly. Eh, remember that allocation money must be used as prescribed by SASA. I must make sure that all the resources needed by teachers and learners are bought and again I must make sure that services and maintenance money is used accordingly. – Principal O.

These statements are in line with the notion that in administering a school, the principal must ensure that the school accounts and records are properly kept and make best use of funds for the benefit of the learners in consultation with appropriate structures, particularly the finance committee and the SGB.

In addition to the three aspects elaborated upon above, participating principals also mentioned roles concerned with processes related to financial management. For example, principal H added that she basically was responsible for making sure that the finance committee attended meetings and that there was a schedule of meetings for the year, and emphasised the following:

My responsibility is to make sure that these meetings are attended and in the meetings, financial issues are discussed, that's my role, basically because if you don't attend meetings you wouldn't be able to attend to financial issues of the school.

It was observed that each school principal focused on particular issues when describing their roles. They mentioned and talked about that particular aspect and did not mention other important roles.

From the responses given it is clear that the accounting officers partially understood their roles with regard to management of school finances. It is stated 'partially' only, because most interviewed principals mentioned only a few roles. It seems, according to them, that public fund accountability and the budget are the only duties that are important (cf. 2.4.1.1).

4.3.2.2 *The role of the treasurer in the finance committee*

Participants expressed various views regarding the role of the treasurer in the finance committee. Firstly, it was clear that in line with legislation, the treasurer was an elected office-bearer of the SGB. Secondly, it was clear that the treasurer of the SGB acted as chairperson of the finance committee and was a parent member of the SGB. This is in line with the prescripts of the Schools Act; Section 29(1) of the Schools Act, which states that "A governing body must,

from amongst its members, elect office-bearers, who must include at least a chairperson, a treasurer and a secretary”.

Furthermore, as stated earlier (cf. 2.4.1.2), the treasurer executes a ‘watchdog’ role over all aspects of financial management, working closely with other members of the finance committee and the SGB to ‘safeguard the school’s finances’.

Participants mostly related to this role of the treasurer, albeit in differing ways. However, emphasis seemed to be on the oversight role and ensuring that finances are managed properly. In this regard, Principal J stated:

The treasurer is the chairperson of the finance committee. He is the one who ensures that before we can spend, everything is budgeted for. There is no way that he can work or approve or I can approve anything. If there is a need, that educators need some boards for learners, it is the duty and the responsibility of the treasurer to make sure that requisition forms are completed; If he identifies any mistakes, he asks that ‘this person should go back and request requisition forms’. What is also critical, he sits with the administrator because the administrator is the one who is dealing directly with our books. He sits with the administrator and checks the records.

Principal A also expressed the view relating to the treasurer’s oversight role. He remarked:

The role of the treasurer of the SGB; it is to ensure that the budget is committed to, and we adhere to the budget; and in cases where there are amendments in terms of the school needs, we are able to sit. The treasurer of the SGB will call the meeting to inform all the members that ‘this time around, we have noted that maybe we don’t need, we necessarily don’t need this item. Therefore we can be able to amend our budget while the budget has already been approved. And another role is to ensure that during the AGM, whereby parents are expected to approve the annual budget, he gives a full report on how we spent money the

previous year and how we intend to spend money for the coming financial year”.

Other views regarding the oversight role of the treasurer were expressed thus:

The treasurer of the SGB monitors whether the school finances are running smoothly. When they want to withdraw certain money, they sign school cheques. Yes, it is the treasurer that signs and checks whether the needs of the school are met ... The treasurer of the SGB monitors books and sometimes we give all the finance books to the treasurer to check that they balance and check whether money spent monthly equals what the policies stipulate because everything we do, must be according to the requirements of the school, before money can be withdrawn – Finance Officer A.

[Taking a deep breath] Eh, the treasurer of the SGB is the custodian, eh of the finances of the school. Eh, her role or his role should also appear in the policies of the school, the finance committee policy. Eh, she should or he should be able to see to it that each and every process of procurement, recording of funds and so forth its followed to the letter. So, the role of the treasurer is very key. The treasurer also should also report on a quarterly basis to the SGB. However, you know SASA says quarterly, but in Gauteng, it should be on a monthly basis. Yes the SGB should sit on a monthly basis after reconciliation and stuff like that. Their treasurer should report on their procurement and stuff like that ... – Principal B.

The treasurer firstly helps the financial officer with the accounting and the administration of finances. The treasurer is also chairing the meetings. Eh, the treasurer also helps with the planning and the treasurer has got signing rights, although we are not using cheque systems anymore. The treasurer is responsible to see that the SGB receives financial reports monthly. Eh, also as treasurer, he/she is part of the budget committee and sees that all finances are spent according to the budget – Principal E.

The treasurer's role is to monitor how funds are utilised. Sign cheques, chair finance committee meetings, report to the SGB and to make sure that the finance officer keeps records of money used – Principal E.

Eh, the treasurer becomes part of planning and then from there, they approve all projects in finance committee meetings. They sign cheques. They report back to the entire SGB and they also receive reports on how cheques have been used. In fact just to confirm, ja, usually they are invited to the school when stock is delivered – Principal F.

The treasurer of the SGB play the most important role because he or she has to know everything concerning finances, because, especially because she or he has to sign cheques at the end of the day. So whatever cheques she signs or he signs... he or she has to account for that, yes. – Principal L.

The role of treasurer is to make sure that the finance committee manages all the money matters in a proper way. The treasurer must work hand in hand with the finance officer in making sure that they get quotations before spending money. Eh the treasurer is one of the signatories, he's got signing powers, it is also the treasurer's duty to report the status of finances to the SGB. Ja! – Principal O.

Though they indicated that there is generally good knowledge of what the role of the treasurer in the finance committee is, it was also found that there were discrepancies between what was known to be the role and what was practised in reality. For instance, it was clear that principals played major roles in deciding how and on what funds were used. For one, some participants related to what should be and not necessarily what was done at their school. This mainly indicated espoused theories as against theories in use. In this regard, Allen and Wergin (2009:2) cite Argyris (1997) who notes that humans hold two different master designs – the first design relates to theories people espouse for their actions or behaviour, while the second design involves the theories of action people use. In this sense, the theory of action distinguishes between espoused

theories and theories in use. The espoused theory relates to people's explanation of their behaviour based on acceptable norms or policy, while their actual behaviour exposes the theory in use of those people. For instance, Principal C expressed a view that indicates what practically happens and made the following assertion:

I don't think they play a major role per se because as a committee, we decide as a collective, so theirs is to ensure that what we have agreed upon is carried forward. So he [treasurer] just simply signs the cheque and all those things, but as an individual, he can't decide on his own what to buy and what not to buy. So I think it is a collective agreement, you understand?

Principals D had this to say:

Basically because most of the time eh treasurers are parents if you can look into it critically it doesn't work. But honestly it is because that person is not in the school. The person is made to account for finances, and is not even sure what are they doing. They come here just to get from myself as the principal, the accounting officer, to say 'how far are you with the, of whatever?'

This was found to be the first indication of what really happened at schools and possibly how treasurers of finance committees were perceived. Principal D went on to state:

I just give them feedback most of the time. I've never seen him doing anything except for being the signatory. They don't know, they can't even sit in the office for a day or two, just for them to say we are managing, specifically petty cash or whatever, they get feedback from us and accounting from myself as an accounting officer ..., that's basically what they do. But how do you make a person who does not work in the institution to manage finances? If you say that a person is a treasurer, it means that this person must sit with this money, make sure that he records, but those people are parents. We should remember that some of them are working. They knock off at four o'clock – so they wait for days before they come to

school to get reports. That's basically what they are doing, nothing else, so that [pause] And one thing that they are doing is report back to the parents. And they report what they heard and not exactly what they've done as treasurers. That's basically that.

In fact, Principal D projected strong sentiments about the role of the treasurer in reality. She went on to explain the possible reasons for her sentiments:

I want to be honest with you. It's unfortunate that the role of choosing treasurers is done by parents choosing portfolios. Ja, it's done by parents. Sometimes they just look at a person who questions, who is vocal in parents meetings ... Those people who are very vocal are unfortunately chosen to be members of the executive committee in the SGB, but sometimes some do not have expertise, some do have because of where they come from, their work experience – but they cannot implement properly.

Principal K added another dimension to the treasurer's role, which as a point of departure, indicates how he saw himself in the finance committee – a 'key' person. He stated:

As the key person when it comes to the FINCOM, I sit with the finance officer because the treasurer is not always at school. The administrator is always there. We sit and reconcile finances. When the treasurer comes, he sits with the finance officer and reconciles finances because sometimes when there are emergencies, we discuss the emergency telephonically with the treasurer and then provide proof.

This response indicates that some schools face challenges especially when treasurers are seemingly or reportedly not playing their part in the management of finances. The fact that treasurers are delegated the task that requires them to know the day-to-day running of the school where finances are concerned, is also a challenge, especially in a case where the treasurer is a working parent – some of them work shifts, hence they end up reporting what they heard, not what they did. It is important also to note that treasurers' roles also seem to

hinge on their being available to sign cheques – this view almost permeated all principals' views regarding their treasurers.

4.3.2.3 ***The role of the finance officer***

Questions regarding the role of finance officers at schools were mostly answered directly and to the point. For instance, most of the finance officers interviewed, pointed out that the treasurer's role was to chair finance committee meetings. However, finance officers E and F respectively stated the following:

I become the chairperson so that I can give financial statement, and parents to know about their money – school money.

Sometimes I chair the meeting of the finance committee but it is not my duty, I only chair when I'm asked to.

This response was unexpected seeing as the treasurer should chair the finance committee meetings (cf. 2.4.1.3). However, there seemed to be reasons for this: apparently these finance officers saw their roles during finance committee meetings as chairing the meetings, which actually is not the case. This is clear in Finance Officer N's statement that "*Sometimes, yes if I got issues to discuss with them, the principal chairs the meetings. She gives me platform to explain whatever, yes*".

It became clear firstly, that contrary to what participant principals stated about the treasurers being chairpersons of finance committee meetings, this was mostly not the case. For instance, finance officers indicated that these meetings were chaired by principals and/or chairpersons of SGBs.

No, but I participate in those meetings because the SGB chairperson is the one who is chairing the meetings with us – FO H.

... the principal chairs the meeting and then give me the platform to explain whatever- FO N

It's the chair, eh, a treasurer who chairs, ja, or the principal as an ex-officio – FO D.

Secondly, it was clear that the finance officers' roles included being secretaries or clerks to the SGB. In this regard, FO B stated: "*I take minutes only*", while FO C indicated that:

Yes, we hold meetings. I become part on the meeting. It is the FC that chairs the meeting as the secretary of the SGB takes minutes.

On their other roles regarding school finances, the following statements were commonly made by finance officers:

Is to write cheques – do book-keeping and balancing the books, collecting school fees, balance LTSM funds, do function A and D, i.e. service and maintenance allocation funds – FO B.

My role is to collect money from learners and issue out receipts, reconcile and deposit money – FO C.

I am a financial officer yes...I...issue parents with receipts for children who are paying school fees and I receipt them. I record all the amounts that I have received and bank it – FO D.

Is to keep records, make sure that money is banked every day after it has been collected, and to keep records – FO E.

Okay... it is to approve the requisition forms. Yes... Me, I am an admin clerk – FO F.

My role is to see it that all the finances of the school are being kept safe and they are being updated, eh, everything, it is filed the way it is supposed to be and then the banking is taking place, and then I see to it that everything is up to date – FO G.

I am a financial officer of the school. I keep all the records, eh, and I update them every month. So we do have a petty cash, requisitions forms and at the end of the month I reconcile the income and the expenditures to make a bank reconciliation – FO H.

I collect all the monies for the school and deposit them at the bank, in the school's banking account, yes – FO N.

While almost all finance officers in this study mentioned specific issues related to financial management as members and office-bearers in finance committees, it can be concluded that such issues as they mentioned pertained to daily financial management operations as is expected of finance officers in their roles (see 2.4.1.3). However, arrangements pertaining to finance officers approving requisition forms, are concerning. This cannot be a finance officer's function since it carries with the responsibility tied to school educational processes and accountability. It, however, might be that the finance officer concerned actually meant checking forms for correctness. Furthermore, the dual role of managing finances on a daily basis and being secretaries of the finance committees are also worrisome issues, considering the load and responsibility that goes along with handling finances properly. Interestingly, in relation to another question, FO D made a startling confession regarding her role and reiterated her response to the question of her school's finance policy. She stated:

To be honest, I don't know my duties cause we don't have a financial policy and was not working with finances before. I'm new in this, for me I struggle because if I had a policy I'll have a guidance. I must do this I must not do this.

Overall, finance officers that were interviewed gave a distinct impression that they were familiar and knowledgeable about their roles in school finance committees. Most of the interviewed finance officers said almost the same things when describing their roles as finance officers, which can only be commended.

4.3.3 Functioning of the finance committees

The preceding section highlighted the roles of the key office-bearers of finance committees. A careful scrutiny of the roles as expounded on by the participants also indicates, to a relatively significant degree, the functioning of school

finance committees. However, to gain even more insights into this phenomenon, it was necessary to explore the effectiveness of school finance committees by exploring the role played by finance committees and the manner in which funds were used at schools. These themes emanated from the data analysis.

4.3.3.1 ***The role played by finance committees at schools***

The role played by the finance committee was found to include numerous activities. The main role mentioned was that of ensuring that funds were properly managed and controlled. In this regard, Principal G remarked that the role of the finance committee “*is to manage school finances properly, check that there are no discrepancies where finances are concerned and that money is used per requirements of SASA*” and added that the finance committee “*must also stick to the content of the finance policy drawn by them*” while Principal I stated that the finance committee “*should reconcile the books on a monthly basis and reports should be given to all stakeholders on a quarterly basis*”.

Principal G saw the role of the finance committee as that of control

Control, it is internal control starting from requisitions, for example, petty cash, there must be a requisition, petty cash register and then submission to the finance officer, after which process the necessary signing and disbursement of the money is done.

Almost similarly, Principal C stated:

The finance committee is channelled by the school development plan (SDP) and the school improvement plan (SIP). In the finance committee we have representatives from different committees. They report on activities such as fundraising. If fundraising is done by educators, not by parents, they report back to the entire finance committee of the school and from there, the administrator keeps records of all the expenses and the income of the school.

Other roles mentioned included ensuring transparency in the management and use of school funds, checking of records and verification to ensure correlations with purchases and expenditure, thus ensuring monitoring and control of spending against the budget. To this end, Principal D stated:

FC is a very small committee – it comprises of the principal, the treasurer, the chairperson and the finance officer. ... their role basically, whenever records are prepared, they go through the records and verify almost everything and make sure that when,... when they report to parents, they are able to answer all the questions

Principal E also mentioned that the finance committee “*must monitor and control the expenditure, the spending money: is done firstly according to the budget, so monthly, they meet, eh, they check , monitor and control the financial documents is to ensure transparency*”. To this view, Principal O added that the finance committee’s role is to ensure that finances are managed in line with the Schools Act and to “*control the budget and make sure that there is no overspending...misusing of school money*”. Principal M gave a somewhat extensive response and stated:

The role of the FC is to ensure that finances are managed properly and to ensure that they adhere to the finance policy of the school and also to adhere to the departmental policy regarding the funds and also to authorise and also to go back and report to the SGB about the finances; and delegate teacher component to go and present the financial report to the staff meeting quarterly – which was approved by the SGB; and also to ensure that towards the end of the year, they prepare a budget. They call an AGM where the budget is presented to parents adopted by parents for the following year.

It was interesting to find that even in response to the question on the role of the finance committees, I could detect some inconsistencies as regards the functioning of the committees. For instance, one participant indicated that they did not separate the finance committee from the SGB. This, I interpreted as

meaning that there was not a fully functional finance committee especially as the participant (Principal B) stated “*They [finance committee] have an input in terms of what must be bought, so, they don’t have that [role], because as finance committee, they don’t understand the priorities of the department. The principal gives them guidance. So their thing is just to agree on what needs to be done and report to parents*”.

Specific issues relating to the functioning of finance committees at schools involved matters pertaining to the finance policies and their implementation, meetings of finance committees, the budgeting processes and accounting procedures and systems – financial reporting and recording.

4.3.3.2 ***Finance committee meetings***

Questions concerning meetings of the finance committee related to the regularity of meetings and the purpose of such meetings, including how they were conducted. According to regulations and guidelines pertaining to institutions like public schools in South Africa, SGBs should meet quarterly. However, the Schools Act makes allowance for other types of meetings, such as the SGB executive and finance committee meetings, which may be held at the discretion of such committees as informed by their operational policies.

On the regularity of finance committee meetings to review the status of school finances, principals indicated differing views. Principal A indicated that according to their “*SGB constitution, this is done once a term*”. However, he also pointed out that when a need arose, this was done in one of the SGB meetings “*we meet at any given time, but in one of the SGB meetings, because we got meetings once a month, we give the status of finances at school*”. Principal B responded in this manner:

Yes, Yes, like I’ve indicated that should be done on monthly basis, SASA says quarterly, Gauteng says monthly basis. It’s not a big deal, you understand, because most of the time they [finance committee members] are there.

Principal C indicated that meetings depended on the needs. He remarked:

I think that one, [pause] it depends ma'am on ... specifically on what it is that I would like to attend. If it is something that we have just decided two weeks back and we see that it is not producing results, we sit with immediate effect and review that as a matter of urgency. Ja.

Principal E stated that the finance committee sat every month wherein “we check if we have spent according to our budget, every item, that we don't overspend and we still have enough finances for all the functions, the services, the maintenance, the LTSM. So we meet every month to check that”. Principals G, J and L also indicated that the finance committee met once a month to review the status of school finances. Principal J further stated:

Every month we sit. Then we check the, the, let's say the cost centre that is exhausting funds and then if there is that cost centre that is losing funds, we sit.

Other principals indicated that their finance committees held meetings once a term (quarter). Principal F indicated that they reviewed the status of their finances “once per term when we check our expenditure” and Principal K also indicated the same – once every term.

The meetings of the finance committees were not without challenges as indicated by Principals H, I, M, N and O who respectively stated:

I think every time that, when we meet, like I've said, we meet on a fortnight on Mondays. They get the reports and the only time where we can say we have a general review is when we have received our statement from the auditor. Yes we send our books to the auditors in January and around April, early May, we receive the reports back then we sit down and discuss the reports from the auditor.

All this, is a challenge. It is a challenge because according to policy, we need to sit on a monthly basis, as I indicated it is also a challenge because parents ... it is difficult to get hold of them. You arrange

meetings, they don't form a quorum and then you get stuck and you postpone, and sometimes even if you postpone, you still get same thing, the same thing occur.

Basically eh, we, we, we review the policy then ... [what you call] because some...sometimes our policy capture eh... may not capture everything. Something that is not captured if it comes for the first time we discuss it and agree that ... we must amend the policy on that grey area because some of things really they will not be captured, then only to find when we are faced with that challenge we discuss it with all the challenges because we have taken this action then we must amend so that in future we know that is policy-regulated.

It depends... It depends like now we need to have... yesterday we had a training, we need to have an urgent meeting. We are having a problem with services like Eskom, water we are having a serious problem because eh, their billing is very high and we don't have those funds like for an example our funding for services it R175000 now Eskom only for this month it needs R216000 now you need to sit down and the entire school governing body, FINCOM included to say how are we going to handle this matter.

[Smiling] We review the status of finances in our meetings, if there are issues of concern regarding school finances.

Finance officers also indicated varying views on when and how regular meetings were held by their finance committees. From their statements and those of the principals, it appears that finance committee meetings are not scheduled standing meetings. The following statements by finance officers indicate this:

Sometimes, twice a month. Other times once if SGB is available – FO B.

Maybe twice a year...or let me say quarterly – FO C.

Eh, once every month or it depends. Sometimes after two months [pause] it differs – FO F.

Twice in a term I think – FO D.

Some finance officers mentioned that they held meetings quarterly (FO A), while others stated that meetings were held monthly (FO E), twice a term (FO F) and twice a month (FO N).

Although it could be expected that the regularity of finance committee meetings would be similar across all schools, the variance in regularity suggests inconsistencies in school operations, especially if it is considered that these schools are in districts that are supported by the same authorities in terms of capacity-building.

4.3.4 Budgetary processes

The budgetary processes were explored in terms of the actual budgeting processes and budget implementation and monitoring.

4.3.4.1 Budgeting

Section 38 [Annual Budget of Public Schools] of the Schools Act requires all public ordinary schools to prepare an annual budget for the general parent body for approval either late in the third quarter or early in the fourth quarter for the following academic year (see 2.5.1.2). Planning the budget involves joint decision-making by all stakeholders present in the SGB in respect of financial resource allocation and spending.

Both principals and finance officers indicated that their budgets were drawn annually in consultation with all the stakeholders. They further mentioned that the budgeting process at their schools started with the needs analysis from individual staff members and different committees to the SMT, then to the finance committee, which then sits and arranges needs according to priorities.

On the budget compilation the following comments were given:

The school budget is drawn by the SGB. The SGB elects the advisory committee, whereby the advisory committee meets with the coordinators of all the committees, so that the committees submit their budgets. After that process, all the proposed budgets go into a full SGB meeting where the SGB will finalise the budget for the new financial year – Principal A.

Budgeting is a process, it starts from committees and then they will report to the FINCOM. Basically it is the responsibility of the FINCOM to draw the budget, after drawing it they will present it to the SGB and then the SGB will ratify it ...– Principal C.

The budget is drawn by the SGB component as a whole. I arrived to this school, I think it's almost two years now and I was only given a chance to observe for one year because the other year it was done already. But for this year, because we have experienced people who were still SGB members even on my arrival, I've seen them say, because they are taking initiative, 'It is time for us to draw the budget so that it can go to the general meeting' So I've seen that they've been doing it: the SGB component, with the assistance of the treasurer and myself as the accounting officer, as per needs of the educators, because they made me aware earlier to say: 'ma'am please get the need analysis, we want to see it now, we want to draw the budget' – Principal D.

Basically, it is the responsibility of the FINCOM to draw the budget. After drawing it, they will present it to the SGB and then the SGB will ratify it – Principal B.

The SGB, eh, elects a school budget committee; the treasurer and the finance officer are part of that; but it's the committee that is responsible for drawing up the budget – Principal E.

An interesting comment came from Principal G, who emphasised that their budget was based on the school's needs analysis as derived from the School Development Plan. She stated:

Eh, we sit. As I've said, the first step in drawing up the budget is: all the Committees meet whether it's the educational or whatever committee in the school meet, and then we sit as all stakeholders into the school development plan, and from the school development plan that is where we get all the projects for a year and then, before we sit, we receive an indicative resource allocation from the government and then from that, we estimate, we work with the estimate from the school development plan and then later, the process of budgeting. So every stakeholder is involved in the budgeting.

From the principal's responses, it was clear that the budget compilation was done differently at schools. In some instances, though the emphasis was on the SGB, in others it was on the finance committee. However, it was evident that the budgets were compiled after the necessary needs analyses were done. It was also interesting that at two schools, the budget was informed by the school development and school improvement plans, which in essence should be how the budget process is carried out.

Finance officers also gave varying responses on the budget compilation at schools. Below are some of the responses by finance officers with regard to how their school budgets are drawn up.

It is drawn by the SGB. After budgeting, after the SGB has finished drawing the budget, the budget is then presented to parents and then to the staff so that the staff will know how money is going to be used. That meeting will first be held and then the SMT will discuss with the SGB – the SGB does not take decision alone, they discuss with the SMT, considering the views from the staff – FOA.

The finance committee sits down and discuss what is needed for the whole year. The finance committee, we all sit and discuss what are we going to need and we must look at our allocation, our estimated allocation for the next year, then we write down what we want. Then we

take it to parents... yes, then they will have to agree with us that we go on – FO E.

Eh, the budget, we do it together with the SGB and the SMT first. After that we call the parents to do the budget. Yes. – FO N.

Though there were differences, it is apparent that the budget compilation at schools exhibits extremes – where at some schools the SGB plays the major role while at some schools, the SMT and/or the finance committee play major roles. Notwithstanding these differences, it is clear that schools do not yet derive their budgets from whole school developed improvement or development plans. It is also peculiar that none of the participants referred to a thorough planning process that is preceded by a situational analysis of the school. In fact, reference is only made to a needs analysis, which does not tell of its relatedness to the school functionality areas. It also seems that the allocated funds for schools being ‘ring-fenced’ determine the budget compilation process rather than the needs of the school apart from the LTSM, services and maintenance as prescribed. This was also evident in questions relating to the budget implementation and monitoring processes.

4.3.4.2 Budgeting implementation and monitoring

As alluded to in Chapter 2, budget implementation and monitoring relate to matters of expenditure and income, and involves seeing to it that spending is in line with the budget. This also involves avoiding large variances between income and expenditure, following proper procedures when virement is needed as well as when procurements are done. Of course these issues are either per legal prescription, per regulations or based on good financial accounting principles. The success of the implementation of measures related to budget implementation is another indicator of the effectiveness of school finance committees (cf. 2.5.1.2). For instance, Principal B indicated that some of the things that they anticipated as a school, they ended up not buying – they compromised and sacrificed some things and ended up adding other items in the following year’s budget. He stated that for example, “*you go and get*

quotations, and this is 2013. You want a computer and it quotes R7 000. Next year, it's R14 000".

On whether spending was in line with the budget, most participants indicated that they were not able to match expenditure with income for various reasons. What was clear though was that it was not always possible to match the two activities. For example, principals A, C, D stated respectively:

Eh, expenditure is not according to the budget because, given the situation, in terms of LTSM, we are expected to procure for each and every child a text book; but that money is not enough. So we end up having deficits ... so it is not easy for us to say money is adequate for management of the school or the running of the school for that particular financial year – Principal A.

Not always, not always, because sometimes we spend everything according to the budget, only to find that our departments [different committees] maybe, they have priorities, things that we may not have budgeted for – then we divert finances to whatever need – Principal C.

Not always. Not always. That I have seen; and that causes the changes and also we just estimate numbers of the learners because we are supposed to draw the budget this year for next year. So you realise that some of the schools have the tendency of growing. So it does not work well really. It's not 100% according to the budget – Principal D.

Mmmm, sometimes we don't spend according to the budget, [laughing] sometimes we use the money that is not supposed to be used. Yes. The principal will have to account for that, sometimes she has the reasons why she did that – FO D.

This was also corroborated by FO A, who said

Ja, it's done according to the budget sometimes, it's not all the time. It happens sometimes, the, our budget exceed school needs. You find that school needs are more than the budget. We write the letter to the District

requesting maybe, that we can use certain amounts from funds allocated for maintenance, LTSM and services because we have so much – please allow us to deviate because most of the time needs are books and stationery for learners.

One of the major reasons cited for the variance in income and expenditure was attributed to the timing of the subsidy from the Department of Education. In this regard Principal H reasoned:

Yes, we try; we try; we try; We try our best to stick to the budget even though it's difficult. Mmm, sometimes you find that there are certain things that come; I think the main thing that disturbs us is the allocation of funds from the Department, because the Department gives us money around May and November. We draw our budget in October and that budget is supposed to last for a year. So sometimes they give us the amount that we did not expect, sometimes a little less, sometimes a little more; but by then, we have already drawn the budget indicating that the expected amount will be this much. So there are variances though they are not very big. If there has to be very big variance, then the governing body has to come back to the drawing table and revisit or review the budget; but so far we haven't had that major problem; we haven't experienced it.

Another reason cited was what could be considered as poor or unrealistic budgeting mistaken for emergencies. For example, Principals J and I respectively stated:

Ja, we do not overspend. We don't overspend even though sometimes it has its own challenges ... Last year we did not budget for emergencies and we had quite a number of emergencies. Let's say for instance money comes in drips and drabs and as it is coming, they [department] are not depositing the entire allocation and that causes the school to lack. Every time when we want something we say 'No let us stall a little

bit and wait until we get some funds'. But we try our level best not to overspend.

No [laughing]. No. That one, I don't want to tell lies. We overspend sometimes. I'll give you things that are emergencies: If learners don't have chairs you need to ensure that they have chairs; If the toilets can break, that is an emergency – whether it was budgeted for or not, you must devise some means. It must be fixed immediately, so that really, we don't stick to the budget

Some principals cited contextual factors for being unable to stick to their budgets. For instance, Principal O cited the case of burglaries at her school, which led to the use of funds that were not budgeted for that. She emphatically commented:

[Staring intently at interviewer, thinking, then clearing throat] No, expenditure is never according to the budget. We struggle with that one. For example, our school circuit breakers were stolen and we bought new ones and paid for labour. We spent close to R16 000 but two days after that, there was a break-in and they were stolen again. Do you see that it's a drawback? That is why our funds become exhausted.

Principal N citing contextual factors stated:

Not always, not always. Sometimes we deviate. Deviation is caused by things like this: once where we say, we budget so much for services; But come billing, you know it is so much that you can't even – say, if this year for electricity per month you paid R12 000, you find that the following year this month in August, neh, it's R216 000. So the gap is so abnormal that it makes us not to be able to stick to our budget.

The gap cited seemed too large a variance to be realistic. However, she was adamant about this inconsistency, which indeed would cause a large budget variance. Principal N went to cite another factor:

For example, in our communities eh, its unlike ex- model C school sport. Remember all learners must participate in extramural activities. Now we are having this team A that is playing for under B, neh, they must go and participate in a league and then you want parents to pay before or for the transport, you realise that 75% of the learners in that team are orphans – they cannot afford. Now you need to sit down and look at another learning area to say: fine, the 5% of Life Skills we can utilise and categorise sport as Life Skills so that at the end of the day, learners are not being disadvantaged. So sometimes the budget becomes a white elephant.

Some participants indicated that though they tried to spend in line with the budget, it sometimes was not possible. The following statements were made in this regard:

We try by all means that we don't go for what we have not budgeted for. If there's anything that we did not budget for, we make means to fundraise to cover it; but now there is a possibility to have necessary means but we are running away from spending more than what we have, in most cases – Principal M.

We do, but sometimes the money from the department is very little and sometimes we have to opt for, fundraising to get money – FO N.

Ja, no we do our best not to overspend. So every month, we check how much do we have left for every item we have budgeted for – Principal E.

Yes, but sometimes you know we overspend somewhere, because of many workshops that educators must attend. If educators were not attending so many workshops, we would not find ourselves overspending – FO E.

Sometimes. Like when there are emergencies. There are a lot of emergencies in a school, but as long as you report and have supporting documents – Principal G.

Sometimes we exceed, but most of the time we try to stick to the budget because we are not supposed to utilise the Section 21 [funds] inappropriately. We must stick to the budget – FO D.

Mmm.... It's a difficult one. Not at all. We try our best to spend according to the budget, but it's impossible. We find ourselves facing many emergencies [and] we end up exhausting our finances – Principal F.

The responses on budget implementation above are deliberately quoted directly because proper budget implementation had serious implications for finance committees' proper execution of the financial management function. Budget monitoring was explored through questions relating to expenditure deviations, virement options and authorisations.

4.3.5 The use of school funds

The proper use of school funds is governed by appropriate policies as outlined in the legislative framework and school finance policies. The effectiveness of the finance committee is dependent on doing things properly. This is informed by guidelines or regulations that pertain to how business should be conducted. In the case of the school finance committee, the finance policy is an important document in that it provides for how financial matters should be handled. The first question I asked was whether there were functional school finance policies.

4.3.5.1 Finance policies

Just as participants indicated that their schools had properly structured finance committees, it was also found that they mostly had finance policies according to their finance officers. FO A expressed a view that revealed this:

Yes, eh, the school cannot run without financial policy especially because we are talking about money, because everything the department, [pause], let me say especially when you deal with petty cash, they want to know how much petty cash per month, how is the telephone used. They ask these questions so that you can limit, if that money is overspent, then have a limited budget for that particular month.

From this statement, one gets a sense that the use of petty cash is regulated by stipulations in the finance policy. Other finance officers simply provided direct answers and most significantly, added that they adhered to the policies. For example, the following statements were made:

Yes, there is a financial policy and we adhere to it – FO B.

Yes, we have, and we adhere to it – FO E.

Yes there is a finance policy, we adhere to it as the finance committee – FO F.

Yes, we do have it here at the school. It guides us how much must we give educators for transport when they attend the meetings. So if they go outside Vaal area maybe when they go to Joburg, there's a minimum amount that is stipulated to give them because we can't say, because it's me the principal you have to give me R500 but if its someone they have to give R100, so we do have a functional financial policy – FO H.

Although most finance officers pronounced their schools as having finance policies and finance committees adhering to them, there were differing views as well, particularly from two finance officers. FO D stated firmly: “*No, at our school we don't have at the moment*” while FO C said:

Yes, we have a financial policy, we do follow it up, I don't know if we follow it up correctly, but we use it.

It must be noted that these appeared to be espoused views about what mainly should be in practice. Other processes concerning how finances are used actually point to gaps in the adherence of finance committees and schools to their finance policies.

4.3.5.2 Purpose for which funds are used

Participants were asked how they ensured that school finances were used expressly to promote the best interests of the learners. This, as pointed out

earlier (see 2.3), implies that the SGB must set and provide the school with a strategic direction as well require accountability from the school.

In response to this question, two principals related directly to their SGBs ensuring this by engaging in school development planning, which in essence provides a framework for allotting funds in terms of needs and expressing them in financial terms through the budgetary processes. In this regard, the following comments were made by two principals, G and M respectively:

Eh, there are due processes before executing any financial action in a school. ... we have a School Development Plan wherein all stakeholders are involved. So basically, that [the SDP] channels all finance of the school to be used entirely for the school to the learners' benefit.

Basically, what informs that school funds, school monies are used to the best interest of the learner, one, we have to plan, that is number one. Basically, here at our school, what we do towards the end of the year, somewhere in November, we have what we call internal whole school evaluation, where we look at our strengths and weaknesses. Then out of that meeting, we come up with School Improvement Plan (SIP) and the School Development Plan, that is, the SDP. SIP is for a short-term; SDP is for a long-term; that is three years. Then out of that, we identify areas that need development and we attach a budget to that. Then it would be easy for us when we go and budget for the school, the whole school budget and then we know that we are having the programmes that have to run for the SIP because SIP covers nine areas of functionality: it will talk of teacher development, it will talk of curriculum, security, infrastructure, all those areas then it has to ensure that teaching and learning take place. Then it will then talk of curriculum which is the core business that promotes the interest of the learners.

The two principals demonstrated a clear understanding of how the SGB should strive to promote the best interests of the learners. Other principals understood the budgeting process as a way of ensuring that finances are used expressly for

promoting the best interests of the learners as expressed in the following statements:

Ja, first of all we've got processes of budget, eh ... drawing of a budget, school budget, annual budget. Those processes inform us on the needs of the school, particularly the learning and teaching support material as well as eh, maintenance of the infrastructure as well as the services because the Department of Education has prescribed, eh, the categories on how you should spend funds in relation to those categories I have mentioned namely LTSM, Services, Maintenance and the latest one Day to Day running of the school eh which is, eh, informed by the number of workshops that educators attend on a daily basis – Principal A.

Ja, in fact as a school, we sit down and do budget and we prioritise things. W, We, We rate things in terms of priority before we purchase. Whatever we buy it must have an effect in the classroom, which means in our budget. So we promote [thinking] the ... what you call? The normal running of the school and learners must benefit at the end of the day, teachers must ensure that learners become winners at the end of the day, yes – Principal C.

Firstly we don't work alone. The SGB according to SASA is responsible for the finances of school and to see that everything is spent to the benefit of the learners and the school. So when we budget and we plan, our motto is everything must benefit the learners and the education of the learners. So eh, we concentrate on that when planning and budgeting and we don't spend on ourselves or other things besides that – Principal E.

As the SGB, we normally write down the budget. We start with the needs of the school. Then we draw the budget and we present the budget to the school community, which is the parents. Once the money is ... [did not finish the statement] because we get our money from the state for buying the LTSM and the service and maintenance. Once we get from the state,

we also do our fundraising activities to ensure that we meet all the needs of the school, so by ensuring that the school finances are used expressly for promoting the best interest is by ensuring that all the needs of the school are met and that the finances are used appropriately and efficiently – Principal H.

I think credit by the budget, we need to stick to the budget and whatever we have budgeted, I think must be bought and also with learners, is LTSM, which I think is first priority which should be regarded as one of the aspects of finances that needs to be dealt with – ensuring that all learners have stationery, have writing utensils, they have desk in classrooms that are conducive to teaching and learners – Principal I.

The emphasis for these principals seems to be on adhering to the school budgets as a way of ensuring that money is spent on promoting the needs of the learners. While this was the case with the principals as detailed above, other principals seemed to put emphasis on spending money in terms of the allocation from the Department and ensuring no deviations. Alternatively, they applied for virement in cases where funds had to be shifted between and among different accounts. The following statements indicated this:

I think the allocation as it comes it speaks to me to say this amount must be utilised specifically for this and I must make sure that I utilise it according to the allocation and then if there is a surplus, it is then that I will say, this will go to that but also the main focus should always be learners. So I'm making sure that each and everything that I do even if it goes to an extent of saying `utilise this for other purposes as long as it benefit the learners. I jump the allocation if there's a need but needs to be attended to, only when there's a surplus somewhere, there something that is called, the virement, like for instance now as we speak I've done that. I utilised the LTSM money – I've bought a book for each and every learner, stationery, everything. They have also checked if that is done They found out that I've done almost everything but the surplus that is

left I've applied for virement and you know what? With that virement I bought chairs for the learners... – Principal D.

We actually do needs analysis and, eh, when we do needs analysis we look at the core businesses of the department, which is curriculum deliver. So we make sure that more money is spent for teaching in the classroom. We don't deviate from the allocation. – Principal N.

The following three principals mentioned other issues with regard to ensuring that finances were used to the benefit of learners. Principal B related this to being transparent. He reasoned that *“First and foremost, what is key is transparency and also total participation of all relevant stakeholders, ranging from educators, committees that they are serving within and these committees are committees of the SGB so there should be a link between all the relevant stakeholders within the institution”*.

Principal F stated that *“The SGB of the school makes it its priority to put learner's needs first – we think of learners needs first before anything else. We make sure that environment is conducive to learning.”* Principal O made the comment that *“... it is my duty together with the SGB to make sure that learning takes place, so we make sure that all the resources are bought, for example learners' stationery, textbooks, pencils and pens are bought. Teachers teach learners learn”*.

The statements by the principals indicate that they conduct a need analysis before school resources are purchased. Even though they earlier mentioned that the allocated money from the department was too little, they made sure that learner support materials are purchased and learning takes place in classrooms. Maybe the reason for these principals who emphasised the buying of resources is that they tried to give educators an opportunity to enter for teacher awards. That way, both the educators and learners benefit.

Principal B knew that in order for stakeholders to develop confidence in the finance committee's financial accountability, they should by all means be transparent in all their actions, including reporting.

4.3.5.3 *Expenditure deviations and approval for virement*

Since deviations from the budget are a serious concern in financial accountability, participants were asked how they dealt with budget variances and deviations and who approved such deviations when they occurred. Participants' responses mostly indicated helplessness in dealing with the issue of budget variances, deviations and virement. Some referred to such situations as a predicament they faced, while some referred to fundraising as a way of dealing with it, although that also was not very helpful either. A case in point was articulated by Principals A, D, B and G who respectively stated:

Mmm, you see, it is also a similar question, whereby we find ourselves in a predicament whereby we end up not having some of the things that we should have bought.

You know on that one, we suffer a lot because the schools are non-fee paying schools, and if you look: Why are they non-fee paying schools? You ask yourself: If you say you fundraise, how much do you expect parents to contribute? That becomes a challenge. So we, we try to fundraise – some trips, civvies and all those that we know how we manage, other than that, there is absolute nothing that we're getting.

[Quiet for some time] That one, it's a challenge because it means some of the things you anticipated, you are not going to get or achieve, but we eh, [laughing], I don't know whether it's correct. We always compromise – sacrifice some things, we'll maybe say we cannot be able to obtain this and lets maybe put it in abeyance for next year or so. So sometimes you go and get quotations and this is 2013. You want a computer – quotes you R7000. Next year it's R14000 [laughing].

[Thinking hard] Budget variances as in imbalances? Some projects we don't do [smiling] if they are least important, so we just so maar put them aside, and we also augment with fundraising. That is what we do.

Clearly from these statements, there is helplessness and a bleak outlook. Notably, participants stated that at in the end, some priorities were sacrificed. In

fact, some needs were never addressed. In this regard, Principal A stated an example:

... for instance, I can tell you: We've got a library here. Our library percentage in terms of the allocation is not adequate to establish a standard library ... and it has been a long time. So even if we go out to try to get funds from the private sector – You know, I don't want to sound political, but private sector is owned by whites and they are not willing to assist particular public schools [township schools]. They would always say 'the government is giving you money' – so they are unable to assist.

Other principals indicated that deviations and budget variances were caused by among others, poor planning, lack of know-how regarding fundraising and the staggered financial allocation from the Department. This had resulted in their trying other means of closing the gaps caused by deviations from the budgets. The following statements indicate these views:

Ooh... this is also a challenge, really because sometimes, you find that the variance is so huge eh, so huge and filling up the gap is difficult, even fundraising money won't do it. So variance is a big, big, challenge really ... because most of the schools, especially township schools – we don't know how to raise funds. So dealing with this, you need that the funds that you have fundraised are the ones that are going to cater for the variances – Principal I.

Ja, we, eh, at the end, we look at the budget in general and it sometimes happens that you have budgeted a certain amount and, for example, it's bank charges or whatever, and its more than. We will sit down and see how we can cover that extra cost with perhaps school fund or fundraising – Principal E.

... the money [allocation from Department] does not come in a lump sum. We try our level best to stall, because this is a process ... I'll make a practical example of cleaning material: We need cleaning material but funds are exhausted – We stall. We use water and become creative,

instead of using water, soap and so forth, we come up with other means
– Principal J.

Basically we had such problems in the past and we noticed that it was because of poor planning; because you know that we have Section 21. When it comes, we said as a school, 'we are going to fundraise R50 000' ... but now at times, teachers are not cooperative in terms of raising funds ... so now we've learnt: We said: Good people, if we know that we cannot reach this target, let's go to the limit that we can afford, so that all activities take place. Then we can now say things that we did not do this year, we will do the following year – that is planning, but basically, we learnt from that. We are coming from that experience – Principal M.

It is a very difficult one it's a very difficult one because for instance, budget variance from one year to another like for example, instead for the budget going up, it is going down and the inflation is going up. You get the point? Now, we are having a serious challenge regarding the budget. But we sit down and we discuss it as the FINCOM. We discuss with everybody. I also discuss it with parents and at the end of the day, we get a solution – Principal N.

A few peculiarities were noted in the principals' responses. Among others, some displayed body language that indicated uncertainty about the issues discussed in financial management terms. For example, I had to explain what budget variances and virement meant before they could respond. At some stages, they hesitated and exhibited deep thought in giving responses. This hinted at their not being fully hands-on on many financial management issues. Furthermore, some principals rarely made reference to the finance committees and activities they engaged in as regards the questions dealt with. This was further observed in the case of finance officers who seemed to give spontaneous answers and guarded ones when their principals requested to sit in the interviews.

The other question related to who approved deviations from the budget. Answers largely indicated that the Department, *via*, the District Office and

IDSOs were responsible for approving deviations. I sensed that such deviations were in the form of virement regarding funds among and between allocated funds. For instance, schools had to get approval for shifting funds between, say, LTSM to maintenance or to services, and vice versa. However, responses from finance officers and principals seemed to differ as regards approval of deviations. The following responses from the finance officers largely express the view that decisions to approve deviations were taken at school:

The principal, yes we ask the principal first, then she gives us the go-ahead – FO N.

Mmm, the SGB chairperson will meet with the principal and the finance committee. Then the finance committee will decide, so nobody does it alone – always the finance committee is in charge – FO H.

The treasurer, in fact is the principal as well as the SGB itself, no one specifically but the SGB – FO G.

The following statements indicate that the Department via the District and IDSOs give approval for deviations and virements:

We must first write a letter to the District Office so that they must give us the go-ahead, that is if there are certain amounts left in maybe maintenance funds, we can, we use that money. We first apply – FO F.

The District. The principal and the SGB and the finance committee – they write a letter requesting permission from the IDSO – FO E.

This view was also expressed by principals as seen in the following responses:

It's the District. You need to consult the District as the school. As the SGB you don't do it on your own. You have to write a letter to the District and tell them that this is what we need – we have this fund we haven't utilised. Can we deviate as we have a challenge in this? Can you give us permission to utilise that money for that specific reason? – Principal I.

The District Director. You see, the resource allocation as it comes to you states clearly down there to say eh, for any variation, you need to write a

letter to the District Director and then you get approval before you can even start using that amount. I've done it once like I've mentioned earlier on to say, this year in LTSM, I've spent for every learner that we have estimated for next year and then after spending I wrote a letter. – Principal D.

Eh, Ja, deviations must be approved firstly by the finance committee and then by the SGB and if it's a big deviation, like say, you have services' money left at the end of the financial year and you have to apply for it at the District and the District Director basically must, with your IDSO approve that – Principal E.

Mmmm, you know? I don't know because eh, let's say, what I know is when for an example, we have eh, enough money that is left for an example, let's take LTSM for an example. Maybe we are left with something like R20 000, we have exhausted all our needs, then we can be able to make a virement. We apply for virement and then the District Director will be the one who approves that. The committee that is in charge is the one that writes the letter to the District Director, but the chairperson of the SGB must append his or her signature – Principal B.

Principal M and J went on to clarify virement that was approved internally. They respectively stated the following:

... but now there is what we call fundraising, that is, for school fund. The money that we raise as a school, that is outside [the Departmental allocation], then for that is raised by us. It's us who did those activities to raise those funds. Then we discuss it and approve a virement through the finance committee that is reporting to the SGB.

Deviations from the budget? If there are deviations that we need to do, as the finance committee, we can't do it on our own. We go back to the SGB and make them aware of the need and that they should allow us to move this fund to that fund. After getting the agreement, is then that we say it's working – in other words, the budget that is planned for. But with

the departmental funds, we don't deviate without their permission. We ask for permission from the Department of Education - from the District Office because if we can do that; that would be misconduct.

On how finance committees controlled expenditure as part of monitoring of expenditure and income, some interesting comments were made by finance officers. Among others, the following were notable:

Ja, we control it. As I've said, we have different files and it is the way we use to control because if you do not have files you won't be able to control your finances and like civvies money, we control it by asking the teacher who is in the SGB to be in charge of the fundraising money and there are committees for different things. They all bring the money to the administrators – FO A.

It's difficult because sometimes we are unable to follow up the budget because of some of the things that crop up and were not budgeted for and those things must be catered for – FO C.

[Laughs] How do we control it? We write down. We have like, let's say, LTSM we were allocated R40 000. After maybe buying, let's say, the textbooks are R20 000, then we write down; Okay, our balance is this now – we are left with R20 000, then we are left with R20 000. That's how we do it – FO D.

I balance that I had this amount and I've spent so much, so much is left and we have this much – FO E.

Okay we first check how much we have budgeted for telephones, then according to that amount, we have this template that we are working on from the District Office. Maybe the telephone has been allocated eh, R10 000 or R12 000. We make sure that we don't exceed that amount – FO F.

Eh, we control the expenditure by trying, eh, so hard not to go beyond the budget, because, I mean, if you allow yourselves to spend more than you budgeted for, it means you operate on dry coffers – FO G.

Mmm, by keeping the expenses to the minimum [laughing]. So by making three quotations for everything that we do because if we don't make quotations, we will find ourselves eh, [laughing] exhausting our money. Ja. So before we can do eh, any expenses, we find first the quotations to see which one suits us – FO H.

Sometimes it's very tough. Then I'll have to ask the principal what to do, where to go and she helps me a lot – FO N.

An interesting observation out of finance officers' responses to how expenditure was controlled was that although they seemed to know their roles, the execution of such roles was dependent on school circumstances. In fact, there seemed to be no formal system of control – at least from their responses. For instance, their role within the finance committees with regard to expenditure control was not clear, that is, how their individual control roles in relation to the functioning of the finance committees were in line with the financial control policies. Probes in this regard, elicited ambiguous responses as quoted mostly above and, the best response that seemed to represent what happened at school as expressed by FO N that “*Sometimes it's very tough. Then I'll have to ask the principal what to do, where to go and she helps me a lot*” and FO C that “*It's difficult because sometimes we are unable to follow up the budget because of some of the things that crop up and some of those things that were not budgeted for and those things must be catered for*”.

4.3.5.4 Financial administration

Financial administration was explored by looking at the day-to-day administration of finances, bookkeeping and financial recording. Principals largely indicated that the day-to-day finance administration was done by the finance officer. This would include among others, receiving monies, issuing receipts, recording, dealing with petty cash issues, banking monies collected on

a daily basis and compiling the necessary reports. In that regard, it was clear that the principals played an oversight and monitoring role. These were articulated among other statements by the following:

Ja, the day-to-day financial matters is eh, the school has a financial officer which is, eh, a clerk or administrative assistant. That particular person is able to issue out petty cash and identify where there's a need for or shortages of petty cash so that we can also go to the treasurer and indicate that, eh, we've got a shortage in terms of day-to-day running of the finances – Principal A.

In our institution we are making use of our finance officer. She is the one who is responsible for the daily running of the finances. Yes, and that person should be appointed by the SGB – a letter speaking to that should be available, eh, yes – Principal B.

The financial officer is the one who is running the day-to-day affairs of the school – Principal K.

Eh, the-day-to day administration of financial matters is dealt with by the administrator. We only have one. Fortunately she is doing everything on daily basis – Principal L.

However, some puzzling responses were also given by other principals. Principals C, O and M respectively stated:

Obviously is the principal. He is the one who is responsible for the day-to-day running of the finances because he is there and he acts as a CEO of the company, Then we, we — [sentence lingers and unfinished]. A CEO of the school is the one who is taking the responsibility. When teachers go to workshops, the principal must decide all those things.

Eh, [Laughing]. Myself as the accounting officer and finance officer. [Quiet for some time]. I want to highlight that the finance officer does most of the job, when educators attend workshops they inform her so that she can prepare money for transport, then she informs me. Once I

approve, she will then give the money to educators. Ja, that's how we do things at this school.

That is the principal, eh, the principal is in charge in running day-to-day finance affairs or matters, working hand in hand with the finance officer. The finance officer gets the instructions from the principal. That is how it works because basically, even when the teacher has to go for a workshop, he/she has to get petty cash to attend the workshop and he/she cannot go straight, direct to the Finance Officer and say 'I'm going I need this'. He/She must first inform the principal about the workshop, then the principal will be reporting to the finance officer, 'I authorise that you give so and so, so much and so and so, so much. This has to be bought for visitors' catering' and so on; and then she does that and reports to me. Then I make a point that I monitor the relevant documentation. That's how we work at our institution.

What is peculiar about the statements made above is the emphasis of the principals on themselves regarding day-to-day administration of financial matters. The finance officers, while acknowledged as playing a role, seem to play a secondary role or getting instructions on what to do. Even more notable, is that the principals above do not make reference to daily tasks like collecting monies, banking, issuing receipts, recording and bookkeeping.

Another puzzling statement was that of Principal D who stated it was the finance officer's responsibility – that of the day-to-day administration of finances, but says it is unfortunate that this is so. She stated:

Unfortunately here is the finance officer who is the administrator. Eh, she was elected by the SGB to be the finance officer. So she keeps records on daily basis and then once a week she comes to my office so we update almost everything. She hands over books and everything, but on daily basis she is the one who is doing almost everything. I'm saying unfortunately because I thought maybe I can be the one who is expected to do that because these workshops sometimes they give different views.

Hence I'm saying unfortunately because I know for sure, if I'm expected to do that, I would be able to, hence I'm saying that. Circular 13 of 2000 says almost every day I must get a report but unfortunately it's not possible. That one I want to be fair with you, does not work on daily basis I can't, it's not possible.

What is puzzling about Principal D's reasoning is why it is unfortunate that the finance officer administer finances daily, especially considering what is involved in doing so (see 2.4.1.3). Furthermore, the fact that she says she must get a report almost every day is not possible, while she was of the opinion that she could be the one expected to do that and also asserts "*Hence I'm saying unfortunately because I know for sure, if I'm expected to do that, I would be able to*" is also puzzling. What comes out clearly from her assertions is that the information from workshops is inconsistent or she does not understand the role of the finance officer regarding the day-to-day administration of finances.

Other principals gave views that suggested their pivotal role in the daily administration of school finances as well as including the treasurer and the finance officer.

The person who is responsible for that, it's me. I'm also assisted by my administrator [mentioning administrator's name]. It's, let's say for instance, there are needs. It might happen as we are sitting here, we've got an emergency. The finance committee is not here. That does not mean that I cannot deal with the matter. I can contact them via my phone and inform them about what's actually happening. If they are available, they can process that and after processing that, we meet and solve the problem whilst the finance committee is not sitting physically in here; because we cannot allow that waste – waiting for the finance committee to meet in the evening – Principal J.

Eh, the SGB appointed me as manager of the school as well as [pause], we've got eh, a financial officer. So, myself and the financial officer and the treasurer, we work hand in hand in the day-to-day administration of the financial matters – Principal E.

Is the principal; is the principal. So what we do, we have one educator who deals with the, what do we call this? He works hand in hand with me. ... When we go for trips, eh, workshops and everything, there's an educator that we have identified, he brings names of people who will be going for workshops and collects trip money and brings it to the office. So the two of us are doing that on a day-to-day basis – Principal I.

Yes, day-to-day, it is the administrative officer – Principal N.

Even these instances suggest strongly the principals' involvement as being prominent. It can be noted at this stage again that the role of daily financial administration is mentioned as the role of the finance committee, the finance officer, and the implications of the finance policy, which issues can be a source of ineffectiveness of the finance committee.

It was, however, notable that despite the prominent role principals seemed to be playing in daily financial administration, the role and presence of finance officers were acknowledged. This became clear when participants related to keeping financial records and making sure that they were updated. With this question, of the seven of the ten finance officers, said it was the responsibility of the finance officer to make sure that all the documents, receipts and registers were kept safely and the remaining three said it was the responsibility of the finance officer and the principal to keep records up to date. In their daily finance administration, finance officers also included tasks like completing requisition forms, seeing to the acquisition of necessary quotations for procurement of goods and services, facilitating the approval of expenditure by the finance committee and the signing and issuing of cheques by the treasurer of the SGB.

It was also found that finance officers largely were responsible for preparing records for and submitting them to the auditors. All respondents said it was the duty of the finance officer to prepare and submit financial records for auditing. Finance officers indicated that auditing was very important because it was through auditing that the management of finances could be controlled. In their responses, they reported that auditing was carried out annually. Seven out of

ten finance officers said they were the ones who prepared financial records at their schools – two said it was the duty of the finance officers assisted by the principal to prepare records and one said she as the administrator assisted by the finance committee had to prepare financial records. The following statements represent some of the responses to the question of who kept financial records updated:

The finance clerk prepares the finance records for auditing, then from the auditors, we get a statement that says our books have been audited. Yes. Then from there the finance committee together with the entire SGB sign the statement – FO D.

The financial administrator, me – FO A.

Myself, I am the one who balances books, me as administrator – FO C.

Myself and the principal – FO H.

The financial administrator and the principal – FO N.

Similar responses were given regarding preparing and submitting records for auditing. All finance officers indicated that their financial records had been audited the previous year as well as in other years. They indicated that there were certificates from auditors to that effect. Typical responses to auditing of financial records included the following:

Yes, because if we didn't, we would have not received this year's funding. – FO A.

Myself, I prepare the financial records. The auditors need those petty cash records at the beginning of the year and for the previous year, they need the requisition forms which have receipts, the invoices, quotations and returned cheques, the income and expenditure records and then I complete them and give them to the auditors. We do the audit to check how best we did for the year – FO H.

It is important to note that all Section 21 schools are expected to submit their audited financial statements to the Department of Education so that the Department can release allocated funds for the following year. This is an important and effective measure to ensure and compel schools to manage finances properly and have them professionally audited as is required by the Schools Act.

4.3.6 **Financial reporting**

Financial reporting was explored insofar as the SGB and parents were concerned as well as what the reports were about.

On whether the SGB received regular reports on the state of school funds, participants generally indicated affirmative responses, though varied. For instance, Principal A stated that once per term, in the SGB meeting they made sure that they “*disseminate information in relation to expenditure as well as the income, particularly where we spent money and where we’ve made fundraisings. So we give full report to the full component of the SGB*”. He further indicated that such financial reports were presented by “*both the finance officer and the school principal as well as, eh, the treasurer; because the treasurer is also hands on in issuing of cheques as well as scrutinising the invoices and the names of service providers so that these service providers are not ghost service providers*”. However, FO A gave a different response. She indicated that the SGB was given financial reports “*quarterly when we meet in the meetings*”. This was noted as a discrepancy in the responses pertaining to the same issue. FO A also indicated that the reports were usually:

... about all the books [showing file cabinet] , e.g. maintenance, day-to-day, workshops, catering and, [checking herself] but catering has got its own funds separately. Department allocates funds for workshops, so these other ones, e.g. catering we use fundraised money. When we meet the SGB, we bring all the finance books, they want to know how money was spent, they want to know where we lack so that they can become involved if we’re experiencing difficulties.

Principal C's response was somewhat different in that he was the one reporting to the SGB on other issues. He stated:

I think the chairperson; the chairperson is the one who's supposed to give the reports to the SGB. In my case, I report as a principal to SGB for those things that are happening during contact time because they are not there but in most cases we have CS-educators² who are part of SGB. They know and they see what is happening in the school so it's easy. It's easy for them to report, so all of us, we report to the SGB.

Principal C went on to explain he was the one who reported to the SGB. He reasoned:

Obviously is the principal, he is the one who is responsible for the day-to-day running of the finances because he is there and he acts as a CEO of the company. Then we, we, a CEO of the school is the one who is taking the responsibility when teachers go to workshops – the principal must decide all those things.

FO C indicated that the SGB was given financial reports on a quarterly basis. Asked what the reports were about, she interestingly responded: "I won't be able to answer that one". Principal D also gave a clear response to whether the SGB received regular financial reports from the finance committee:

Definitely, hence I'm saying some other questions I'll be speaking specifically to my school okay [hmmm]. This school, since, on my arrival we have our programme of our meetings with the SGB there is no SGB meeting that sits before the FC sits, so the first meeting that sits is the FC to clarify records and those records will be taken to the SGB where the SGB, the whole component will be sitting and criticizing whatever they think as we get out of that straight to the parents regularly so parent are getting reports once a term but SGB two or three times per term.

² Colleges- and school-based educators

Principal D also indicated that the treasurer as chairperson of the finance committee presented the report to the SGB. Interestingly, Principal D's finance officer (FO D) indicated that they "give the SGB the report, every month before we go to parents" and that the report usually was about "The incoming money, ... How much we received? The expenditures and the balance for the quarter".

Principal E and FO E both indicated that reports were given monthly to the SGB and it was presented by the treasurer. FO E also indicated that the report was "about things that were bought that month, we report that maybe from maintenance we bought this, LTSM we bought that, we had fundraising and we collected so much and we had civvies and we collected this amount".

Principal G gave an elaborate answer on the question of the finance committee reporting to the SGB. She stated:

Yes, it does. I want to show you our file, [fetching the file] ... We have a finance file in our institution. The first page of the file is the final resource allocation and we also include the budget and then ... expenses or cheques returned – cheques from the bank are kept in plastic pocket in that file with the original bank statement and then each month, the school request a R1000 [petty cash money] and then right at the end of the month, we get the finance officer to record like this [showing records]. Say, this is petty cash voucher, this is number 10 – they have a sequence and they sign. They've got original signatures of educators, as you can see, he has to account for the R1000. ... Everything is recorded and is signed for by the SGB. Yes, and they get reports at the end the month. The crucial one is the petty cash because he has to account for each and every cent. Cheques are easy because we compare the invoices. At the end of the month we meet with the finance committee and then we give them reports. Thereafter we also all account for petty cash. Yes, yes. Then we also give them eh, in fact, future expenses – they sign for those cheques with quotation and cheque requisition forms. Ja this is what happens.

On who gave the report, Principal G answered that the compilation of the report was done by the administrator and the actual report *“is given by the principal to the FINCOM, then the entire SGB, because usually the chairperson, you know, they are illiterate they can’t, they don’t have confidence in doing that”*. To this explanation, FO G added that the report was about *“expenditures and the needs, something that still need to be bought and everything that involves finances like if we have a trip maybe, like fundraising, everything activities that we did that involves money must be updated from time to time”*. Principal F also stated that the SGB gets regular reports on the state of finances and that they *“give them monthly reports especially because we agreed during the AGM that we will check ourselves monthly, which of the activities on the budget that we have achieved and which are outstanding, so we give the SGB monthly report”*. He went on to state: *“The treasurer gives this report, but sometimes I assist the treasurer and sometimes if the finance officer wishes to explain something, we give her the platform to do so. It is the treasurer’s role”*. Though the principal (F) said the reports were given monthly, the finance officer (FO F), in this case also differed and indicated that this happened once per term.

This difference in explanations of the same issue was also evident in the case of Principal H, who stated:

Of course, of course we have four meetings in a year, four formal meetings, there’s one meeting per term for the full SGB but the executive members of the governing body meets twice a month especially for attending to financial issues because the principal as the day-to-day manager of the school cannot wait for a meeting that is going to be scheduled for a term, once in three months, so for some of the financial matters to be attended to, the executive consists of the chairperson of the governing body and the financial officer and the principal. So we normally meet per fortnight to attend to urgent matters, even if we have done some fundraising we tend to report in those meetings we have civvies or anything that happened. [showing analysis book] with rewards.

The finance officer (FO H), however, indicated that the reports were given to the SGB every month. Principal H also stated the finance officer presented the report:

“... because she is the one who is responsible for collecting the money. If for instance, in a case of civvies, she goes out to collect money from the classrooms, and then she issues each class with a receipt. She is responsible for banking the money, she is responsible for petty cash and she brings her report on a weekly basis for petty cash. I check the report I’m not handing the money because I have to hold her accountable if I do it myself, no one will hold me accountable. So I let her do all the duties, so that she reports to me. I check if something is not alright then I return them and say please add this”.

For Principal I, it was a challenge to report to the SGB about the status of school finances. She stated in this regard:

Eh, this one is difficult to answer because sometimes we schedule meetings and we don’t meet, but according to policies, whenever we meet they [the SGB] must be given a report as I stated earlier.

Principal O also bemoaned challenges with regard to the SGB getting regular financial reports. She stated:

Eh, yes, although this is a challenge. In our planning, we schedule dates for meetings, but sometimes those meetings do not take place. Sometimes parents don’t pitch, sometimes the principal is not available then we postpone Eh, in short I can say we do meet but not regularly.

She also explained that the report must be given by the treasurer *“but, if I can be honest with you, it is given by me. The treasurer is not competent enough to do that. He rushes whenever asked to give a report. He will just read the report quickly, does not pause to check whether other members are listening or not, so I end up giving the report”.*

An interesting comment with regard to the SGB getting regular reports on the school's financial status came from Principal L who said:

Yes, the SGB are allowed to come to school whenever they wish to, but they have to make an appointment so that they can get the reports at least once a month.

Interestingly also, Principal L stated the following about who presented the financial report to the SGB:

Eh, I think myself as accounting officer. I'm the one giving the feedback to the SGB – the report.

Finance officers were asked whether parents get a full financial report and, if they do, how many times in a year. They indicated that parents got a full financial report, with six out of ten of the finance officers saying parents get the report once a year, two saying twice a year, one saying three times a year and one saying four times a year.

Ja, mostly we have three meetings with the parents, with regard to finances, it's where parents are given a report and the complete report is the one that parents get at the end of the year where they are informed that from January to December this is how money was spent, this is what is left or nothing is left, and how things will be run next year FO- A.

Yes, parents do get a full financial report and I think four times a year because in the first quarter we have parents meeting we give them financial report, second, third and fourth. FO- E.

I think we give them only once. So we stipulate once. I think we do once towards the end of the year. We stipulate how much was our income, how much was our expenditure and how much was our bank charges. We calculate them and we make copies and give them to parents on the day of the meeting FO H.

Finance officers F and N gave interesting statements regarding reports on financial matters to parents. According to FO N, parents, in her own words, “do get a report eh, at the beginning and at the end of the year”; while FO F stated:

Mmm, I think we give them only once [laugh], so we stipulate. Once? [quiet for some time] I think we do it. Yeah, once towards the end of the year, we stipulate how much was our income how much was our expenditure and how much was our, our, bank charges. ... If they have questions, they will ask, eh, we answer those questions .Yes.

It seems from the responses to the question of parents getting full financial reports, that there are reasons to believe that parents do not get full financial statements. Firstly, the fact that the number of times cited differs suggests that the information given may not be completely true. This is borne by the fact that the participants’ schools are generally in the same locality and the trend is for schools to act similarly in most cases as well as the fact that being in the same districts, they would be directed to engage in similar practices. Secondly, the body language of some finance officers – laughing, pausing to think and give well-considered responses – suggest that the information given was not as realistic as would be expected from spontaneous responses.

4.3.7 Finance committee effectiveness

Principals were asked to give their impression of whether their finance committees were effective in their duties. The majority of the participating principals expressed opinions suggesting that finance committees were not very effective in executing their duties, though other principals felt that their finance committees were to an extent effective, except for a few challenges.

Principal A mentioned that it was not easy for the finance committee to manage school finances effectively, because, as he stated in his own words, “*What I can tell you eh, it’s not easy for the finance committee to be effective because school finances are on daily basis, yet these parents, to find them is difficult. It’s difficult to have them at school at any given time*”. Seemingly this is because most of the time, they [parents] are not at school – they are at work or at home.

Therefore, they do not know the day-to-day running of the school, especially where finances are concerned. Principal A further stated that sometimes he would arrange a meeting with the parents in the afternoon and still they would not show up and sometimes the meeting would sit without the treasurer or the chairperson.

Principal A also mentioned that the finance committee does not understand its duties, especially the parents in the SGB as “*they feel as if they are tasked with the money that should be directed to their interest and needs*” and this sometimes brought conflict especially when the committee was supposed to find a service provider. SGB members (parents) would show interest and seek to benefit, ignoring the stipulation in the Schools Act that says once a member has interest in an issue, he/she must recuse himself/herself from that activity. In this regard, Principal I bemoaned especially the treasurers who she felt came with their own presumptions, thinking that they would do whatever they liked with the school money and yet most members “*come without any knowledge and some of them, even if you tell them that this is how this is being run, they will not listen or understand*”. Principal C commented particularly about the lack of expertise:

Finance committee does not have the expertise. They don't have the know-how. So in most cases they are dominated by the principal because he/she is the only one in the committee who has the knowledge on how to manage finances. Therefore we can't say the finance committee is effective. In future the responsibility of managing finances must be given to the principals because some of the parents do not even contribute or give input during SGB meetings.

Principal G's response to the question about the effectiveness of the finance committee regarding finances was that she knew what she was doing. As for her administrator, whose had 12 years' experience, she strangely did not know her duties and needed to be constantly reminded to make copies of receipts and file them.

Principal F was very forthright in his perception of the finance committee effectiveness as he asserted:

No, the parents in the finance committee know nothing about SASA, PFMA. They need to be trained first before they are given this huge responsibility. Even the finance officers; they have very little knowledge especially in school where they change portfolios: one year this FO is in the FINCOM, the next year the other one gets the opportunity to work with finances. The one who was trained is no longer part of the FINCOM.

Principal O vented her frustration when responding to the question of her perceptions of finance committee effectiveness. She stated:

I really think the finance committee is not competent enough to carry out their duties, eh, the parents know nothing., I must always guide them, give them direction, which I don't mind doing, but the fact that I must always remind them of the things I explained before drives me crazy. They agree on everything I suggest. Managing finances is a huge responsibility. The finance committee is not effective. It's a strain on me to work with people who know nothing about their roles. Ja ...

Principal N also raised problems related to finance language, which parent members did not understand. She remarked:

Eh, the question that you are raising is what was raised as a concern in one of our SGB cluster meetings to say the training that the SGB receives from the Department of Education and the people that they hire it is not enough. One, finance has its own terminology, curriculum has its own terminology, maintenance has got its own terminology, services has its own terminology; and these parents are expected to manage these terminologies that are so many that they come across in a very short space of time. Sometimes we find them approving because they fear that 'I might be seen as somebody who does not know', but more often than not, you know sometimes you call them as a formality to say 'Please come let discuss this' but eh, they'll be asking you as a principal 'Ma'am

what do you think we can do?’ You end up realising that it means even if I did not call these people; it would still be the same as taking the decisions on my own.

Some principals sounded more positive and painted a picture indicating that finance committees could be effective. Principal D in this regard said:

... the participation of the finance committee lies solemnly on the principal of the school because he/she needs to lead them and involve them; their role is determined by the ex-officio; If you don’t call them; if you don’t draw the programme, the finance committee won’t be effective.

Principal H made a similar point:

“Yes, they are effective because I make sure that I maintain a good relationship, so that the committee members can feel free to approach me. I work closely with the finance officer; I show her everything that needs to be done. I even allow her to report to other members of the committee on what she and I did when running day-to-day activities”.

Though mixed responses were received, and different issues were emphasised as weaknesses and/or strengths, principals’ views regarding the effectiveness of finance committees suggested that the finance committees were not as effective as they should be. This was made even clearer when challenges regarding financial management were analysed.

4.3.8 Challenges experienced in the management of school funds

Participants indicated a variety of what they perceived as challenges experienced in the management of school funds. The one challenge raised by participants concerned the inadequacy of allocated funds from the Department. The following comments to this effect were made:

Financial management is a challenge. We are expected to run schools with little funds. The money we are given is very little. If only the department can do something about that – Principal F.

The challenge that we experience is running the school with little funds – needs are too high, funds are too limited. Funds are, we are given funds according to the total number of learners that we have at our school. It becomes so impossible because funds are limited and needs are high – Principal J.

Eh, this one is a very difficult one, because our school is very small. So the allocation given to us is not enough for the smooth running of the school, even if we do have some fundraising. We also experience some problems; you know, because of the numbers, we are not meeting our targets. The department doesn't take into consideration some of the things like, they give you the allocation according to the learner ratio 1:40 because we are a primary school; not considering other things like services and maintenance of the school, how big the school yard is. So they just give you that. They forget all those things: the municipality, bills and all that, it's a challenge, ja – Principal L.

The allocation money is not enough. The department must do something, we cannot work this way, they must increase it. Most of the money goes to LTSM. I don't want to talk about services. We have bills that are outstanding. It's a serious challenge. We can't even have SGB posts, where will the money come from to pay those teachers, because the little that we get from fundraising we use for other things – Principal L.

Another challenge mentioned related to the requirements stipulated for the use of allocated funds in terms of the fact that allocated funds were “ring-fenced” in the sense that the amounts to be used for the three main accounts, namely LTSM, services and maintenance were prescribed. For instance, Principal A stated this challenge by way of an example:

Ja, you see, with challenges that we have, you find the service providers like I've mentioned Eskom, say for instance in a scenario whereby a school has been allocated an amount of R120 000 for 12 months for services. We are going to have to pay, eh, an average of R10 000 for the

bill every month at Eskom. That whole money of 10 x 12 gives you a total of R120 000 the whole money goes to Eskom and yet, we've got Emfuleni which also bills us for the rates and taxes. So we are unable to go to that level. So we've got Telkom again, whereby we expected to pay for our internet as well as our telephone bill. So this is really frustrating, eh, but we're trying our level best to make sure that maybe, if Eskom is expecting us to pay R10 000, we will pay R5 000; then we pay others R2000.

Other participants indicated their challenge as balancing the budget with the expenditure against the needs of the school and generally alluded to the shortage of financial management skills. In this regard, Principal D stated:

Ja, the challenge I am experiencing basically, so far, is that one of saying we budget, but needs are more. What we budgeted for and what we get is too little as per our needs at school. Now, we struggle a lot to put balances so that on its own, as the principal, when it comes to management, is a challenge; because you need to think what is that, that can be done so that the management process is always in order. That is the challenge that basically I'm coming across: to say use your brain.

Principal M also alluded to poor or lack of knowledge for managing finances:

... as principal custodian of policy and the constitution requirements [constitutional right], we are not empowered that much to know everything. For instance, when I was having auditing from the department, one was not aware that I must keep a file of eh, of the service provider's tax clearance – if you buy for more than R30 000, then that company must give you a tax clearance. I used to buy for R60 000 and so on without keeping them. I was only made aware by auditors; that's when I started to keep them. Another audit came, eh, there was something that was, I can't remember what was it, oh: database. I've never kept a database of my service providers, so that if I use companies that, let's say it's Monaco, and it happens that somebody from the District

checks my financial books and he or she asks, 'do you know Monaco?' 'Yes I know Monaco? Do you have their profile?' Now everyone who is coming, I must have their database and file. I'm learning some of these things.

Principal B also pointed out the challenge they had within their management systems. He pointed out:

I've just picked that eh, our systems are not up to standard, that's number one. Things like stock registers and assets registers. Another challenge is in the procurement policy: the school must have a procurement policy which we haven't yet developed – and the issuing of stock is also a problem because when people use stock, we don't have registers to see this and that this took this amount of paper and so forth. Those are just challenges we are having.

Principal C also pointed out that because of a lack of financial management skills, they sometimes made mistakes:

Ja, I think, challenges. We need to get more workshops around finances because sometimes we make mistakes unawares because most of SGBs and principals, they don't have more knowledge around finances and, and even if these new acts like PFMA, they have an effect to principals or to schools. They are not empowered in terms of, in terms of finances; then it becomes a problem. So I think it's proper if the department maybe can change strategies around how to manage finances, do you understand? Or they must have programmes in terms of financial management so that they workshop teachers, they workshop principals, they workshop everybody because sometimes we make mistakes not knowing that you are making mistakes and minor mistakes. I think those are the challenges we have.

Other principals ascribed challenges in financial management to the structure and functioning of the SGB, the finance committee and the accountability factor

that is attached to them as principals. For example, Principal B complained about the accountability factor and the SGB as custodian of school finances:

... when we, or if anything goes wrong, they don't charge the SGB, they charge the principal. Even if they say the SGB is the juristic person, but then who is responsible for everything? It's the principal ... really it's not fair for the principal; to say the principal is responsible, and yet most of the decisions must be taken by the SGB.

Principal I also pointed out in this regard:

You know, this is also a challenge, because, eh, sometimes eh, people are elected to this for personal gains; they come with their own presumptions – that if I'm a treasurer, I will do this and this. So it's not effective; and most of them, they come without any knowledge. I think the department needs to conduct a workshop so that they can, eh, the FINCOM can know where they are moving, how are they doing things, the role and duties of Financial Committees. And I think they must be done on a quarterly basis, because you find that workshops that are organised by the District or Matthew Goniwe sometimes its once a year, sometimes the year can just pass without any workshop. ... And even if sometimes the principal trains or shows the FINCOM what to do, the parents are coming from different sectors and when they come to school, they want things to be according to their sectors and sectors don't operate the same. This is according to the government and is not according to another sector. So I think if people can be made aware to differentiate the two, I think FINCOM can run its duty very smoothly.

In addition to the view expressed above, principals also pointed out the composition and manner of electing SGB members as a challenge in matters of financial management. Principal C also indicated:

And even, how we choose our SGB people. They don't choose members of the SGB because of their expertise. They just choose them because

they are vocal or whatever; so in most cases, most of these SGBs are dysfunctional because they are having people who are vocal, but who don't have the knowledge. So that's the problem.

Capacity or staffing for carrying out financial management duties was also cited as a challenge in ensuring effectiveness of finance committees and of financial management in general. In this regard, Principal G alluded to the workload involved. She commented on finances that schools needed to have “*special administrators responsible for everything, including finances. So if at least the staff issue can be sorted out then I think each and every one will be expert*”. She further pointed out that the duration of the office-bearers could be extended to five years “*so that at least they get groups, especially finances because you'll find that they get training towards the end of the first year after being elected; only the following year they must work and the next year the term is finished*”. Principal F was rather scathing in commenting about the capacity of parent SGB members to be effective where financial management was concerned:

No, the parents in the Finance Committee know nothing about SASA, PFMA. They need to be trained first before they are given this huge responsibility. Even the finance officers: they have very little knowledge especially in schools where they change portfolios, one year this FO is in the FINCOM the next year the other one gets the opportunity to work with finances – the one who was trained is no longer part of the FINCOM.

Principal E also alluded to the matter of capacity in that as he pointed out:

The challenge is time because, number one, we are understaffed. Some schools can afford it to hire extra people just to work with the finances, like financial clerk or something, while here, me as manager and the finance officer who is also an administrative assistant must try to fit it into our busy programmes. That is our main problem.

Principal N and G respectively referred to the matter of knowledge and expertise for managing finances:

The challenges that we might be having are the reshuffling of SGBs and the training that they are getting. Like last night; It was just like, eh, it was a one-hour training and the terminology that goes with finances, they need to acclimatise themselves with terminology and things like that. And it takes quite a long time to get used to these new words and you find, once they think they've learnt something, they are being reshuffled, or they live their portfolios and now a new person must come. These people are not always at school – they come once in a blue moon and sometimes we discuss these things with them, they get lost sometimes. It was a concern in yesterday's SGB meeting. We are having serious challenges in our schools regarding capacity-building in terms of managing everything. Like I'm saying, the new terminology that is used and they are expected to know all these things. Once you talk about school improvement plan, they don't know what the role of SGB.

Eh, the challenges are parents not knowing their role in the financial management. In the FINCOM, number one, parents waste time in approving projects, As I gave you the steps to the final budget, you always have to remind them that 'but we agreed on this'.

In light of the various challenges pointed out, participants also made suggestions as to what could address the challenges. The following were typical suggestions made:

... I think if we can have workshops or if the department can workshop the principals and remove the responsibilities of finances from SGB to principal ... So I think if they can just remove all those responsibilities [and place them on] to the principals and principals must report to the SGB. So if they can just remove that responsibility and give it to the principal, attach it to your post, then I think it would be fair – Principal B.

The parents need to be work-shopped continuously about managing school finance. You know the workshops are not intense. Ja, you go there, it's light staff and one, they do this: they tell them how to behave in

case a principal does something, but factors leading to such behaviour or such requests are not taken into consideration. They, the parents will just maintain to say at the workshop they said we must not sign any blank cheque – Principal G.

Some principals mentioned on several occasions during the interviews that there was a need for thorough training for the finance committees. They suggested that the department should have training for treasurers immediately after changing portfolios, especially because treasurers are parents, some of whom “*do not even have matric, they can sign cheques but lack insight on management of finances*”. These principals also reported that the Department organised workshops once a year and sometimes the year would pass without any workshop taking place. Those were some of the things that led to finance committees being ineffective. They, however, conceded that this issue is two-sided in that sometimes the Department arranged workshops “*but parents do not attend because they are working, and they cannot absent themselves from work for something that they do voluntarily. They don’t get paid for being SGB members they only get a stipend for transport*”.

The challenges mentioned by participants, especially by principals indicate that despite their earlier pronouncements of processes done correctly at schools, the finance committees cannot be said to be entirely effective. These challenges actually highlight the variances between what was espoused and what actually happens at schools. It must be emphasised though, that these issues pertain to schools from where participants were drawn and cannot be generalised to all finance committees at schools and even at the districts from where the participants were drawn. Notwithstanding this acknowledgement, some important insights were gained into the functioning and level of effectiveness of finance committees at schools.

4.4 CHAPTER SUMMARY

This chapter has presented the analysis and interpretation of findings of the empirical study. This was done by looking at the structure and functional effectiveness of the finance committees, the role of office-bearers in the finance

committee, financial planning, auditing and assessment, financial control and financial reporting.

The final chapter will focus on recommendations emanating from the study.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter presents the summary, conclusions and recommendations of the study. To recap, the purpose of this study was to investigate the effectiveness of school finance committees in executing the financial management function. The study was guided by the primary question: How effective are schools finance committees in executing the financial management function? The study sought to address the following objectives:

- To determine what the effectiveness of school finance committees involves;
- To explore how effective finance committees at schools are in executing their financial management function; and
- To recommend ways of improving the effectiveness of finance committees in executing the financial management function.

Therefore, the chapter presents a brief summary of the whole study, conclusions on findings with regard to the first, second and third objectives and finally, presents recommendations for future research and limitations of the study.

5.2 SUMMARY

This study comprises five chapters. Chapter 1 presents the rationale for the study and includes an explication of the purpose statement, the primary aim, the conceptual framework underpinning this study and the overview of the research method. Furthermore, the contribution of the study as well as the demarcation and possible challenges as envisaged during the proposal stage are discussed.

Chapter 2 presents the literature review on the essence of the finance committee's structure and functional effectiveness. Firstly, the legal framework for school financial management is discussed (cf. 2.2) and is followed by the

contextualisation of the finance committee's financial management function within the contemporary school governance approach in South Africa (cf. 2.3). This is followed by a discussion of the structure and composition of the school finance committee, wherein attention is paid to the roles of office-bearers (cf. 2.4). The role of the finance committee in terms of its functional effectiveness (cf. 2.5) is discussed with regard to financial planning (cf. 2.5.1), financial control (cf. 2.5.2) and financial monitoring (cf. 2.5.3).

Chapter 3 presents a detailed account of the empirical research methodology. The discussion includes a description of the research method (cf. 3.2) in terms of the research paradigm (cf. 3.2.1), design (cf. 3.2.2), strategy of enquiry (cf. 3.2.3), data collection (cf. 3.2.4), data analysis (cf. 3.2.5) and participants (cf. 3.2.6). This is followed by a detailed explanation of the quality criteria used in data collection (cf. 3.2.7), the role of the researcher (cf. 3.3) and the ethical considerations (cf. 3.4).

Chapter 4 presents the data analysis and interpretation. A discussion of the demographic profile of the participants is given (cf. 4.2) and is followed by a presentation of findings and discussion (cf. 4.3).

Chapter 5 presents the summary (cf. 5.2), findings and conclusions from the study (cf. 5.3) in terms of findings on research objectives relating to what the effectiveness of the school finance committee involves (cf. 5.3.1), how effective finance committees are at schools (cf. 5.3.2) and recommendations (cf. 5.4). Finally, challenges in data collection (cf. 5.4) and concluding remarks (cf. 5.8) are presented.

5.3 FINDINGS AND CONCLUSIONS FROM THE STUDY WITH REGARD TO THE RESEARCH AIMS AND OBJECTIVES

5.3.1 Findings on research objective 1: What the effectiveness of the finance committee involves

Firstly, the effectiveness of the finance committee, as a subcommittee given legal effect by the Schools Act, rests on its carrying out its mandate in terms of

the Schools Act and other relevant legislative pieces including the Public Finance Management Act (cf. 2.2.2). In particular, the Schools Act lays the basis for and gives full direction to the management of school finances, while the PFMA gives direction and principles of good practice insofar as the management of public funds is concerned (cf. 2.2). The clear directive for finance committee effectiveness is concerned with the use of school funds for educational purposes only, as well as the accountability regarding the use of funds. For this reason, the Schools Act outlines processes and procedures to be followed in the management of school finances in Sections 37 and 38 (cf. 2.2.1).

The effectiveness of the finance committee is also dictated upon by the prescriptions regarding its composition and structure (cf. 2.4). This entails the functionality of office-bearers of the finance committee in terms of their roles (cf. 2.4.1). In this regard, the role of the principal as *ex-officio* member of the committee and accounting officer for the Department of Education (cf. 2.4.1.1), the role of the treasurer as chairperson of the committee (cf. 2.4.1.2) and the role of the finance officer as day-to-day custodian and administrator of finances (cf. 2.4.1.3) are of critical importance.

The entire finance committee's functional effectiveness is located in its effective execution of the financial management function (cf. 2.5). This includes the financial planning task or the budgetary process (cf. 2.5.1), which involves the financial strategy (cf. 2.5.1.1); the budget as a financial planning tool (cf. 2.5.1.2), which involves budget formulation, budget enactment, budget execution and auditing and assessment; financial control (cf. 2.5.2), which entails establishing appropriate internal controls (cf. 2.5.2.1) and external controls (cf. 2.5.2.2); and financial monitoring (cf. 2.5.3), which has to do with proper accounting procedures in terms of the booking of financial records. Financial monitoring consists of three elements, namely record-keeping, preparation of financial statements and financial analysis (cf. 2.5.3.1 – 2.5.3.3); and financial reporting (cf. 2.5.4), which includes financial statements, as well

as any relevant financial reports including reporting on the cash flow (cf. 2.5.4.1) and annual financial reporting (cf. 2.5.4.2).

5.3.2 Findings on research objective 2: How effective finance committees are at schools

This section essentially presents findings and conclusions with regard to the empirical research.

5.3.2.1 Findings regarding the structure of the finance committee

It was found generally that school finance committees were structured in line with the directives of the Department of Education, and that the finance committees mostly consisted of three key members namely, the principal, treasurer and the finance officer although in some cases, the chairperson of the SGB with additional members from the teacher and parent component were also elected into the committees (cf. 4.3.1).

It was further found that in line with Section 29 of the Schools Act that the key position in the finance committee comprised the treasurer of the SGB, who was always a parent and was also the chairperson of the finance committee, the finance officers appointed from the administrative staff to deal with the daily operational financial matters and the principal as *ex-officio* SGB member and accounting officer (cf. 4.3.1)..

It is, therefore, concluded that structurally, school finance committees are generally in line with the provisions of the Schools Act, although there are differences regarding the number of members. It is asserted, however, that this does not on its own, pose any untoward challenges to the effective functioning of the finance committee.

5.3.2.2 Findings regarding roles of the key office-bearers

Findings in this regard focus on the roles of the principal, the treasurer and the finance officer as key office-bearers of the finance committees.

■ **The role of the principal in the finance committee**

The findings indicated that generally principals display knowledge of their roles in the finance committee. They showed firstly, as their most important roles, their understanding of their roles as *ex-officio* SGB members and by extension, the finance committees. In this regard, they saw their role as that of being accountable to the Department – ensuring that school funds are managed in terms of the norms and standards of the Department, and accountability to the SGB, and ensuring that school funds are managed according to the finance policies of their schools. As *ex-officio* members, this included ensuring that there was proper control of finances, giving direction and guidance in terms of departmental policies, and capacitating other members of the finance committees with regard to proper financial management. Principals actually pointed out that if funds were misused they would be held accountable by the Department of Education, educators, parents and the community because it is their duty, as accounting officers, to ensure school funds were used properly and in line with policies and regulations (cf. 4.3.2.1).

Secondly, principals also regarded having knowledge of the financial management processes as important; from the budgeting process to correct financial accounting practices like drawing up of income and expenditure statements, as well as a thorough knowledge concerning what is happening to the school funds. The latter aspect is important for ensuring that school funds are used to the benefit of their schools and learners (cf. 4.3.2.1).

It can thus be concluded that overall, principals seemed to appreciate and have knowledge of their role as *ex-officio* finance committee members and as members of SGBs.

■ **The role of the treasurer of the finance committee**

Various views were expressed by participants regarding the role of the treasurer. Firstly, it was in line with legislation; the treasurer of the SGB acts as chairperson of the finance committee and is a parent member of the SGB. The majority of the participants related to the role of the treasurer in different ways.

However, emphasis seemed to be on the oversight role and ensuring that finances were managed properly. For instance, the treasurer was seen as a “watchdog” over finance and related matters. For this reason, in most instances treasurers were said to work closely with finance officers – checking records, ensuring budget implementation, monitoring the use of finances and providing the SGB with monthly reports of finances (cf. 4.3.2.2).

It was found, however, that there were discrepancies in what appeared to be espoused by the participants about the treasurer and what could be perceived to be the real practice. Firstly, principals seemed to play dominant roles in deciding on how funds were used. Statements like the following attest to this:

The person is made to account for finances, and is not even sure what are they doing. They come here just to get from myself as the principal, the accounting officer, to say ‘how far are you with the, of whatever?’

... they report what they heard and not exactly what they’ve done as treasurers.

So he [the treasurer] just simply signs the cheque and all those things, but as an individual, he can’t decide on his own: what to buy and what not to buy.

These statements were made on the grounds that treasurers being parents, were not always at school and, therefore, could not execute the financial management role, as well as the fact that mostly they did not know what managing finances was about – largely due to the fact that they were not specialists (cf. 4.3.2.2).

Although these were statements mainly from principals, it can be concluded that the election of treasurers was in line with the prescriptions of the Schools Act, including their being parent members of the SGB. It can also be concluded that their roles are not performed effectively, which may have an effect on the effectiveness of the finance committees.

■ The role of the finance officer

The main finding with regard to the roles of the finance officers was found to be that of the general accounting function and involved mainly the day-to-day financial accounting duties that included bookkeeping, balancing financial statements and books, collecting fees and moneys, updating financial records, filing and banking. These duties were in line with the accounting functions as highlighted in Chapter 2 (cf. 2.2.5.3). Although not particularly mentioned, these duties would also include matters related to internal auditing with the treasurer of the finance committee.

There were also some peculiar responses regarding finance officers' roles. It was found that finance officers see their role regarding school finances also include being secretaries or clerks to the SGB, since they were the ones designated to write the minutes of meetings. Another peculiar feature included their being responsible for duties like approving requisition forms, balancing the LTSM funds and preparing financial statements for auditing (cf. 2.4.1.3), which should be the treasurer's functions, with finance officers' assistance.

Although the role descriptions were mostly within the frame of the accounting functions, some finance officers' responses were unexpected (cf. 4.3.2.3). For example, a response like the following was quite remarkable:

To be honest, I don't know my duties cause we don't have a financial policy and was not working with finances before. ... I struggle because if I had a policy I'll have a guidance. I must do this. I must not do this.

These responses are particularly peculiar because they negate the notion that schools generally have finance policies that are adhered to.

It can be concluded that the above-mentioned responsibilities pertain to daily financial management operations as is expected of finance officers in their roles (cf. 4.3.2.3). However, arrangements pertaining to finance officers approving requisition forms, and being secretaries and clerks to the SGB are concerning,

as they also seem to increase the workload of finance officers, which also includes general administrative functions at the particular school.

5.3.2.3 Findings regarding the functioning of finance committees

It was found that the main role of the finance committee involved ensuring that funds are properly managed and included the following:

- Ensuring that funds are managed and controlled properly.
- Ensuring transparency.
- Getting quotations from different service providers.
- Adhering to the finance policy.
- Buying resources that will benefit the learners.

Findings regarding meetings of the finance committees were varied. Firstly, meetings seemed to be generally held once a month, but there were instances where meetings were held quarterly, twice a month, when the need arose or any given time (cf. 4.3.3.2). Deliberations at these meetings were not very consistent among schools, with some participants mentioning reporting on finances as the main discussion point. This was noticeable since the budget monitoring and control would have been main deliberations for finance committees in order to ensure the effectiveness of the finance committees.

Secondly, it seemed that the meetings were basically dominated by the principals – they gave reports instead of the treasurers doing so, as it seemed they were the ones knowledgeable on the role of each member of the finance committee (cf. 4.3.3.2). Thirdly, it appeared that the meetings of the finance committees were incorporated into the SGB meetings, which indicated that they did not separate the finance committee from the SGB. This seemed to contradict earlier responses indicating numerous finance committee meetings. Fourthly, it was also found that finance officers at some schools chaired the finance committee meetings, which should be the responsibility of the treasurer (cf. 4.3.3.2).

Furthermore, it was also found that finance committees members were afraid to articulate their views and raise their voices – they did not oppose anything said by the principal because apparently the parents in the finance committees were also said to have limited knowledge of their duties. In this regard, principals saw the issue of working parents as a major barrier causing meetings not to take place (cf. 4.3.3.2).

It can be concluded therefore, that there is not a fully functional finance committee at schools as reflected in a statement like: *“They [finance committee] have an input in terms of what must be bought, so, they don’t have that role, because as the FC, they don’t understand the priorities of the department. The principal gives them guidance. So their thing is just to agree on what needs to be done and report to parents”*.

5.3.2.4 Findings regarding the budgetary processes

The findings with regard to the budgeting process (see 2.5.1) indicated that school budgets were drawn annually in consultation with all the stakeholders. They further mentioned that that the budgeting processes started with need analyses from individual staff members and different committees to the SMT, then to the finance committee, which then sat and arranged needs according to priorities (cf. 4.3.4.1). It was also found from the principals’ responses that the budget compilation was done differently at schools, with some schools’ budgets being drawn up by finance committees while at other schools being drawn up by the SGB as a whole. However, it was clear that the budgets were compiled after the necessary need analyses were done. It was interesting that at two schools, the budget was informed by the school development and school improvement plans. Finance officers also gave varying responses on the budget preparation and construction, but most confirmed the role of the finance committees in this regard.

It can, therefore, be concluded that though the budgets were drawn up by different entities at schools, this was done based on the needs of schools and that there appeared to be broad consensus on the involvement of especially

educators and their input. This is an encouraging sign and can contribute to the effectiveness of finance committees, especially with budgets being drawn up from school development plans and leading to school improvement plans.

■ **Findings regarding budgeting implementation and monitoring**

Budget implementation and monitoring relate to matters of expenditure and income and involve seeing to it that spending is in line with the budget. Most participants indicated that they were not able to match expenditure with income for various reasons (cf. 4.3.4.2). Among other reasons, participants indicated that emergencies that occur unexpectedly might be the cause of expenditure not matching the income. Some principals cited contextual factors for being unable to stick to the budget. Furthermore they indicated that though they tried to spend in line with the budget, it was sometimes not possible and they often experienced deficits. It was also found that schools often had to shift spending from and across accounts. Some principals identified the cause of these irregularities as coming out of poor budgeting, which resulted in over- and under-budgeting.

Regarding deviations from their budgets, participants' responses indicated helplessness in dealing with budget variances and virement. Some referred to such situations as a predicament they faced, while some referred to fundraising as a way of dealing with it, although that also was not very helpful. Other principals indicated that deviations and budget variances were caused by among others, poor planning, lack of know-how regarding fundraising and the staggered financial allocation from the Department. For these reasons, it was found that there were regular deviations from the budgets as seen in comments like:

... this is also a challenge, really because sometimes, you find that the variance is so huge eh, so huge and filling up the gap is difficult, even fundraising money won't do it. So variance is a big, big, challenge really.

This concurs with the finding that in cases of virement approval, there were differing responses. It was found that at some schools principals approved

virement, while at others treasurers and finance committees did. This, it was found, reduces the SGB to a rubber-stamping body.

This is the most important aspect of managing finances, that is, constantly matching actual income and expenditure with the budget and thus avoiding huge or significant variances. It can thus be concluded that budget implementation and monitoring are less than acceptable at schools. This finding lays the ground for the final decision on how effective finances are managed at schools.

■ **Findings regarding the use and purpose of school funds**

The findings in this regard reveal the differences in the way issues are run at schools. Some principals referred directly to their SGBs looking at the school development plan, which in essence provides a framework for allotting funds in terms of needs and expressing them in financial terms through the budgetary process (cf. 4.3.5.1). This implies that in this case, school finances are used according to the needs of the schools and learners. It was also found that by and large, reference was made to allocated funds, which come with strict regulations about how they are to be used in relation to the LTSM, maintenance and services.

Other principals related to the budgetary process as a way of ensuring that finances are used expressly for promoting the best interest of learners. The emphasis from these principals seemed to be on adhering to school budgets as a way of ensuring that money is spent for promoting learners' needs (cf. 4.3.5.2). However, it is noted that the participants largely expressed difficulty in adhering to their budget and as such experienced variances in their expenditures. This, it can be concluded, would have a negative impact insofar as providing for the needs of the schools. It does not, however, imply any wrongdoing with regard to the use of school funds, and can, as suggested elsewhere in this text, relate to poor budgeting.

Furthermore, other principals put emphasis on spending money in terms of the allocation from the department and ensuring that there are no deviations, or

alternatively, applying for virement in cases where funds had to be shifted between different accounts.

It can thus be concluded that as far as the responses of the participants are concerned, school finances are indeed used for promoting the best interests of the schools, albeit in ways that do not cater fully for such needs. This may also be worsened by the fact that though schools have finance policies, the implementation and adherence part of it is a challenge. An interesting observation from finance officers' responses regarding how expenditure was controlled was that although they seemed to know their roles, the execution of such roles was dependent on circumstances. In fact, there seemed to be no formal system of control, at least from their responses (cf. 4.3.5.3). For instance, their role within the finance committees with regard to expenditure control was not clear, that is, how their individual control roles in relation to the functioning of the finance committee were in line with the financial control policies.

5.3.2.5 Findings with regard to financial administration

Findings in this regard indicated that the day-to-day finance administration is done by the finance officer, which is in line with school financial management good practice and principles. It was clear that principals played an oversight and monitoring role (cf. 4.3.5.4). There were, however, some peculiarities. For instance, it was found in one instance that the principal was responsible for the day-to-day administration of finances at her school. She gave instructions to the finance officer on what to do where financial matters were concerned. She further mentioned that it was unfortunate that the SGB delegated the responsibility to the finance office instead of her, and she knew for sure that the responsibility was supposed to be given to her. Other principals gave views that suggested their dominant and pivotal roles in the daily administration of school finances.

Notably, daily financial administration seemed to be mentioned in isolation of the role of the finance committee, the finance officer and the implications of the

finance policy, which issues can be a source of ineffectiveness of the finance committee (cf. 4.3.5.4). Therefore, the roles of finance officers in the daily administration of finances seem to revolve around preparing records and performing all other bookkeeping duties, as highlighted earlier.

Despite the prominent role principals seemed to be playing in daily financial administration, the role and presence of finance officers was acknowledged although it was found that these roles they performed mostly as per instructions from the principals. It can, therefore, be concluded that finance officers seem to know their responsibility, although there is still room for improvement. However, the fact that these roles are performed as instructed, suggests that the finance officers are limited in terms of effectiveness, which may have implications for the overall effectiveness of the finance committees.

5.3.2.6 Findings regarding financial reporting

It was found with regard to financial reporting that SGBs generally reported about finances once per term (cf. 4.3.5.5). Regular reporting on the state of school funds by the finance committee to the SGB was also done, though in various forms. In some instances principals and finance officers from the same school gave different explanations, for example, in some instances the principals said the reports were given monthly, whereas the finance officer said it was done once per term. One principal stated that the SGB was allowed to come whenever they wished to but they had to make an appointment so that they could get reports at least once a month, which was an indication of non-adherence to the finance policy, which would state when and how reporting was to be done to SGBs. This gave the impression that participants regarded the SGB as referring to the parent component – indeed reference to parents was made on numerous occasions.

It was also found that there were differences regarding who gave the reports. Some said the treasurers, while others said the principal. It is interesting to note that some finance officers said the reporting on finances was done by them (cf. 4.3.5.5).

It can thus be concluded that although it seems financial reporting was done, this was done differently and sometimes principals' responses differed from those of their finance officers. It was also found that reporting was largely on expenditure and that parents only received the financial status through the budget approval meeting, which happened once a year during the annual general meeting. Clearly, the general parent population was not given any financial reports – on at least the status of finances during the year – which would have helped in promoting transparency, and could account for their reluctance to actively participate in fundraising ventures.

5.3.2.7 Findings regarding the effectiveness of the finance committee

The major findings regarding participants' own perceptions of finance committee effectiveness can be gleaned from the responses of both principals and finance officers. They generally stated that their finance committees were not as effective and cited various reasons including the following (cf. 4.3.6):

- Absence and unavailability of parent members of the SGB and finance committees.
- Finance committee members' lack of understanding of their duties, especially the parent components.
- Lack of expertise in financial management by finance committee members.
- Finance officers who do not know their duties – this despite one having 12 years' experience as a finance officer of the finance committee.
- Financial management language, which was seen as difficult to most finance committee members.

However, it is encouraging that despite numerous challenges, some principals perceived their finance committees as being effective (cf. 4.3.6). It can thus be concluded that through mixed responses, emphasising different issues as weaknesses and/ or strengths, principals' views regarding the effectiveness of

the finance committees suggest the finance committees are not as effective as they should be.

5.3.2.8 **Challenges experienced in the management of school finances**

Participants indicated a variety of what they perceived as challenges experienced in the management of school funds. The one challenge raised by the participants concerned was the inadequacy of allocated funds from the Department. Another challenge mentioned related to the requirements stipulated for the use of allocated funds in terms of the fact that allocated funds are 'ring-fenced' in the sense that the amounts to be used for the three main accounts, namely LTSM, services and maintenance were prescribed (cf. 4.3.7).

Other participants indicated their challenge as balancing the budget with expenditure against the needs of the school and generally alluded to the dearth in financial management on the structure and functioning of the SGB, the finance committee and the accountability factor that is attached to them as principals (cf. 4.3.7). Principals also pointed out the composition and manner of electing SGB members as a challenge in matters of financial management.

In addition, capacity or staffing for carrying out financial management duties was also cited as a challenge in ensuring effectiveness of finance committees and financial management in general. Some principals mentioned on several occasions during the interview that there was a need for thorough training of the finance committee. They suggested that the Department train treasurers immediately after changing portfolios, especially because treasurers are parents, some of whom "do not even have matric although they can sign cheques but lack insight in the management of finances". These principals also reported that the Department was supposed to organise workshops once a year, but sometimes the year would pass without any workshop taking place (cf. 4.3.7). Those were the issues that led to finance committees becoming ineffective. They, however, conceded that this issue was two-sided in that sometimes the department arranged workshops "*but parents do not attend because they are working, and they cannot absent themselves from work for*

something that they do voluntarily. They do not get paid for being SGB members. They only get a stipend for transport”.

The findings of this study, as stated above, lead to one main conclusion regarding the effectiveness of finance committees at schools whose principals and finance officers were participants: the finance committees at schools, while performing the financial management function, are faced with numerous challenges. This study, therefore, concludes with the statement that finance committees are not effective in the overall execution of their financial management function.

5.4 RECOMMENDATIONS

The following recommendations are made on the basis of the findings of this study:

Recommendation 1

Finance committees at schools must undergo capacity-building processes that aim at providing them with the necessary skills to understand, interpret and implement legislation and provide them with knowledge to execute financial management. The rationale behind this is that it is only when finance committee members have capacity and knowledge that they can execute their functions with confidence and independence. This will eliminate feelings of inferiority as a result of their so-called illiteracy and lack of expertise. Treasurers and finance officers must receive training aimed specifically at their duties and not generic training that does not benefit them in practice. Training must also take into consideration their levels of skills and knowledge to address specific areas of capacity needs. It is contended and argued that it is not always true that illiterate parent members of SGBs and their committees cannot be capacitated to manage finances – especially if training and training manuals are user-friendly and in their preferred language. An example of this is the self-help schemes that often involve huge sums of money that ordinary township adults run to save and share – which they do even when the literacy levels are not high.

Recommendation 2

To address the question of fear of being dominated, the Provincial Department of Education through its designated school governance development and support officers must develop a code of conduct that applies to all SGBs regarding the roles of office-bearers. This code must address action to be taken by office-bearers of the SGB committees when faced with situations of intimidation and fear of victimisation as well as steps to be taken when processes are not followed. This is an important consideration in light of alleged and reported fraudulent and corrupt practices involving the use of school finances.

Recommendation 3

School Governing Bodies must as a matter of rule, be capacitated to engage effectively in the process of school development planning. This is because this is the only process that can ensure that the identification of school needs is correctly undertaken and results in realistic budgetary processes. Furthermore this should help schools to engage in effective control and monitoring of school finances. This should also promote transparency and encourage finance committee members to appreciate the importance of their roles as all their dealing will be subject to friendly criticism and scrutiny, including accountability.

Recommendation 4

School principals must be charged with the responsibility of ensuring that finances are managed properly and according to the law. The Schools Act requires that principals as *ex-officio* members, who are in SGBs in their official capacity, provide the SGB with all the assistance and support needed to be effective. The Department can ensure this by taking an active role in monitoring and evaluating school finances throughout the year on a regular basis. On the basis of what departmental officials find, they must demand accountability from the principals and take the necessary corrective action.

Recommendation 5

As much as accountability is required from principals, local departmental officials must also be charged with the responsibility of monitoring processes at schools, taking the necessary corrective action. There should be feedback mechanisms within the provincial Department of Education to enable corrective measures as soon as there are signs of processes derailing. This is based on the argument that audited annual financial records often reach official stations after the damage had been done.

Recommendation 6

The structure and composition of SGBs need to be reviewed, especially as it applies to office-bearers. In particular, the position of the finance officer should not be mixed with the secretary and/or clerk of the SGB. It is recommended that schools separate the two functionaries in order to ensure that the finance officer focuses only on day-to-day financial management operations.

Once the necessary capacity has been built for finance committee members, it is asserted as the main contention of this study that finance committees will find it feasible and easy to put in place practical, realistic and school tailor-made finance policies and best practices in school financial management.

5.5 RECOMMENDATIONS FOR FUTURE RESEARCH

The following recommendations are made for future research:

- Research should explore ways to help finance committee understand the framework pertaining to the management of finances.
- Research should be conducted to explore ways of ensuring that finance committee members and office-bearers are capacitated timeously and in a user-friendly approach.
- Research should also be conducted to explore ways of ensuring that there is continuous development of finance committees regarding their roles and should include ways of ensuring that finance committees implement their knowledge and skills efficiently and effectively.

5.6 CHALLENGES IN DATA COLLECTION

The study was limited firstly to public primary schools only. An inclusion of secondary schools would have yielded much richer data on which to base the recommendations of this study. However, this opens the scope for further research that could focus on secondary schools and provides a basis for a comparative analysis of schools.

Secondly, the responses given by some finance officers, while useful, were carefully given because some principals insisted on being present during the interviews. Some responses by principals were not spontaneous, especially regarding deviations and variances in expenditure and their school budgets.

Despite these limitations and in line with the social constructivist paradigm, the researcher was able to get meaning from the data collected and from interpreting responses given. These challenges generate a need for further research in the area of functional effectiveness of finance committees at schools.

It must be also be emphasised that the findings of this study cannot be generalised to a school's finance committee population, as it was not the intention of this study to do so.

The intent, as is the norm with qualitative research, was to gain insight into and understand the challenges experienced by finance committees in executing their roles. The interpretation of data was not ascribed to any particular school or finance committee. Rather, the focus was on challenges as understood from the participants.

5.7 CHAPTER SUMMARY

This chapter presented the overall summary of the research and presented the summary of each chapter, findings relating to the research aims, recommendations for addressing the effective functioning of finance committees at schools in financial management, and recommendations for future research.

5.8 CONCLUDING REMARKS

The study set out to explore the effectiveness of schools finance committees in executing the financial management function. To achieve this aim, the study addressed the following objectives:

- To determine what the effectiveness of school finance committees involves.
- To explore how effective finance committees at schools are in executing financial management.
- To recommend ways of improving the effectiveness of finance committees in executing the financial management function.

This was achieved through the literature review (Chapter 2), data collection, analysis and interpretation (Chapter 3 and 4) and recommendations based on the literature and empirical studies (Chapter 5).

Although this study was focused on public township schools in Sedibeng West and East Districts, the principle of sound financial management portrayed in this study may be applicable and useful to other schools.

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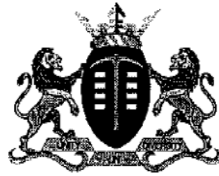
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APPENDICES

Appendix A: Research approval letter



GAUTENG PROVINCE

Department: Education
REPUBLIC OF SOUTH AFRICA

For administrative use:
Reference no. D2014/203

GDE RESEARCH APPROVAL LETTER

Date:	19 August 2013
Validity of Research Approval:	19 August 2013 to 20 September 2013
Name of Researcher:	Makiri N.M.
Address of Researcher:	125 Hertz Blvd CW2 Vanderbiljpark 1911
Telephone Number:	016 981 6636 / 082 219 1685
Email address:	maundy.makiri57@gmail.com
Research Topic:	An investigation of the effectiveness of the finance committee at schools in executing the financial management function
Number and type of schools:	TWENTY Primary Schools
District/s/HO	Sedibeng East and Sedibeng 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.

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

Delivered
2013/08/20

1

Making education a societal priority

Office of the Director: Knowledge Management and Research

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

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

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

Kind regards



.....
Dr David Makhado
Director: Education Research and Knowledge Management

DATE: 2013/08/20

Office of the Director: Knowledge Management and Research

9th Floor, 111 Commissioner Street, Johannesburg, 2001
P.O. Box 7710, Johannesburg, 2000 Tel: (011) 355 0508
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Website: www.education.gpg.gov.za

Appendix B: Informed consent form: interview

RESEARCHER: Makiri M.N.

TITLE OF RESEARCH PROJECT: An investigation of the effectiveness of the finance committees at schools in executing the financial management function.

PURPOSE OF THE RESEARCH is to investigate school principals' and finance officers' perceptions of the effectiveness of finance committees at schools in executing their financial management function.

DURATION: The duration for interviews will be approximately 60 minutes.

PROCEDURES: Interviews will be one-on-one, after school hours or at any convenient time for you.

POSSIBLE RISKS: No possible risks to you, your school, colleagues, learners, the Sedibeng East and West Districts or the Gauteng Department of Education are envisaged. However, in the event of questions that may be perceived as threatening or causing discomfort, you may decline to answer such questions without providing any reason for doing so.

BENEFITS: No direct benefits or compensation will be due to any participant.

VOLUNTARY PARTICIPATION: Participation in this research is completely voluntary. You are within your right at any stage to refuse to participate and/or withdraw at any time.

CONFIDENTIALITY: Data in this study will be confidential. As such all data collected will be coded in terms of (1) fictitious names; (2) data collected; and (3) use of identification keys, which will be known only to the researcher.

Audio tapes will be kept confidential and will be in Prof. Ml Xaba's custody and stored at the University until they are erased after five year. (University ethics requirement).

CONTACT: The research is conducted by M.Ed. student, Makiri NM under the supervision of Prof. Ml Xaba from the School of Educational Sciences: North-West University – Vaal Triangle Campus. Prof. Ml Xaba can be reached at 016 910 3068 (o/h) for questions regarding this research project.

This research has been ethical approved by the North West University Ethics Committee (FH-SB-2012-0010)

CONSENT:

I have read and understand the nature of my participation in this research project and agree to participate voluntarily.

Researcher: _____

Signature _____

Date: _____

Appendix C: Interview schedules

Interview schedule: Principals

- 1 Please describe your role as accounting officer with regard to the management of finances at your school.
(Please describe your role with regard to management of finances at your school).
- 2 How do you ensure that the school finances are used expressly for promoting the best interests of the school and learners?
- 3 What role does the treasurer of the SGB play in the management of finances?
- 4 What is the role of the school's finance committee regarding the management of school finances?
- 5 Does the SGB get regular reports on the state of the school's finances?
- 6 Who gives this report to the SGB?
- 7 Who is responsible for the day-to-day administration of financial matters?
- 8 How regular does the finance committee review the status of finances?
- 9 Who draws up the school budget?
- 10 Is expenditure according to the budget?
- 11 Who approves deviations from the budget?
- 12 How do you deal with budget variances?
- 13 In your opinion, is the finance committee effective in its duties of managing finances?
- 14 What challenges do you, as a school experience regarding financial management?

Thank you for your time and input. Your input will contribute immensely to the objectives of my study.

Interview schedule: Finance officers

1. Please describe the role of the treasurer of the SGB.
2. As treasurer, do you also chair the Finance Committee?/Who chairs the finance Committee?
3. Is there a financial policy?
4. When do you hold meetings of the finance committee? How regular?
5. Please describe how budgeting is done at the school.
6. Is spending (expenditure) done according to the budget?
7. If there are deviations from the budget, who gives approval for them?
8. Does the finance committee give regular financial reports to the SGB?
9. What does the finance committee report about to the SGB?
10. Who keeps the financial records up to date?
11. Is fundraising included in the budget?
12. Do the parents get a full financial report? How many times in a financial year?
13. How do you control expenditure against the budget?
14. Who prepares financial records for auditing?
15. Did you submit records for auditing for last the previous financial year?

Thank you for your time and input. Your input will contribute immensely to the objectives of my study.