FINANCIAL PERFORMANCE OF SELECTED PUBLIC SCHOOLS IN THE NORTH-WEST PROVINCE

BY

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DECLARATION BY STUDENT

I, Frans Masike, declare that the mini-dissertation: *Financial performance of selected public schools in the North-West Province* is my own original work and design. All the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

This research is for the Master's degree of Business Administration in the School of Post Graduate Studies in the Faculty of Commerce, North-West University, Mafikeng Campus and has not been previously submitted by me or anybody for a degree at another institution.

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FRANS MASIKE

30 SEP 2016
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DATE SUBMITTED

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ABSTRACT

Poor financial management in our public schools is a grave concern which needs urgent attention. On an annual basis, the Department of Basic Education provides all the schools in the Province with some funding depending on the quintile rankings and number of learners. Funds received by the schools must be for purchasing support material for learners and teachers as well as for paying for maintenance and improvement and services. The South African Schools Act (SASA) S21 informs the School Governing Bodies (SGB)' responsibilities.

Roles and responsibilities of various stakeholders (including the government, school governing body and principals), have been described prior to the introduction of SASA. In addition, a comparative analysis has been done of the state within the continent and other countries.

The Department of Basic Education transfers funds to schools bi-annually. Also, on an annual basis, schools are required by SASA S42(b) and 43(5) to prepare and submit annual financial statements to the Head of Department (HoD). Schools receive various audit opinions which include unqualified, qualification, disclaimer and adverse.

The study was undertaken to determine what could be the cause of poor financial management in public school between the ranks one to three. A qualitative research approach was used to determine the poor financial management in public ordinary schools in the North West. The participants in this study were 120 i.e 60 principals and 60 SGB chairpersons. The research revealed that poor financial management is due to lack of financial training for both the principals and SGB chairperson.

In order to analyse the above the population of this study consists of schools which are ranked from Quintile one to three. These include schools which are regarded as no-fee paying schools. The researcher has used various forms of obtaining data in order to analyse the above. In this regard, the questionnaire, as one of the tools being used, is divided into three categories, i.e., the chairperson, principal and the school's financial matters administrator. There were interviews that were conducted

in order to obtain an in-depth knowledge about causes of poor financial management at public ordinary schools.

Schools receiving an audit opinion such as a disclaimer or an adverse opinion have to be monitored regularly since there could be an indication of maladministration of funds. There are various reasons which might lead to those opinions which could include a lack of supporting documents, personnel who are in charge of school finances and lack of financial training. The Department has an Educational Management and Governance Management (EMGD) unit which is being tasked to capacitate both the principals and members of the SGB on financial and governance matters.

Upon receipt of completed questionnaires an analysis was done. Based on the outcome of the analysis, it was determined that the main contributing factor towards poor financial management is a lack of financial training for both the SGB chairpersons and principals.

Finally, recommendations were made in order to address or improve this status. One of the recommendations is to have a partnership between the Provincial Education Department (PED) North-West and the North-West University or institutions of Higher Education to ensure that financial management becomes one of the compulsory courses for educators. In addition, people who are offering training courses or modules should be trained by the Higher Education learning institutions.

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LIST OF ABBREVIATIONS

AFS	Annual Financial Statement
AGSA	Auditor-General of South Africa
CoGG	Certificate of Good Governance
DoE	Department of Education
EMGD	Educational Management and Governance Department
HoD	Head of Department
LTSM	Learner Teachers Support Material
MEC	Member of Executive Council
PED	Provincial Education Department
PFMA	Public Financial Management act
SASA	South African Schools Act
SA-SAMS	South African School Administration Management Systems
SGB	School Governing Body

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The South African Schools Act (SASA) Act No 84 of 1996, S34 (1) notes that the government must fund public schools from public revenue on a fair basis in order to ensure the proper exercise of the rights of learners to education and the redress of the past inequalities in education provision. The allocation to all the schools is calculated on the number of learners and the quintile ranking of the school. The quintile will determine whether the public schools charge school fees or not. There is a specific amount that each learner is being allocated based on quintiles as indicated in Table 1.1. Schools that charge school fees have been classified as Q4 to Q5 and those that are not charging school fees have been classified under Q1 to Q3. There are five types of quintiles and the ratings for the financial years 2014/15 in terms of Government Gazette No 37230 (2014) were as follows:

Quintile	**Per learner allocation**	**Charging of school fess**
Q1	R1,059	No fee
Q2	R1,059	No fee
Q3	R1,059	No fee
Q4	R605	Fee charging
Q5	R183	Fee charging

Table 1.1 National tables of targets for the school allocation 2014/15

Furthermore, the North West Provincial Department of Basic Education has 1553 public schools and comprises four districts as per Annual School Survey:

- Bojanala
- Dr Kenneth Kaunda
- Dr Ruth Segomotsi Mompati
- Ngaka Modiri Molema

All these districts have the same programmes which need to be funded. However, the study focuses on Programme 2 (Public Ordinary Schools) and deals mainly with Section 21 schools.

1.2 PROBLEM STATEMENT

Schools in the NW Province receive various types of audit reports as per exception report or control listing for schools (Budget Learning Institution, 2013), which could be indicative of poor financial management skills by our principals and School Governing Bodies (SGBs). The SASA (Act No 84 of 1996) introduced the SGB and stated the mandate of the SGB on how to manage school funds. Therefore, principals no longer have a say regarding the school finances. The chairperson and treasurer or secretary are the cheque signatories, hence, they should be in charge as mandated by SASA (Act No 84 of 1996).

School principals together with the SGB should have financial training in order for them to run a healthy institution. Only a few schools have been receiving a good clean audit report (Unqualified Audit Report). Therefore, effective cash flow management is vital to non-profitable organisations and is a key element in planning in the effective functioning of all aspects of operations (Dropkin & Hayden, 2001).

Prior to 1994, various processes in education lacked both financial and management accountability owing to problems of over-centralisation of control and limited legitimacy of the political powers (Thurlow, Bush & Coleman, 2003). The department gave parents the responsibility of being involved in the governance of their schools. Their participation, among other things, involves planning, organising, leading, supervising, policy making, policy decision controlling and co-ordination of activities (Duma, Kapuenja & Khanyile, 2011). According to Monadjem (2003), many countries have legislation that ensures parents' involvement in school governance. As indicated by the Minister's Review Committee (2003), the majority of the country's parents now have this right, one that had been denied them under apartheid, of entering their children in the schools of their choice.

The management of school finances is the most challenging of a principal's responsibilities as many parents have little or no training and expertise in this field

(Swartz, 2009). It is also likely that the elected members of the SBGs may be equally ill-equipped for the task. Additionally, according to Mestry (2004), SGBs often encounter problems in managing the finances of the schools. These problems include, inter alia, the drafting of budget and preparation of financial statements, drafting of financial policy, the control of finances and petty cash. In order to prevent such problems from reoccurring, SGBs should be equipped with some financial skills.

All financial responsibilities, after the introduction SASA (Act No 84 of 1996), were bestowed on people who might lack financial skills in order to run schools' budgets or finances as principals are no longer responsible for the running of the schools finances.

It should also be stated that principals are better informed regarding the finances of the school, but this should not be the excuse for SGBs to delegate their financial responsibility to the principal. The SASA (Act No 84 of 1996) prohibits SGB members to delegate their responsibilities to the principal. If the responsibilities are being delegated, this state of affairs may result in principals being involved in financial misconduct such as signing cheques in advance, paying with cash, making loans from school funds, signing/hiring contracts, selling state property and accepting money without issuing of receipts. As a result, principals may become victims of mismanagement or misappropriation of funds in the form of fraud and theft (Lekalakala, 2006).

All public schools are being funded by the government and they should use the money received for intended purposes. In addition, each public school should also, on an annual basis, complete a Certificate of Good Governance (COGG) as required by S38(1) (a) of the Public Financial Management Act (PFMA) (Act No 1 of 1999, S38(1)). This will assist the department to know about controls at schools.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study were as follows:

- To determine that co-opted members have financial skills to assist the SGB;
- to ensure that SGBs are being trained regarding financial performance;
- to ensure that the SGBs know how to interpret the audit report;
- to determine whether the Provincial department has made an allocation or budget for training SGB members; and
- to determine whether there are any or no special courses offered to SGB members for schools that did not perform well or received a qualified audit report.

1.4 RESEARCH DESIGN

The North West Provincial Department of Education has 1553 public schools as per SA-SAMS. The sample size is 15 schools per district and therefore 60 schools in the province were tested which are 60 principals and 60 chairpersons. In total there are 120 respondents. Those 60 schools were sub-divided into districts and area offices. Currently, the North West Province has four districts, which are Bojanala, Dr Kenneth Kaunda, Dr Ruth Segomotsi Mompati and Ngaka Modiri Molema.

The researcher ensured that in each area office there were schools selected and visited as these schools formed part of the sample. The researcher also selected the schools based on the significance of the type of audit reports received for the financial year ended 31 December 2013.

The information was collected from January 2014 until the end of September 2014. However, audited financial statements were only received at the end of 30 June 2014. Schools were visited in order to obtain relevant information regarding the school's financial performance. Based on the data, most of the researcher's sample was selected from qualification, disclaimer and the no-opinion category of audit reports.

In order to determine the reasons for financial performance of selected schools in the North West Province, an empirical study was conducted. Qualitative techniques were used to collect data by the researcher.

The methodology provides method(s) that the researcher used in order to provide the solution to the problems and included an inductive research approach as it is the most often used in non-experimental studies, including the naturalistic observation methods (Nestor & Schutt, 2012). If it could happen that during the visits at the district, there were training courses in process with regard to SGBs, the researcher attended them and observed the response by SGB members.

The researcher also gathered information from the school principals and SGB. Discussions were held between the chairpersons of the SGBs and the school principals in order to determine what had led to the poor financial performance of the school.

A phenomenological approach was also followed and this can be described as a philosophical perspective that emphasises the discovery of meaning from the point of view of the group or individuals (Dooley, 1995). Since this approach was used, it gave the chairperson of the SGB and the principal the opportunity to state their views regarding their school financial performance. At this stage an official from the Educational Management Governance Department (EMGD) at district level and the budget committee were also interviewed regarding training offered to SGBs.

These interviews were conducted in order to understand the views of those to be interviewed. Macmillan and Schumacher (2001) maintain that a qualitative interview consists of open-response questions to gather data pertaining to the meaning participants attach to how individuals interpret their worlds and how they explain or make sense of specific actions in their lives.

Regarding the quantitative research, questionnaires were designed for statistical analysis and sent to schools selected in order to corroborate the evidence obtained or gathered during the interviews. These were tabulated and prepared for statistical analysis.

The research was based on the schools in the North West. A sample of schools was selected from all four districts, i.e., Bojanala, Dr Kenneth Kaunda, Dr Ruth Mompati and Ngaka Modiri Molema. During the visits to the various selected schools, copies of the Audited Annual Financial Statements and Certificate of Good Governance (COGG) were obtained from these schools. This opportunity was also utilised to interview principals in order to determine:

- The principal's financial background;
- filing of financial records;
- whether there are any internal controls in place; and
- a questionnaire will be completed by the principals and chairperson of the SGB.

1.5 ENVISAGED CONTRIBUTION OF THE STUDY

The study will hopefully ensure that the SGB (according to SASA) will prepare a budget on an annual basis which will determine their overall total income and expenditure. The study will also indicate the importance for school principals and school governing bodies to enrol for financial management and administration courses in order to assist them in running schools effectively and efficiently. SGBs should also then be sensitised to the importance to prepare annual financial statements in order to safeguard financial records of the school. Therefore, the importance of training on budgetary issues, including matters as forecasting, purchasing and monitoring is emphasised (Marishane & Botha, 2004:95-112).

The study is also significant due to the fact that schools are not using public funds for intended purposes. On the other hand, the Department of Basic Education is limiting resources to schools. Therefore, the study aimed to assist the Provincial Department of Basic Education regarding which controls should be put in place at learning institutions in order to improve service delivery at schools and to ensure that public funds are being utilised for intended purposes.

1.6 LIMITATIONS OF THE STUDY

The researcher anticipated encountering some limitations due to the area in which schools are based. Roads in our province make it difficult for the researcher to travel and as a result some school are not readily accessible.

1.7 HYPOTHESIS

The hypothesis is that public schools from rural villages might have a high number of schools that would receive qualified, disclaimer and adverse audit opinions as compared to urban schools owing to the fact that SGBs at urban areas might be well equipped.

1.8 CHAPTER OUTLINE

This research consists of five chapters and scrutinised the following:

Chapter 1: Introduction

Chapter one provides the introduction to the study. Furthermore, the problem statement, aims and objectives of the study are discussed. It also includes the hypothesis of the study. The significance and possible anticipated limitations of the research were indicated.

Chapter 2: Literature review

A critical literature review analyses of the historical influence on the financial performance by the schools prior and after 1994 will be conducted with the focus on SASA (Act No 84 of 1996). It also entails a literature review of preceding studies relating to the similar study. Responsibilities and roles of various stakeholders are discussed. Comparatives between South Africa and other countries are discussed.

Chapter 3: Data and methodology

Chapter 3 of the study focuses on the research methodology, techniques and design; research types; sampling and population; data-collection instruments; ethical considerations; response rate and trustworthiness of the research.

Chapter 4: Results and recommendations

Chapter 4 mainly focuses on data presentation, analysis and interpretation.

Chapter 5: Conclusion and recommendations

Chapter 5 addresses the summary of the study/research, the summary of the findings, limitations of the study, recommendations, suggestions for future studies and a conclusion.

1.9 CONCLUSION

In this chapter the purpose of the study as well as the problem statement is discussed. It also focuses on the objectives of the study, the research design and contribution of the study. A hypothesis was formulated, followed by the outline of the chapters. Chapter Two focuses on the literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The Department of Basic Education (North West Province) comprises four districts, i.e., Bojanala, Dr Kenneth Kaunda, Dr Ruth Segomotsi Mompati and Ngaka Modiri Molema. The Bojanala District consists of the following area offices, viz., Letlhabile, Madibeng, Moretele, Moses Kotane East, Moses Kotane West and Rustenburg. Dr Kenneth Kaunda includes the area offices of Maquassi Hills, Matlosana and Potchefstroom. Dr Ruth Segomotsi Mompati consists of Greater-Delareyville, Greater Taung, Kagisano Molopo and Taledi. Ngaka Modiri Molema consist of Mahikeng, Kgetleng, Ditsobotla, Rekopantswe and Ramotshere Moiloa.

Du Plessis (in Mtshali, 2012) states the fact that principals who have had no formal management training constitute a major contributor to the mismanagement of schools. Although there have been short courses for principals to upgrade their qualifications, many don't even know how to start and manage a school budget. In addition, Xaba and Ngubane (2010:140) state that principals in the Gauteng province have shown concern with regard to school finances and that they need to be trained in finance skills.

Each and every post needs experiences and qualifications. Xaba and Ngubane (2010:140) state that reasons for poor financial management and accountability include illiteracy, lack of experience and lack of sufficient training.

Financial Management in public schools is under serious threat as cash is being used for unintended purposes, refer to Appendix F. Public institutions receive public funds to improve service delivery for the people of this country. According to the Annual report 2013/14 of the Department of Basic Education (NW), the department has spent R351 and R300 millions for the financial years 2013/14 and 2013/12 respectively with regard to public schools.

According to the Auditor General's reports on local government for the financial year 2011/12 (Anon 2014), there are quite a number of public institutions that are still not near receiving or obtaining unqualified audit opinions, despite using consultants to assist. Nombembe (in AGSA, 2013:1) states that all provinces in the country and public entities have to strengthen their overall internal controls and disciplines to improve the quality of their financial and performance reports as this matter cannot be ignored when considering clean audit outcomes.

In the North West Province (Anon, 2014:1,3) all 23 municipalities failed to achieve clean audits despite the provincial government's assurance of achieving clean audit reports by 2014. The MEC for Local Government and Human Settlement, Mr Maine, mentions that in order for municipalities to obtain clean audits, they should use the Auditor-General's recommendation and in addition adjust performance contracts of municipal managers. Municipal managers' contracts will be adjusted in a sense that it incorporates achieving unqualified audit opinions (Anon, 2014:3). It is also essential that officials at the municipality should be trained in budget processes as financial department officials at municipalities remain unqualified, under-skilled and untrained. After training, it is expected that officials will be able to contribute positively to improve financial management at municipalities (Anon, 2014:3).

In 2010, the minister in the office of the presidency, Mr Chabane and the Auditor General, Mr Nombembe were sent to the North West Province regarding the audit outcome of provincial departments. The Department of Basic Education and Public Works, Roads and Transport received a disclaimer audit opinion as tender documents were missing (Office of the Premier, 2010:1). Chabane (Office of the Premier, 2010:1) mentions that auditing should be viewed as an instrument of improvement whereby audit findings and recommendations by the Auditor-General should be used to improve service delivery.

Our provincial and national treasury enforced a strategic plan to ensure that they employ officials who possess financial skills in order to enhance the financial situation at local municipalities (Anon, 2014:3). These municipal officials will be capacitated in order to improve financial health by concentrating on issues that will lead to the qualification, disclaimer and adverse audit opinions. They will also assist in ensuring that municipalities that received unqualified audit opinions would maintain that status. Also, municipalities that receive an unqualified audit opinion should be sustained (Anon, 2014:3).

The SGB has the powers to appoint an administration assistant (or finance officer), who is responsible for maintaining accounting records (Western Cape Department of Basic Education Department 2014:6): Some of his/her duties include, but are not limited to:

- Reconciliation of bank statements with cash books;
- Allocation of all purchases under approved budget items;
- administration of all receipts and payments activities; and
- issuing and receiving of payment requisition forms and order forms for purchases.

According to PFMA (Act No 1 of 1999), the accounting officer's responsibility states that "before transferring any funds (other than grants in terms of the annual Division of Revenue Act or to a constitutional institution) to an entity within or outside government, he/she must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems". Thus, if such written assurance cannot be given, it will render the transfer of funds subject to conditions as well as remedial measures that requires the entity to establish and implement effective, efficient and transparent financial management of internal control systems. In terms of the SASA (Act No 84 of 1996), schools are compelled to submit their Annual Financial Statement (AFS) by the 30th June.

2.2 FINANCIAL OVERVIEW OF PUBLIC SCHOOLS

Swartz (2009:4) describes financial management as imperative that school principals should have knowledge and understanding of processes in managing schools' accounts (debtors, creditors, bank, inventory, etc.). Principals should also have knowledge regarding the budgeting processes and internal controls in ensuring that the schools funds are not misappropriated. Mestry (2011) has indicated that there's not much distinction between the principal and SGB in managing school finances and this might create conflicts. Visser and Erasmus (2002:277) states that internal control is a measure of government that is implemented by management to prevent mismanagement and to improve the general quality of management. Internal controls, as described by Jackson and Stent (2010), is a designed process that is implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of the financial reporting, effectiveness and efficiency of business and compliance with applicable laws and regulations.

The Provincial Education Departments (PED) in North West (DoE, 2003:27) must allocate budgets for non-personnel's recurrent expenditure in the public ordinary schools. The allocated amount should be used specifically for services, exercise books for learners, as well as textbooks and equipment. In addition, the allocated budget should be used for non-emergency repairs to building. The PED in North West use this ratio as a guideline in order to assist the schools to prepare a budget for their schools.

The Norms and Standards for School Funding document prescribes that the total school allocation for the year should be sub-divided to cover three S21 functions of South African Schools Act. The breakdown is as follows as per budget letters to schools:

- Maintenance and improvement of the school's property, buildings and grounds occupied by the school = 10%.
- Payment for services to the school (e.g. Water and Electricity) = 40%.
- Purchase of Learner Teacher Support Material (LTSM) = 50%.

According to SASA (Act No 84 of 1996), there are two types of schools which are Section 20 and Section 21 schools. The divergence between the two is that in Section 20 schools the department pays for:

- Water and electricity;
- textbooks and educational materials or equipment for the school; and
- maintenance and improvement of the school's property, and buildings and grounds occupied by the school, including school hostels where applicable.

For Section 21 schools, the government's responsibilities are still the same as those of Section 20 schools, except, that the school pays for their own services, textbooks and educational materials or equipment for the school as per SASA (Act No 84 of 1996).

The Department of Education Western Cape (2013) states that the PED is being required to rank schools according to poverty levels, which are determined by the conditions at the school as well as the surrounding community. The money is being transferred directly into the school's bank account for Section 21 schools and the school will be controlling and managing those funds unlike for non-Section 21 schools whereby the PED manages the account on their behalf. The SGB for Sections 20 and 21 schools have different responsibilities, according to the SASA (Act No 84 of 1996).

A quintile is a one-fifth of a specific ranked list and are determined by ranking in order by rates which are sorted from the highest (1) to the lowest (5). The purpose of the quintiles is to reimburse disadvantaged schools based on the area from which learners are coming from or reside. In previous years, quintiles 2 and 3 (refer to Table 2.1) were receiving the same allocation of R880.00 per learner as per Government Gazette No 33723 (2010). According to Collingridge (2013), the minister of Education Angie Motshekga plans to do away with the quintile system in favour of a two category system i.e no fee school or a fee-paying school. Colligridge also stated that a quintile to which a school was assigned was based on rates of income, unemployment and illiteracy within the school's catchment area. Learners from the same area would be attending different schools but the allocation wouldn't be the same, hence, there were changes by the national department to ensure that they change the threshold in a sense that quintiles 1 to 3 receive the same allocation and be classified as non-fee paying schools. The learner allocation for the financial year 2012/13 as per Government Gazette No 33723 (2010) (refer to the Table 2.1 below) which shows allocation per learner. Quintiles 4 and 5 schools are the ones that were classified as previous Model C schools. They are charging school fees as determined by their SGB and their finance committee. As a result, the department does not have any say in how much the learners are paying for their education.

Quintiles	2012	2013	2014
NQ1	960	1 010	1 065
NQ2	880	926	977
NQ3	880	926	977
NQ4	480	505	533
NQ5	165	174	183
Small schools'[1]: National fixed amount	R 22,218	R 23,373	R 24,752

Table 2.1: National table of targets for the schools' allocation (2012-2014) https://www.greengazette.co.za/documents/national-gazette-33723-of-05-nov-2010-vol-545_20101105-GGN-33723.pdf

As per the 2013/14 Annual Report of the North West Education Department, one of their strategic objectives is to extend the threshold of learners in No Fee schools to 80% in order to improve access to schooling for learners from poor families. In the financial year 2012/13 a total number of learners of 586,268 were involved, and this financial year there's a total number of 685,095 which is more than the PED target by 7% (refer to Table 2.2).

	QUINTILES					Grand
Districts	1	2	3	4	5	Total
Bojanala	52,002	33,302	142,687	33,321	4,562	**265,874**
Dr Kenneth Kaunda	26,039	25,211	79,597	25,544	4,175	**160,566**
Dr Ruth Segomotsi Mompati	64,250	48,024	53,766	5,661		**171,701**
Ngaka Modiri Molema	75,102	49,568	35,547	19,787	4,447	**184,451**
	217,393	**156,105**	**311,597**	**84,313**	**13,184**	**782,592**

[1] Schools with fewer than 100 learners

Table 2.2 - Number of learners for financial year 2014/15 (Annual snap survey, 2014).

In the PED of North West, there are a total of 18 schools classified under quintile 5.

	QUINTILES					**Total**
Districts	1	2	3	4	5	
BOJANALA	130	72	265	38	4	**509**
DR Kenneth Kaunda	81	25	82	40	6	**234**
DR Ruth Segomotsi Mompati	161	107	95	16		**379**
Ngaka Modiri Molema	180	106	68	29	8	**391**
Grand Total	**552**	**310**	**510**	**123**	**18**	**1,513**

Table 2.3 – Number of schools per quintiles 2014 (Annual snap survey, 2014).

As per budget section (Learning institution, 2014), Table 2.4 shows how much the department is going to spend for the financial year 2014/15. Fifty percent (50%) of R1,059, 605 and 183 respectively is being used for learners' and teachers' support materials (LTSM) and the remaining portion is for S21, e.g., based on the number of learners in quintile 1 schools they've got (217,393 learners), therefore the allocation will be R1,059 x 217,393 / 2 = R 115,109,593.50. Furthermore, R390 million is the amount that will be transferred to all public schools' bank accounts in the province.

SECTION 21		
QUINTILES	**THRESHOLD**	**TOTAL**
1	1,059.00	115,109,593.50
2	1,059.00	82,657,597.50
3	1,059.00	164,990,611.50
4	605.00	25,504,682.50
5	183.00	1,206,336.00
TOTAL		**389,468,821.00**

Table 2.4 – Budgeted amount per quintiles 2014(Learning institution school budget, 2014)

The funding to all the schools depends on the number of learners. The more learners, the more funding they will receive.

In research conducted in Nairobi by Kinuthia (sine anno) it is stated that some of the causes that led to poor financial management in secondary schools include the following:

- Inadequate training with regard to financial management;
- insufficient understanding of the accounting procedures; and
- incompetent personnel.

Other contributing factors that led to the qualification include non-supporting documents of expenditure incurred and improper cash management.

2.3 CONTROL MEASURES

2.3.1 Non-supporting documents of expenditure incurred

According Henderson (sine anno) there are four types of audit reports, i.e., unqualified, qualified, disclaimer and adverse. When the auditor performs his/her duties in order to verify that expenditure incurred was actually incurred for the intended purposes, in which cases there was no supporting documentation or the are grossly misrepresented, it means that the auditor will give the school an adverse audit opinion.

Public schools receive their funding from government although the grant received is not enough to run the school. Therefore, the schools' finance committees always make efforts to ensure that they generate additional income by means of fund raising (Western Cape Department of Basic Education: 5)

Furthermore, a finance committee is formed and deals with all financial needs of the school and usually consists of the (Western Cape Department of Basic Education Department: 5):

- Treasurer (Chairperson of the finance committee);
- principal;
- educators;
- learners; and
- co-opted members.

The Gauteng Department of Basic Education (2014:9) states that the finance committee should monitor the record-keeping of all funds received and issued by the school by means of:

- Co-ordinating the preparation of the school's annual financial statements;
- reviewing the financial reports on a quarterly basis;
- making recommendations to the governing body; and
- considering and recommending fundraising strategies and initiatives to the SGB.

2.3.2 Cash management

Cash management refers to the management of cash received and the recording thereof by source documents.

2.3.3 Training and development

In order to support schools, the SGBs need to be developed and members need to undergo the necessary training as stated by the Department of Basic Education (Eastern Cape) (2012:11) which would include:

- Attending training programmes organised by the Department of Basic Education;
- visiting other schools to discuss SGB activities; and
- allocating funds for the training of the governing body. The Department of Education and South African Institute of Chartered Accountants (SAICA) are in partnership in order to ensure that schools adhere to the proper financial management (Anon 2015). This partnership has beard fruits because there's an increase in number of schools regarding training.

It is expected that through this partnership, SGBs will be equipped with the necessary to strengthen their ability to govern schools, focusing on management and internal controls. This project will see 15 chartered accountants from the "big five" audit firms training SGB members (Anon, 2015).

2.4 BUDGET

Visser and Erasmus (2002:9) state that a budget is a frame which links all spending objectives which could be associated costs. Knight (in Ngwenya, 2002:14) defines a budget as a management tool for planning, implementation and evaluation.

Visser and Erasmus (2002) state benefits which can be derived from an effective and efficient budgeting process and include:

- Accurate budgets will improve the school's cash flow;
- It is easy to identify variances when there's proper monitoring; and
- The school can focus on common goals and objectives of the school.

The planning stage can be described as a process whereby the school plans how to generate income and pay their suppliers (Visser & Erasmus, 2002). The National Treasury prepares a budget for a period of three years. The medium-term expenditure framework (MTEF) illustrates the current and the next coming three years' income and expenditure (Department of Finance (North West) estimates of provincial revenue and expenditure: 2014). Thereafter, the finance committee should consolidate all the inputs received before it is being presented to parents for acceptance.

Upon consolidation of the budget policies, the school should inform parents by sending notice to parents regarding the school budget. The notice should be to a maximum period of 30 days as per SASA (Act No 84 of 1996).

Once the budget has been approved by the parents, then it can be implemented. Mobegi, Ondigi and Simatwa (2012:2) indicate that for an organisation to survive, it must have conducive financial controls. It was also publicised that South African schools were unable to compile a budget or there was no budget which was prepared at all. Variances between actual and budgeted expense and or income were not prepared.

Unauthorised expenditure Section 34(1) of the PFMA (Act No 1 of 1999) states that:

- The expenditure is an overspending of a vote and parliament or a provincial legislature, as may be appropriate, approves, as a direct charge against the relevant Revenue Fund, an additional amount for that vote which covers the overspending; or
- the expenditure is unauthorised for another reason and Parliament or a provincial legislature, as may be appropriate, authorises the expenditure as a direct charge against the relevant Revenue Fund.

Unauthorised expenditure is defined as overspending of the amount that is being allocated to an institution and expenditure that has been incurred without proper procedures being adhered to as per PFMA (Act No 1 of 1999).

On an annual basis, as it is required by the SASA (Act No 84 of 1996), that the department should issue or provide all schools with a preliminary budget for the next academic year. It is the school's responsibility to ensure that the parents are conversant with the school's finances in the next financial year or academic year (Section 38(1)). Based on the preliminary budget, schools should forecast on how they are going to generate their income and also manage their expenditure.

2.4.1 Budget types

According to Visser and Erasmus (2002:13-14) there are various types of budgets which include:

- Incremental budget;
- the planning programming budget system (ppbs);
- management by objectives; and
- zero-based budgeting.

2.4.1.1 Incremental budget

Visser and Erasmus (2002:13) state that objectives are static. However, the annual increase will be based on higher prices.

2.4.1.2 The planning programming budget system

Programming budgeting determines what money will be spent on each programme. It serves as an objective of that programme. All departments prepare their budget per programme. As indicated by the Department of Finance (2014:288), the PED North West, has nine programmes which include administration, public ordinary schools, independent school subsidies, public special school education, further education and training, adult basic education and training, early childhood development, infrastructure development and auxiliary and associated services.

2.4.1.3 Management By Objectives (MBO)

Visser and Erasmus (2002:14) define MBO as a process whereby an organisation's goals and objectives are set through the participation of organisational members in terms of results expected. This method is more of decision-making rather than the actual structuring of budget itself.

2.4.1.4 *Zero budgeting*

Under this method there are no base amounts to assist in order to estimate the next year's financial income and expenditure. The previous financial year is completely ignored, hence a new budget will be compiled annually (Visser and Erasmus 2002:14).

2.5 ANNUAL FINANCIAL STATEMENTS

According to Investorwords (2015), annual financial statements are reports that describe the viability of a company. These reports include statement of income, statement of changes in net worth and a balance sheet.

2.5.1 Accounting practices and principles

Section 42(a) and (b) of the SASA (Act No 84 of 1996) stipulate that the SGB of the public schools must keep records of funds received and paid and also the SGB must draw up financial statements of the school respectively. Money spent or received by the school should be accounted for by keeping records in a safe place. Those source documents will enable the SGB to draw up the school's annual financial statements, without evidence relating on how much was received and how much was spent, and this will lead to disclaimer of audit opinion.

Visser and Erasmus (2002:218) define accounting in various forms like:

- Collection and recording of economic data, to process the data collected and communicating and interpreting this information to interested parties;
- the skill in keeping and verifying accounts; and
- the identification, measurement and recording of occurrences influencing an enterprise financial and result.

2.5.2 Purpose

There are various statements that need to be prepared in order for users of financial statements to make better economic decisions. Those statements include:

- Statement of financial performance;

- statement of financial position;
- statement of changes in equity;
- statement of cash flow; and
- notes to the financial statements.

2.5.2.1 Statement of financial performance (see Appendix A)

A statement of financial performance determines the profits or loss the entity has made. All income and expenditure should be recorded in the general ledger. A general ledger is a set of master accounts recapitulates all transactions.

2.5.2.2 Statement of financial position (see Appendix B)

This statement assists users of financial statements to identify the following risk when making economic business decisions, liquidity risks; business risks; credit risks and financial risks. The statement has three components which are equity, assets and liabilities.

2.5.2.3 Statement of changes in net assets (see Appendix C)

This statement shows the details of changes of the net assets.

2.5.2.4 Statement of cash flow (see Appendix D)

The statement shows the cash movement of a certain period under various classifications of operating activities, financing activities and investing activities.

2.6 OBJECTIVES OF AN EFFECTIVE ACCOUNTING SYSTEM

In an organisation there are fundamental objectives that should be maintained which include internal and external reporting, including control, accountability, responsibility accounting and provision of information (Visser & Erasmus, 2002:219).

2.6.1 Control

Control will be used as tool in ensuring that budgeted amounts are not being exceeded. The policies and procedures play a vital role in warranting financial controls if there's compliance (Visser & Erasmus, 2002:219).

2.6.2 Accountability

Taxpayers' money spent should be accounted for. Provincial departments and even schools should account for the money they received and how it was spent. There have to be procedures in order for officials to be held responsible and accountable for the safeguarding of public money. SAPA (2014) stated that Desmond Tutu and his daughter Mpho (in SAPA, 2014) strongly stated that: "Accountability is not just a word. It is a foundation stone for good leadership, responsibility, trust, justice and respect".

2.7 POLICIES AND PROCEDURES

The SGB of each school should ensure that there are policies and procedures in place and in line with the Constitution of Republic of South Africa or any other laws passed by the national or provincial government (Equal Education, 2011). In Section 29 of the Constitution (Chapter 2, Bill of Rights) it is stated that everyone has the right to a basic education. This includes adult basic education. Citizens also have the right to further education, which the state, through reasonable measures, must make progressively available and accessible. Therefore, the SGB cannot implement policies opposing the rules of the country, e.g., it may not state that a learner who fails to pay school fees should be dismissed as this is against the Constitution.

Swartz (2009:11) states that policies and procedures will ensure effective and efficient economic management of school finances and it is therefore the responsibility of the SGB to ensure that those policies and procedures are being implemented and monitored. Furthermore, the financial policy is an imperative policy the school must develop. One of the major reasons compelling the SGB to come up with a financial policy is because cash is susceptible to theft. As stated, there should be segregation of duties. Therefore, the financial policy will stipulate responsibilities of each official. Some of the crucial information to be included in the financial policies are:

- Managing school finances;
- managing school assets;
- internal control systems and procedures;
- financial reports timeframes; and
- supply-chain procedures.

It is important to note that when developing a policy, a problem should be identified so that the policy can address the issue. Dunn (2004:3) states that when developing a policy, the following questions should be taken into consideration:

- What is the nature of the problem for which a solution is sought?
- Which of two or more actions should be taken to solve the problem?
- What are the outcomes of choosing that course of action?
- Does achieving the outcomes contribute to solving the problem?
- What outcomes can be expected if other courses of action are chosen?

When a policy is being formulated, there are steps that must be followed in order for the policy to be implemented, monitored, reviewed and ultimately assessed. When a policy is being developed which addresses the issue regarding embezzlement of school funds, the policy should state that the official charged, could be fired, then the school should take into cognisance what labour law says regarding dismissing an official. Manuel (in John, 2015) states that regulations and policies should be designed in such a way that they are able to minimise corrupt practices, failure for those policies and procedures to prevent corruption, they should be revised immediately.

The Department of Education in Gauteng partnered with SAICA and it was discovered that during the pilot period, schools experienced significant issues relating to governance (Anon, 2015). In addition schools didn't have proper financial management instrument like financial policies, supply management policies, bank reconciliations, fixed assets register and cash flow statements.

2.8 ACCOUNTABILITY OF FUNDS RECEIVED FROM SOURCES OTHER THAN THE GOVERNMENT

During the planning stage of auditing revenue is always assessed as risky because it is susceptible to theft. Revenue will always be considered as high irrespective of whether the school has internal controls in place. It is up to the auditor to ensure that the risk is being reduced to an acceptable level by performing tests of controls.

The majority of the schools in the North West Province receive qualified audit opinions, disclaimer audit opinions and adverse audit opinions, especially those that are ranked in Quintiles 1 to 3 as per Department of Education (North West) control listing (2013).

According to Jackson and Stent (2010) a disclaimer opinion, adverse audit opinion and qualified opinion can be defined as follows:

- Disclaimer opinion – this is expressed when the possible effect of a limitation of scope is so material and pervasive that the auditor has not been able to obtain sufficient evidence and accordingly is unable to express and opinion.
- Adverse audit opinion – This opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.
- Qualified opinion – this opinion is given when an unqualified opinion cannot be given due to a limitation of scope, but the limitation is not so material and pervasive that a disclaimer of opinion must be given.

According to the SASA (Act No 84 of 1996), S16 and 16A which stipulate the responsibilities of the SGB and principals respectively, states that the SGB is in charge of schools governance including how school finance should be used whilst the principals should be in charge of running of the schools. Prior to SASA (Act No 84 of 1996), principals were in charge of the finance and running of the schools which could lead to manipulation of the system since there was no segregation of duties.

One of the key responsibilities of the Accounting Officer/Head of Department (HoD) in terms of the PFMA (Act No 1 of 1999), is that before transferring any funds (other than grants in terms of the annual Division of Revenue Act or to a constitutional institution) to an entity within or outside government, must obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems. On the other hand if such written assurance cannot be given, the funds will be rendered subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management of internal control systems.

Mendieta (2011) states that key element of maintain a strong internal controls is by implementing segregation of duties. To ensure that segregation of duties is being achieved the following areas should be effected by different official authorisation, recordkeeping, custody of assets and reconciliations.

If an official can perform all these duties, then the auditors will have a problem with segregation of duties, which implies that the controls are totally ineffective.

2.9 GOVERNANCE VERSUS MANAGEMENT

Equal Education (2011) mentions the differences between governance and management. Governance has been defined as creation and implementation of policies, rules and procedures for the educators, learners and parents. Governance is the responsibility of the SGB. Management, on the other hand, is being defined as actual day-to-day running of the school. This responsibility lies with the principal together with school management team (SMT), the SGB and the principal. Also, the SMT must work cohesively in order to achieve the department's mission of providing quality education and training through the implementation of policies, strategies and programmes.

Chetambe and Sakwa (2013:217) state that school leaders take up management positions as well as aspects such as financial management without formal training. The SGB chairpersons should also be involved in financial training in order to assure smooth running of the schools finances. The SGB selection criteria should be changed in the sense that community members who want to plough back can be given that opportunity to do so. Parents elect chairpersons based on whether they are vocal and famous. They don't take into cognisance the fact that the chairperson is also responsible for the schools finance since the principal is no longer the custodian of the school.

There are various leadership styles which leaders should adopt in order to have a feasible working environment. Benincasa (2012) outlines various leadership styles and when should they be used. Those styles are the:

- Pacesetter leader – who expects and models excellence and self-direction;
- authoritative leader – who mobilizes the team toward a common vision and focuses on end goals;
- affiliative leader- who works to create an emotional bond that bring a feeling of bonding and belonging to the organisation;
- coaching leader – who develops people for the future;
- coercive leader – who demands immediate compliance and
- democratic leader – who builds consensus through participation.

Therefore, the SGB should be able to analyse the annual financial statements in order to take preventative measures, especially if the school did not receive an unqualified audit opinion.

A survey conducted by Chetambe and Sakwa (2013:215) states that school leaders should continue to learn in order to acquire proper skills of financial management in cash flows, debtors and creditors. It was also mentioned that principals take up management positions without formal training in leadership and other aspects, including financial management.

The Institute of Directors in Southern Africa (Anon 2009:21-26) states its role as a board of directors of an organisation which will enable management to govern the institution effectively and efficiently.

2.9.1 Gender Equity

Senior positions are being occupied by males in South Africa according to the acting chairperson of Commission for employment Equity, Tabea Mogodielo

(SAnews.gov.za 2015). In a study conducted in the United Kingdom, it was also discovered that fewer women less than third of top jobs (Halt 2012). Jansen (2015) states that most principals are males despite the fact that 72% of teachers are females as per research conducted in 2012. Between 2012 and 2014, there's been a marginal increase in female principals by 2% from 34% (Jansen, 2015).

2.9.2 Qualifications of managers

In municipalities, fewer municipal managers together with their chief financial officers are without proper qualifications (Anon, 2014). According to City Press, only 40% of municipal managers have the right qualifications and 34% is for their chief financial officers.

In the United States, in order for one to become a principal, most states do require that the official possess a masters degree or higher in education leadership (Kelly, sine anno).

2.9.3 Principal ages

According to Jansen (2015), it was discovered most of the principals are retiring from their position. In 2004, it was also discovered that17% of principals were aged 55 and over. Jansen (2015) stated also that by 2012 two third of South African principals were over 55 years, this will result in shortage of principals by 1,400 per annum.

2.10 ROLES OF PRINCIPALS, SGBs, NATIONAL AND PROVINCIAL DEPARTMENTS OF BASIC EDUCATION PRIOR TO THE INTRODUCTION OF THE SASA

In the past, school governance in South Africa was characterised by a top-down approach. None of the educators, learners, parents and communities were included in the decisions of school governance. Modisaotsile (2012:3) states that officials who were responsible for the governance of the school were the principals and inspectors.

2.10.1 Roles of principals

Prior to the introduction of the SASA (Act No 84 of 1996), principals were responsible for the governance and school finances. All principals play a role as members of the SGBs (*ex officio*) as well as the school principals by virtue of their position.

Engelbrecht and Lubbe (sine anno, 124) state that the principal has the sole responsibility and duties of managing and organising the school. The daily running of the school is his responsibility because he has the authority as a leader, supervisor and head of the school. If the principal delegates some of his responsibilities to his colleagues it does not mean that he is no longer responsible for the actions taken by the delegated official. If someone has to sue the school for actions taken by the delegated official, the principal can't shift the blame, and may be sued as head of the school which is being referred to as *lifting of the corporate veil.* It is being defined as the distinction between the corporation and its shareholder and protects them from being personally liable for the company's debts and other obligations.

Hansraj (2007:18) indicates that schools were governed by the "Principal's handbook", which was a top-down approach and specifies how financial matters at school level should be managed. On the other hand, Hansraj (2007:18) state that the Natal Education Department used a uniform accounting system which provided for the following:

- Facilitation, checking and control measures;
- avoiding of changes in the system consequent to staff changes;
- ensuring that staff on transfer encountered a system with which they were already familiar, thereby saving time and increasing efficiency; and
- a basis for future training of staff.

2.10.2 Roles of school committees

Prior to 1994, schools were not run by the School Governing Bodies (SGB) but by school committee. Engelbrecht and Lubbe (*sine anno,* 125) state that the school committee consisted of nine members: Five parents elected at a parents' meeting and four members appointed by the circuit inspector after consultation with local authoritative persons.

Engelbrecht and Lubbe (sine anno) further mentioned that school committees were operating differently based on whether the school was racially black or white dominant. Where the school was in a white area, the school committee was subordinate to the school and committee board while in black areas, the regional authorities and the legislative assembly took over the functions of the school and committee boards.

2.10.3 Roles of the Department of Basic Education

Engelbrecht and Lubbe (sine anno) state some of the responsibilities of the department which include:

- The importance of departmental instructions with special reference to *Educamus;*
- instructions and regulations in connection with admission, transfer and exclusion of pupils;
- instructions with regard to discipline, corporal punishment and expulsion;
- instructions in connection with injuries; and
- regulations in connection with religious instructions and medium of instruction.

Engelbrecht and Lubbe (*sine anno*) state that important functions of the Department of Basic Education and Training included:

- To determine and execute educational policy;
- to arrange and control inspections;
- to examine and issue certificates;
- to provide school books and teaching aids; and
- to establish study bursaries for pupils.

2.11 ROLES OF PRINCIPALS AND SGB SUBSEQUENT TO THE SASA

After South Africa became a democratic republic in 1994, the republic had to ensure that each and every learner had a right to education. The former national minister of

Education, Prof Kader Asmal formed a commission after nine years of democracy. The purpose of the report was to determine strategies and policy amendments that would deal with the problems pertaining to the financing, resourcing and costs of education in public schools (DoE, 2003:6).

2.11.1 Roles of the principals

The principals' role as per the SASA (Act No 84 of 1996) is mainly focused on governance of the school. The Department of Basic Education, Gauteng Province (2014:8) states that the principal financial responsibilities are as follows:

- Advise the SGB on related financial substance;
- ensure that there are preventative measures in place regarding financial maladministration committed by staff members or SGB members;
- advise accordingly the financial implications to the SGB; and
- report any financial maladministration or mismanagement of school funds to the SGB and head of department.

2.11.2 Roles of the SGB

One of the main imperative responsibilities of the SGB is to maintain financial responsibility (Clarke, 2012:280). The SGB is dominated mainly by people who are not professionally academically qualified but because of the constitution, they have a right to be part of the SGB (Gann, 1998:01). According to SASA (Act No 84 of 1996), states that elective members of each and every public school should have as its SGB which comprises the following members:

- Parents or guardians of learners at the school;
- educators at the school;
- learners in Grade 8 or higher;
- members of staff who are not educators;
- the principal by virtue of his or her official capacity; and
- a co-opted member.

In public schools, the financial responsibility lies with the SGB as stated in the SASA (Act No 84 of 1996). Twenty-two years into our democracy, South African schools are still grappling with the challenges of electing effective people into SGBs. These officials should be elected based on their skills in order to improve the financial performance of the institution.

SASA (Act No 84 of 1996) states that the SGB of all public schools must ensure that their school has school fund accounts and that they are being maintained as per Head of Department directives to estimate the income and expenditure for the following academic year.

Anon (2015) states that since part of SGB responsibilities is to manage schools finances, the problematic issues could be that some of the members may not be equipped to handle such tasks while other members can use funds for their personal gain. In addition, Mestry (2011) also mentions that SGB is responsible and accountable for school finances and the principal must assist and support the SGB's responsibilities.

The SGB should ensure that there's cohesion among themselves, the principal and the deputy, head of departments, educators and learners. This is supported by Griesel (2011) citing that principals and their management team work hand in hand with the SGB to ensure that school finances are effectively controlled. Since SGB members comprise parents, the questions to be asked can be formulated as follow:

- Does each member understand his or her role?
- Do the members take instructions from the principals?
- Do the members take financial decisions without being persuaded by the principal?
- Do the members focus on governance?

The Department of Basic Education, Eastern Cape Province (2012:72), states that some of the treasury responsibilities which among others include presentation of annual financial statements and presenting the proposed budget for the next financial year at the annual general meeting of parents. The Department of Basic Education, Gauteng Province (2014) published a regulation for management of finances in public schools. This regulation has various functions on matters regarding finances and includes:

- The SGB must maintain an effective, efficient, accountable and transparent system of financial, risk management and internal controls;
- ensure the efficient, accountable and transparent use of schools resources;
- take preventative measures regarding unauthorised, irregular, fruitless and wasteful expenditure;
- inform the Head of department regarding unauthorised, irregular, fruitless and wasteful expenditures; and
- ensure that the expenditure is within the budget.

2.11.3 Roles of the Department of Basic Education

SASA (Act No 84 of 1996) states the responsibility of the State. The majority of schools in the country are being funded by the National Department of Basic Education. The following are types of schools that are being funded by the PED in the North-West as per budget book for the financial year 2014/15.

- Public ordinary schools (Programme 2);
- Independent schools (Programme 3);
- Special schools (Programme 4);
- Mega-farm schools;
- Catholic schools; and
- Extended public works programme – EPWP (Programme 7).

As mentioned in the Constitution of South Africa (1996) under the Bill of Rights, everyone has the right to education and the government, as represented by the department, must ensure that enough schools are built.

2.11.3.1 Educational Management and Governance Development (EMGD)

The department has a unit called Educational Management and Governance Development (EMGD). This unit is responsible for capacitating SGBs with regard to management and governance of schools. In addition, they also educate administrative assistants regarding schools finances. In an article by John (2015) with a heading "Gauteng principals need training, the MEC of Education in Gauteng was asked to ensure that all the schools in the province have management and auditing systems in place. John (2015) quoted Basil Manual as saying "principals are not appointed because of their financial skills. The skill set focuses more on academics rather financials skills training on principals. In addition it was stated that the MEC should pressurise the departmental officials about training principals. The Department of Education in Gauteng have budgeted a total amount of R600 million in order to ensure that SGB members are equipped with the necessary skills so that they are able to perform their responsibilities (Pheto, 2015).

2.11.3.2 Internal audit

The internal audit unit will prepare their plans outlining the scope of their audits. Their plans must be approved by the audit committee. Functions and responsibilities of internal audit as mentioned by Makgatho (2013:33) are as follows;

- To provide an investigative unit by ensuring that the departmental resources are being used effectively, efficiently and economically,
- to monitor, assess and report on the effectiveness of the internal control procedures,
- to monitor, assess and report on risks of the department.

2.11.3.3 Internal control (sub-directorate)

Makgatho (2013:32) states functions of internal control section as follows;

- To ensure that financial data forms are correctly completed with regard to prescribed procedures.
- to ensure that transactions are being correctly and properly authorised by the delegated official;
- to ensure that income and expenditure are being recorded in the accounting records of the institution;
- To determine that all sections / directorate of the departments follow income and expenditure compliance issues.

2.11.3.4 Budget learning institution (sub-directorate)

The budget learning institution is the sub-directorate under the budget unit. This unit is responsible for:

- Making fair allocations to Institutions and verify and ensure the effective utilisation of funds;
- overseeing the allocation of funds to learning institutions; and
- monitoring, evaluating and ensuring the effective utilisation of funds.

The Provincial Budget Section (Education) held meetings with school auditors to determine which issues led to the type of qualification of schools. Budgeting was one of main challenges as schools spent more than was available in their budgets.

2.11.3.5 Senior Management Services (SMS)

Makgatho (2013: 31) mentions management responsibilities which include planning, organising, leading and controlling. Senior managers of the Department of Basic Education in all the districts and head office, monitor schools to ensure that study material are being submitted or supplied to schools before school opens in January. This support focuses more on the academic than on financial side.

2.12 COMPARISONS WITH OTHER STATES

It has been found that many countries (e.g. Bangladesh, Kenya, Nepal, Sri Lanka, Uganda and Zambia) fund their public schools. Each country believes in its youth and therefore an educated youth is of high significance, hence funding by the state.

Dieltiens and Meny-Gibert (2012) state that in South Africa, many learners are dropping out of school due to lack of finance and poverty. According to Section 29 of the Constitution of the Republic of South Africa Act 108 of 1996 everyone has the right to basic education as learners have been deprived the right to education due to lack of paying school fees. However, each state has its own criteria for funding all its public schools.

Maronga, Weda and Kengere (2013:96) postulate that in Kenya, public secondary schools in the Sameta division are receiving significant amounts of school fees and also receive free secondary education since 2008 by the Education sector. In an article by Mobegi, *et al* (2012:2) conducted in Kenya (Gucha District) regarding factors contributing to financial mismanagement and misappropriation in public secondary schools, it is indicated that there are internal and external factors conducive to the financial malpractices within the education sector. These factors are:

- Lack of comprehensible norms and standards regulation;
- lack of transparency in administrative leadership;
- remunerations are low; and
- lack of skills in leadership.

Chetambe and Sakwa (2013:215) state that Kenya has introduced a system of inducting new employees regarding financial administrators in financial management. This initiative is to keep school principals abreast of new knowledge in financial management and inculcate a sense of creativity and innovation in their management roles for the attainment of vision 2030. Motsamai, Jacobs and De Wet (2011:112) state that principals are the accounting officers and responsible for everything that happens. Therefore, they need to ensure that proper records of the accounts of schools income and expenditure, assets and liabilities are kept.

In the United Kingdom, as stated by the Welcome Trust (2012:2) some of the governing bodies' responsibilities include playing an essential role in setting the strategic direction for the school and holding its leadership to account. The school leadership and the governing body should have a joint vision for the school and the measures that are needed to monitor its delivery.

2.13 CASES OF MISMANAGEMENT

Mtshali (2012) states cases of mismanagement at schools. The following serve as examples:

St George Primary School, Ennerdale

The school has not had any formal management structure since 2007, after the principal was assaulted during an industrial action. The SGB said the principal was in and out of school because of his injuries, and the department had failed to appoint an acting principal.

The SGB chairman, Mr. Farouk Jardine, said the main reason for the delay was corruption between unions and district office officials.

Fons Luminis Secondary School in Diepkloof, Soweto

The principal, Mr Lempe Motumi, has a pending criminal case of fraud against him. He was placed on a precautionary transfer and has been reported to the district office for allegedly mismanaging school funds. Mr Motumi was transferred "after teachers downed chalk last week, saying they wouldn't lift a finger until he was dismissed".

Kiasha Park Primary School, Lenasia South

The principal was suspended pending an investigation by the department into allegations that he mismanaged the school and came to school drunk. His conduct came to the department's attention after a tip-off by LeadSA.

Sandringham High School, Johannesburg

Principal Logan Naidoo is under investigation after it was found that on some pupils' registration forms were notes of amounts referred to as "donations" – from R500 to R3 000 – requested from parents. Staff alleged these "donations" enabled children to enrol at the school after they had been rejected.

2.14 CONCLUSION

In this chapter the researcher noted some of the issues that might lead to poor financial performances and also roles that were played by different stakeholders prior and subsequently to the introduction of the SASA (Act No 84 of 1996). Some of the issues mentioned include the SGB and the principal, who should be responsible for the school's finances. In the next chapter, the researcher presents the empirical research design.

SGB's who are responsible for school finances might not have financial skills to ensure that funds are being accounted for. Lack of training could result in poor financial management at schools.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter 2 offered the literature review with regard to the poor financial performance and accountability of stakeholders. This was the basis of the research in order to investigate the grounds of financial accountability underlying the problem of not properly managing school finances.

This chapter deals with the research methodology which is defined as a way to find out the result of a given problem on a specific matter or problem that is also referred to as research problem (Industrial Research Institute, 2010).

3.2 DEFINITION OF METHODOLOGY

Methodology is a framework of theories and principles on which methods and procedures are based (Holloway, 2005:293).

Polit and Hungler (2004:233) define methodology as means of obtaining, organising and analysing data. Macmillan and Schumacher (1993:3) describe research as a systematic process of collecting and logically analysing information for some purpose. In addition, Reaves (1992:8) also defines research as a systematic way of answering questions about the world. However, Groenewald (1986:1) defines research as a process which attempts to control, revise or expand knowledge about the nature and operation of reality. Furthermore, Burns and Grove (2003:488) describe methodology as comprising the design, setting, sample, methodological limitations and the data collection and analysis techniques in a research. It is also described by Henning (2004:36) as a coherent group of methods that complement one another and that have the ability to fit the deliver data and findings that will reflect the research question and suit the researcher's purpose.

3.2.1 Literature study

The previous chapter dealt with the research problem where a literature study provided in-depth insight of the study in question. Therefore, it explored the roles of the SGBs, principals, Department of Basic Education prior to introduction of the SASA (Act No 84 of 1996) and also the effect of thereof. This chapter will stipulate scope and the limitations of the research design.

According to the literature review, financial performance of selected public schools in the North West Province might be influenced by factors such as leadership quality and accounting knowledge by both the SGB as well as the principal.

There are various core questions which are being asked in order to determine what might lead to financial performance of selected public schools in the North West Province. Some of the questions include:

- Do the officials entrusted with school finances have the skills to manage finances?
- Does the school follow its budget?
- Does the department offer any assistance with regard to training finance school officials?

In the light of the above it is deemed necessary that this chapter should focus on the research design in order to explore issues that might lead to financial performance of selected public schools in the North West Province. According to Emory and Cooper (1991:191) the research design is a very intricate concept which can be analysed in various ways.

3.2.2 Data analysis

Burns and Grove (2003) state that data analysis is a mechanism that is being used for reducing and organising data to produce findings that require interpretation. In addition De Vos, Strydom and Delport (2002:339) also describe it as the process of bringing order, structure and meaning to the mass of collected data. This process is also regarded as messy, ambiguous, time-consuming, creative and fascinating.

There are eight steps which are referred to as Tesch's approach to data analysis which should be used as stated by De Vos, et al., (2002:340-341):

- Reading through all transcripts carefully to get a sense of the whole;
- selecting one's participants' response to find underlying meanings and thoughts of the responses which are then written in the margin. The step has to be repeated for all participants in the study;
- clustering similar topics together;
- matching the list to the data and finding out emerging categories;
- reducing categories by grouping related topics that show interrelationships;
- each category is coded and arranged accordingly;
- assembling data belonging together into one place and beginning with preliminary analysis; and
- existing data is recoded if necessary.

The researcher, after collecting or receiving available returned questionnaires from the selected sample as discussed previously, code them on a computer. This is deemed necessary in order to validate the reliability of the information received from the samples. Furthermore, the researcher also grouped together the data collected per district in order to analyse each district in order to form a holistic view of the North West Province. Any findings identified are analysed by means of a computer programme.

3.3 RESEARCH DESIGN

The researcher has opted to use the Qualitative Study Method because the results obtained from this study does not generalise the entire population.

3.3.1 Qualitative research

Macmillan and Schumacher (1993:372) clearly define a qualitative research method as a naturalistic enquiry which involves the use of non-interfering data-collection strategies to explore the flow of events and process on interpretation by participants.

A qualitative research approach has the following advantages and disadvantages:

ADVANTAGES	DISADVANTAGES
• Provides depth and detail: looks deeper than analysing ranks and counts by recording attitudes, feelings and behaviours.	• Usually fewer people are studied: Collection of qualitative data is generally more time-consuming that quantitative data collection and therefore unless time, staff and budget allow it is generally necessary to use a smaller sample size.
• Creates openness: encouraging people to expand on their responses can open up new topic areas not initially considered.	• Less easy to generalise: because fewer people are generally studied it is not possible to generalise results to that of the population. Usually exact numbers are reported rather than percentages.
• Simulates people's individual experiences: A detailed picture can be built up about why people act in certain ways and their feelings about these actions.	• Difficult to make systematic comparisons, for example, if people give widely differing responses that are highly subjective.
• Attempts to avoid pre-judgements: if used alongside quantitative data collection, it can explain why a particular response was given.	• Dependent on skills of the researcher: particularly in the case of conducting interviews, focus groups and observation.

Table 3.1 Advantages and disadvantages of qualitative research (http://archive.learnhigher.ac.uk/analysethis/main/qualitative1.html)

3.3.2 Research types

There are two types of approaches to research which include qualitative and quantitative approaches.

	Qualitative research	Quantitative research
Objective/purpose	• To gain an understanding of underlying reasons and motivations. • To provide insights into the setting of a problem, generating ideas and/or hypotheses for later quantitative research. • To uncover prevalent trends in thought and opinion.	• To quantify data and generalise results from a sample to the population of interest. • To measure the incidence of various views and opinions in a chosen sample. • Sometimes followed by qualitative research which is used to explore some findings further.
Sample	• Usually a small number of non-representative cases. Respondents selected to fulfil a given quota.	• Usually a large number of cases representing the population of interest. Randomly selected respondents.
Data collection	• Unstructured or semi-structured techniques e.g. individual depth interviews	• Structured techniques such as online questionnaires, on-

	or group discussions.	street or telephone interviews.
Data analysis	• Non-statistical	• Statistical data is usually in the form of tabulations (tabs). Findings are conclusive and usually descriptive in nature.
Outcome	• Exploratory and/or investigate. Findings are not conclusive and cannot be used to make generalisations about populations of interest. Develop an initial understanding and sound basis for further decision-making.	

Table 3.2 Differences between qualitative and quantitative research Mguli (2013) -(http://www.snapsurveys.com/qualitative-quantitative-research/)

This table also shows the differences between the qualitative and quantitative research methods.

Area	Qualitative	Quantitative
Purpose of research	Exploratory	Directed
Research paradigm	Holistic, process-focussed	Positivist, outcome focused
Sample selection	Purposeful	Random
Research protocol	Not structured	Structured
Data-collection	Richly descriptive	Precise and numerical
Validity/reliability	Uses methods in research	Focused on instrument
Data analysis	On-going	Statistical

Table 3.3 Differences between qualitative and quantitative research

http://studentaffairs.kennesaw.edu/assessment/docs/Quantitativemethods.pdf

3.4 POPULATION AND SAMPLING

The researcher has been employed by the Department of Basic Education since 2013 as an assistant director – Budget (Learning Institution). This sub-directorate focuses on payments to public schools, compliance of schools (which includes the submission of annual financial statements), confirmation of funds received and Certificate of Good Governance as stipulated in Section 21 of the SASA (Act No 84 of 1996). The districts, i.e., Bojanala, Dr Kenneth Kaunda, Dr Ruth S. Mompati and Ngaka Modiri Molema, the majority of schools ranked from quintiles 1 to 3, obtained the following audit opinions:

- Disclaimer;
- qualification;
- qualification with emphasis of matter; and
- no opinion for schools who submitted their accounting records to book-keepers.

In 2014, meetings were held with the respective auditors and accountants that are preparing financial statements of these schools in order to determine what causes such audit opinions.

As the study relates to public ordinary schools in the North West Province, the researcher deemed it necessary to focus on all four districts.

3.4.1 Population

Burns and Grove (2003:43) state that a population comprises elements that meet certain criteria to be included in the study. In this study, the population will include all the public ordinary schools in the North West Province ranging from quintiles 1-3 and will include all four districts. Quintiles 4 and 5 schools are excluded from this research as they have received clean audit reports.

3.4.2 Sampling

In this research, the participants are the school principals and chairpersons of the SGBs. In this study, the researcher used purposeful sampling. The researcher used a purposeful sampling of selected primary and secondary schools in quintiles 1 to 3.

3.4.2.1 Advantages of purposeful sampling

The advantages of purposeful sampling can be stated as follows (Macmillan & Schumacher, 2006:128):

- It usually assures high participation;
- it is easy to administer;
- it is less costly and time-consuming; and
- it ensures receipt of needed information.

3.4.2.2 Disadvantages of purposeful sampling

Macmillan and Schumacher (2006:128) indicate the disadvantages as follows:

- There is a greater likelihood of error due to experimenter subject bias;
- it is difficult to generalise to other subjects;

- it is less representative of an identified population; and
- the results are dependent on unique characteristics of the sample.

3.5 DATA-COLLECTION INSTRUMENT

Burns and Grove (2003:373) describe data gathering as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observation, focus group discussion, narratives and case histories. According to Atkins and Wallace (2012:85), in a qualitative study the researcher needs to spend more time where people work. The researcher conducted interviews at selected schools and also the schools were visited.

When taking the above into account, it goes without saying that questionnaires, more specific for this study, should be designed to ensure that they address specific research objectives for the study in question. Although questionnaires have many advantages, the disadvantages should also be taken into account as can be summarised as follows (Best & Kahn, 2003:307):

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

A questionnaire was prepared which would be used to gather information and the disadvantages were taken into account (see Appendix E). Cresswell (2012:215) states the benefit of using open ended questions because it allows a researcher to determine reasons for the closed responses and receive additional information with regard to the closed question asked. In this study I employed both closed and open ended questions.

3.5.1 Interview

A semi-structured interview was conducted by the researcher in order to gain an in-depth knowledge regarding school finances. A semi-structured interview is used when the questions that are being asked will allow the interviewee to respond as stated by De Vos, et al., (2002:302). This type of interview permits the researcher to make follow-up questions and clarify any other issue too.

The researcher interviewed the chairperson of the SGB and the principal for each school selected. In the absence where the chairperson was not available, a telephonic interview was conducted.

3.5.1.1 Advantages of interviews

According to Burns and Grove (2003:285), the following advantages have been identified:

- Interviews allow collection of data from participants unable or unlikely to complete a questionnaire, such as those participants whose reading and writing skills and ability to express themselves are marginal.
- Interpersonal skills can be used to facilitate co-operation ad elicit more information.
- There is a much higher response rate to interviews than questionnaires, leading to a complete description of the phenomenon under study by the participants.
- It is a flexible technique that allows the researcher to explore a greater depth of meaning.

3.5.2 Arrangements for access to schools

A request letter was prepared for the attention of the Superintendent General (SG) of Basic Education in the North West Province which stipulated the intention and the purpose of the research (Appendix G). Permission was granted by the SG to continue with the research provided that the outcome will be shared with the Department of Basic Education in the province (see Appendix H).

The questionnaires, including the consent letter from the SG, were distributed to the district – and area offices as well as the applicable schools. After a set period of time to allow response, the researcher made arrangements with the schools (including the principal and chairperson of the SGB) to visit them on a scheduled time.

3.6 ETHICAL CONSIDERATIONS

There are eight ethical considerations that the researcher should regard as important, namely harm to experimental subjects, informed consent, deception of subjects and or respondents, violation of privacy, action of competence of researcher, cooperation with contributors, release or publication of findings and finally, debriefing of respondents as stated by De Vos, et al., (2002:64-73). Cresswell (2012:230) states that when a qualitative research is being conducted, a researcher should have a through description of a phenomenon.

3.6.1 Harm to experimental subjects

Harm can be inflicted in many ways on the subjects and this can either be physical or emotional. One may accept that harm on respondents in the social science will mainly be of an emotional nature De Vos, et al., (2002:64-73). Participants in the study should be well-informed about the potential impact of the study. Therefore, the researcher clearly communicated the aim of the study with the participants prior to completing the questionnaire and indicated to them why the study was conducted and how important the responses will be for the validation of this research.

3.6.2 Informed consent

Obtaining informed consent implies that all possible or adequate information of the goal of the investigation, the procedures to be followed during the investigation, the possible advantages and disadvantages and dangers to which respondents may be exposed should be divulged. The participants must be legally and psychologically competent to give consent and they must be aware that they are free to withdraw from the study at any time.

The researcher obtained permission from the Head of Department of Basic Education and Sports Development in the North West Province before the respondents could be approached. Before the questionnaire was given to the participants, they were explained about their participation in the study and that they can withdraw from the study if they are not free not to participate.

3.6.3 Deception of subjects and or respondents

No information should be deliberately misrepresented in order to make another person believe what is not true, violating the respect to which every person is entitled.

There are various reasons which might lead to the respondents to be deceived:

- To disguise the real goal of the research;
- to hide the real function of the actions of the respondent; and
- to hide the experience that respondents will go through.

The researcher explained everything honestly to the participants without deceiving them and they were in return asking questions which were answered by the researcher.

3.6.4 Violation of privacy/anonymity/confidentiality

Privacy is described as that which normally is not intended for others to observe or analyse. It implies the elements of personal privacy. Cohen, Manion and Morrison (2011:91) also state that if participants don't have a right to privacy, they have a right to withdraw from the study.

On the other hand, confidentiality indicates the handling of information in a confidential manner. Confidentiality is being described as information that is received by the researcher from the participant that won't be made public (Polit & Hungler, 1999:143).

Respondents were guaranteed that the information and the identity of the school provided would not be available to anyone. The information collected would be specifically used for research purpose and not for any other business. In this study, no school name and Emis number would be used in order to identify the participants in this study. Cohen, et al., (2011:91) states that in order to protect the respondents' privacy is through confidentiality.

3.6.5 Action and competence of researchers

Researchers are ethically obliged to ensure that they are well-equipped, competent and skilled in order to conduct such study and such study should be conducted with the guidance of a supervisor. Competency and supervision will ensure that the results of the study are credible. When the study commenced, the researcher was provided with a supervisor who poses a PhD in English as well as a PhD in Education management. Therefore, appropriate guidance was offered to the researcher.

3.6.6 Release of publication of findings

The researcher should ensure that after the analysis and obtaining the findings relating to the study, a report should be made public for reading and also it should be accurate and objective.

The researcher should observe the following:

- The final report must be accurate, objective, clear, unambiguous;
- plagiarism is an offence, therefore, all due recognition must be given;
- any information gained by the researcher during his collection of data or study should only be used for intended purposes;
- delimitations of the study must be noted, and
- participants should be informed of the outcome of the study.

After analysing the questionnaires, a detailed report and recommendations in this regard were compiled by the researcher.

3.6.7 Debriefing of respondents

Debriefing sessions should be done after the session or to send a newsletter telling them the basic intent or results of the study.

The HoD's office will be provided with a copy of the report upon completion as requested.

3.7 RESPONSE RATE

Baruch and Holtom (2008) state that students rely on the willingness of the participants to complete the questionnaires. In order for the researcher to complete and analyse the research, (s)he must receive the response from the participants. The delay in receiving these documents or not receiving them may have an impact on the outcome of the research although non-compliance is catered for by research models. The questionnaires might be to the disadvantage owing to the fact that researches have low response rates as respondents fail to return them as it is stated in Leedy and Ormrod (2005).

In order for the researcher to avoid such delays, there was constant communication with the schools. Various journeys were undertaken to collect the questionnaires in all the districts.

3.8 TRUSTWORTHINESS OF THE RESEARCH

Trustworthiness is defined by StreubertSpeziale and Carpenter (2003:364) as ascertain the reliability and validity of qualitative research. According Shenton (2004:64) and Huff (2009:32) they quoted Lincoln and Guba stating that there are four criteria to be considered by qualitative and quantitative researchers in pursuit of a trustworthy study:

CRITERION	QUALITATIVE	QUANTITAVE
Truth value	Credibility	Internal validity
Applicability	Transferability	External validity
Consistency	Dependability	Reliability
Neutrality	Confirmability	Objectivity

Table 3.4 Criteria for qualitative and quantitative research

3.8.1. Credibility

As Holloway (2005:8) indicates that for the researcher to ensure that credible information is being obtained, participants in the study must be identified. In this study, the participants are principals and SGB chairpersons. The Researcher needs to be familiar with what happens at schools so that any information distorted can be detected.

3.8.2 Transferability

Shenton (2003:69) states that external validity concerned about the study findings whether they can be used in other situations and still gets the same results. The researcher should provide more information with regard to the areas that were used to enable the user to make such a transfer (Firestone, 1993). The researcher has shown details on how conclusions were drawn with regard to areas and peoples used.

3.8.3 Dependability

Cohen and Crabtree (2006) describe the purpose of external audits as a process whereby a researcher is not involved in the process and product of the study. An independent researcher(s) will evaluate the accuracy of the findings, interpretations & analysis and conclusions. The study has been checked by the supervisor.

3.8.4 Confirmability

Confirmability concerns with the researchers objectivity (Shenton, 2003:72). The findings of the study must be that of the respondents and not the researcher motivation or interest (Cohen & Crabtree, 2006). The researcher made recommendations based on the responses received.

3.9 CONCLUSION

This chapter outlined the design and the research method as performed in this study. The researcher's intention was to determine the financial knowledge possessed by both the principal and the chairperson of the SGB as both parties play a significant role at the school and, as a result, a qualitative research method was used.

The researcher opted to use the following topics for the study to explain measures for the data collection, which among others included:

- Data-collection instrument;
- interview;
- arrangement for access to schools;
- ethical considerations;
- response rate and limitations; and
- data analysis.

Thus, the findings resulted from above processes will be explored in Chapter Four.

CHAPTER FOUR

PRESENTATION, DISCUSSION AND INTERPRETATION OF DATA

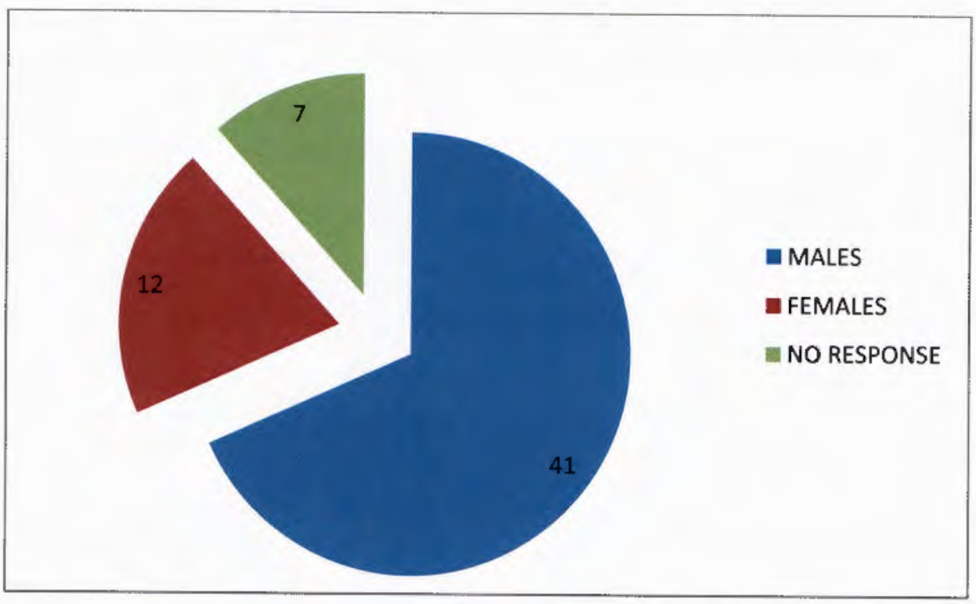
4.1 INTRODUCTION

This chapter focuses on presentation and interpretation of the data collected through research methodologies as discussed in Chapter Three. The research questionnaire was analysed to assist the researcher to interpret the study. Also, the literature study (see Chapter Two) introduced the foundation of other relevant research for presentation, discussion and interpretation of data as presented in this chapter.

4.2 ANALYSIS OF THE QUESTIONNAIRES

4.2.1 Gender distribution of chairpersons

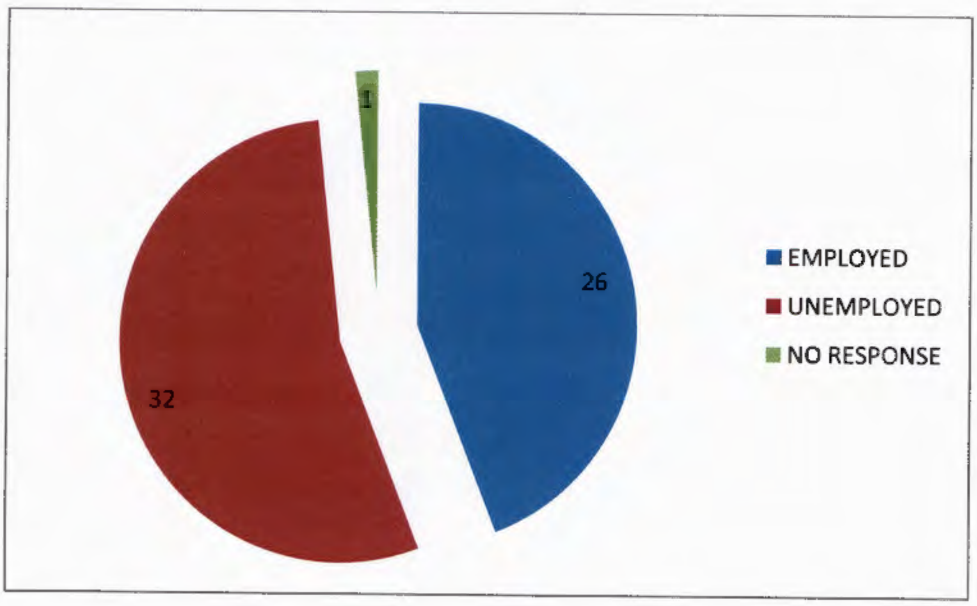
Figure 4.1: Gender distribution (SGB Chairpersons)



As the SAnews.gov.za (2015) and Jansen (2015) have cited that senior positions in South Africa are being occupied by males. In addition, a study in United Kingdom also indicates that senior positions are male dominant (Halt, 2012). In this study it is once again demonstrated s chairpersons are mostly male. A total sample of 60 schools responded of which 41 were males. This figure shows that males are still in power and dominant in higher positions. It also indicates that parents in various communities still believe in the leadership of males as indicated in Figure 4.1. Seven (7) respondents did not respond and only twelve of the respondents were females. In addition, according to the South African Gender equality framework, policy was established in order to ensure that gender equality is at the forefront of the transformation process in the new democratic South Africa within all the structures, institutions, policies, procedures, practices and programmes of government, its agancies and parastatals, civil society ad private sector.

4.2.2 Employed versus unemployed

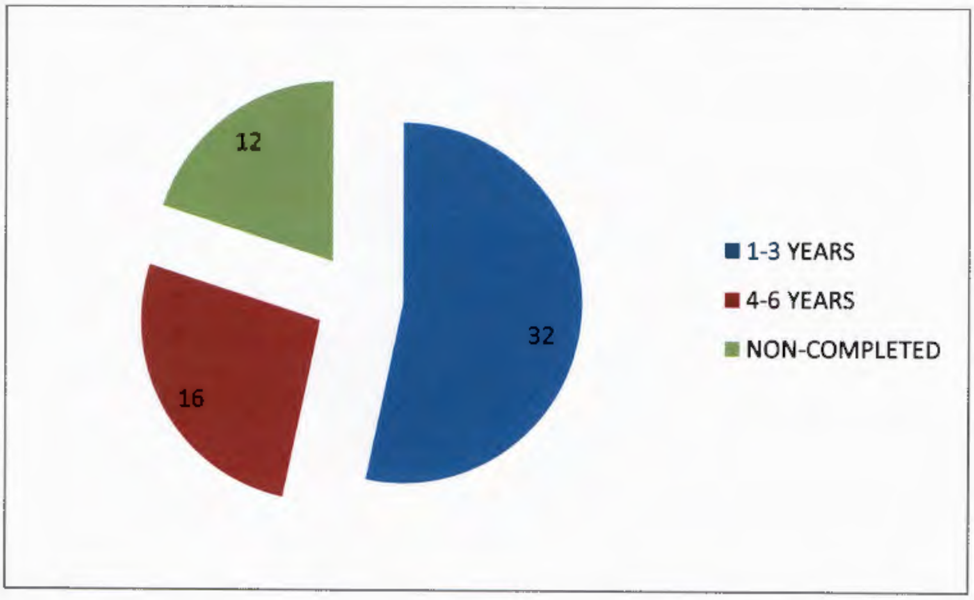
Figure 4.2: Employed vs unemployed (SGB Chairpersons)



The majority of chairpersons at schools are not employed although the variance is insignificant between the employed and unemployed. Those who are employed are not in managerial or financial positions where it could be of value in the smooth running of school finances.

4.2.3 Years of experience as a chairperson of the SGB

Figure 4.3: Years of experience as a chairperson of the SGB

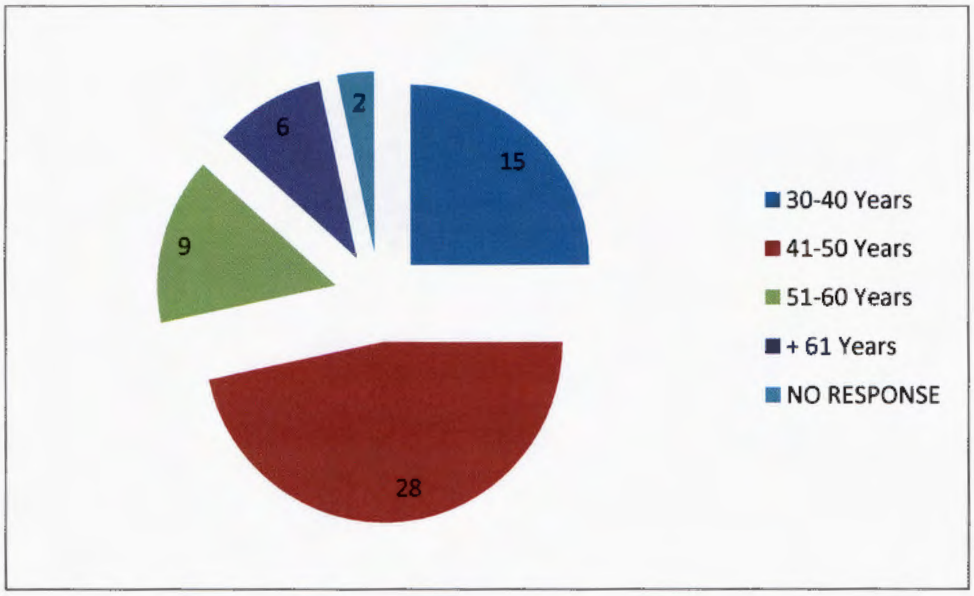


This figure shows that the majority of chairpersons don't have much experience or they are in their first term of their chairpersonship. In terms of SASA (Act No 84 of 1996), which states that the term of members and office bearers other than a learner may not exceed three years. In addition S 31(**4**) also has an option that a member may be re-elected after the expiry of his or her term, therefore an elected chairperson is supposed to be in charge for a maximum of two terms in one school. Each term is for a period of three years. . Gann (1998:01) mentions that SGB members are being in a board irrespective of their academic qualifications but because of their constitutional right. In a report of the Ministerial Review Committee of School Governance (2004:148-151) reveals that some of the weakness in the SGB which are:

- Very few members understand their main business;
- majority of parents have not been exposed to schooling; and
- lack of skills among the members.

4.2.4 Age categories of chairpersons

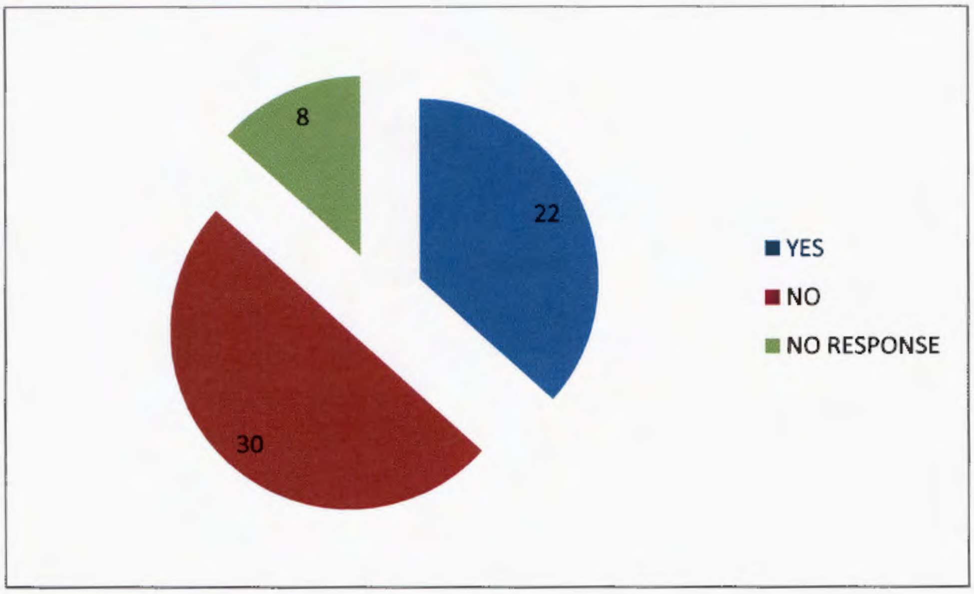
Figure 4.4: Age categories of chairpersons



The majority of chairpersons are between the ages of 41-50 years. This might have a correlation between chairpersons who are unemployed and this age category. Only two did not disclose their age.

4.2.5 Financial training for chairpersons

Figure 4.5: Financial training for chairpersons



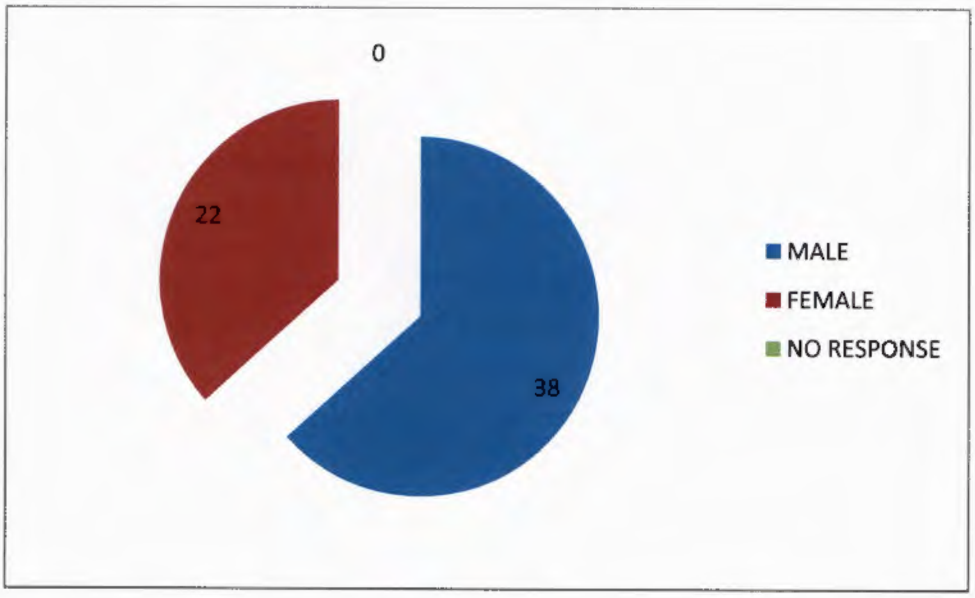
It was found that 50% of the sample respondents did not attend the financial training in order to improve or understand the school's finances. This is an indication that chairpersons at various schools are not capacitated regarding school finances. Clarke (2012:280) has indicated that one of the major responsibilities of the SGB is to maintain schools' finances. This might be problematic if SGB's are not trained and their responsibilities are of finance. Xaba and Ngubane (2010:140) concur with the finding that poor financial management and accountability is caused by illiteracy, lack of experience and lack of sufficient training.

In addition, those who did attend the financial training, indicated that EMGD played a vital role in educating them regarding the school's finance and governance. There is relevance in what was taught and the implement process.

As indicated by Anon (2015) it supports the statement that financial trainings are not performed for chairpersons. In addition, the Department of Education, Gauteng, has budgeted a total amount of R600 million for training SGB members (Pheto, 2015).

4.2.6 Principals' gender distribution

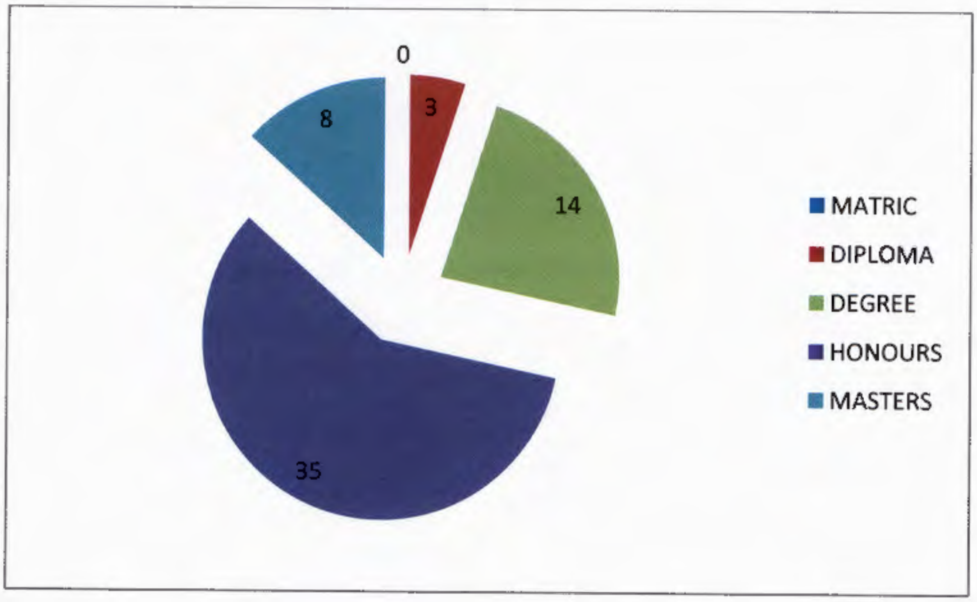
Figure 4.6: Principals' gender distribution



As the SAnews.gov.za (2015) and Jansen (2015) have cited that senior positions in South Africa are being occupied by males. In addition, a study in United Kingdom also indicates that senior positions are male dominant (Halt, 2012). On this study, this proves to be as chairpersons a male dominant. This shows that males are dominant as principals in schools and that there is more faith in male principals. This could be due to the fact that male principals are still being entrusted with ensuring that law enforcement at schools prevails and that there is no corporal punishment in schools.

4.2.7 Principals' qualifications

Figure 4.7: Principals' qualifications



Principals at the selected schools have various qualifications. This is an indication that none of the school principals are managing the school with a matriculation certificate. Out of 60 schools samples, 35 of the school managers have an honours degree in Education (NQF Level 8).

Out of 60 schools sampled, only eight principals have master's degree in Education (NQF Level 9).

Based on Figure 4.7, the majority of educators have an honours degree.

As it has been indicated by Kelly (sine anno), principals need to possess a master degree in Education. In our study this is not the case as majority of principals have honours degrees.

4.2.8 Age category for school principals 30-40 years

Figure 4.8 Age category for school principals 30-40 years

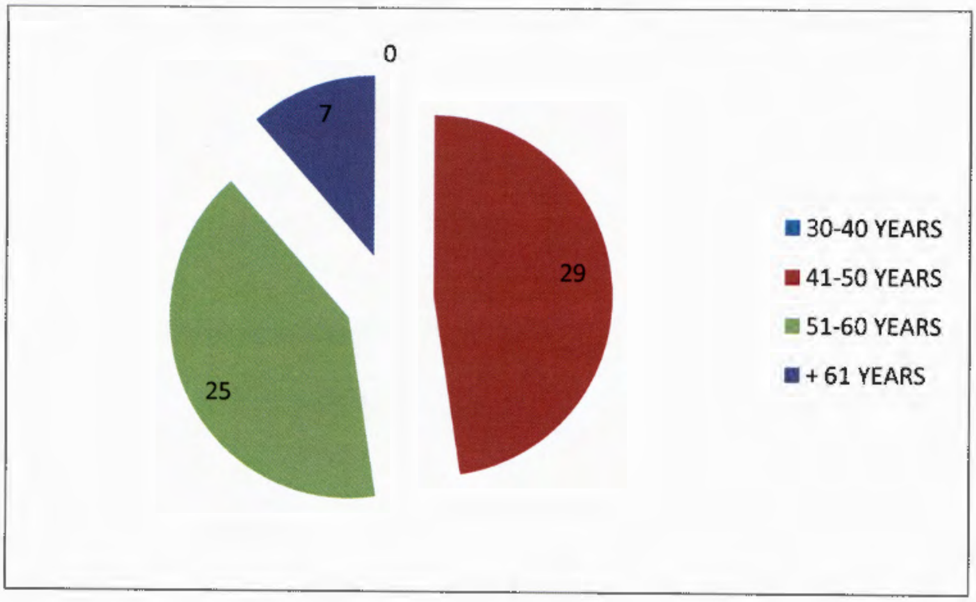


Figure 4.8 shows that the majority of principals are between the age categories of 41-50. There are no principals between the ages of 30–40. Seven of the school principals are about to go on retirement. This proves to be correct since South Africa experience a high number of principals who are about to retire as it has been mentioned by Jansen (2015).

4.2.9 Training attended by principals

Figure 4.9: Training attended by principals

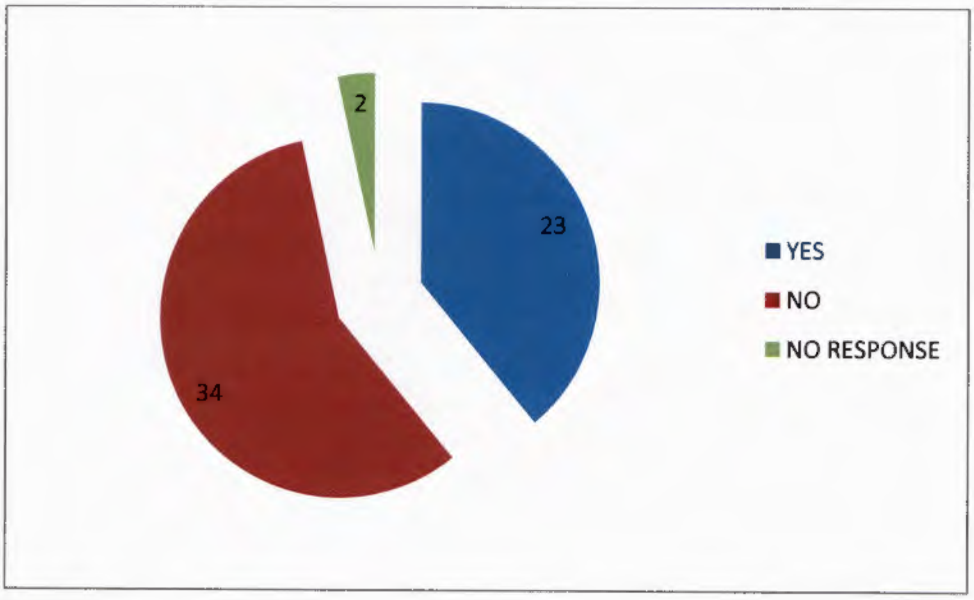
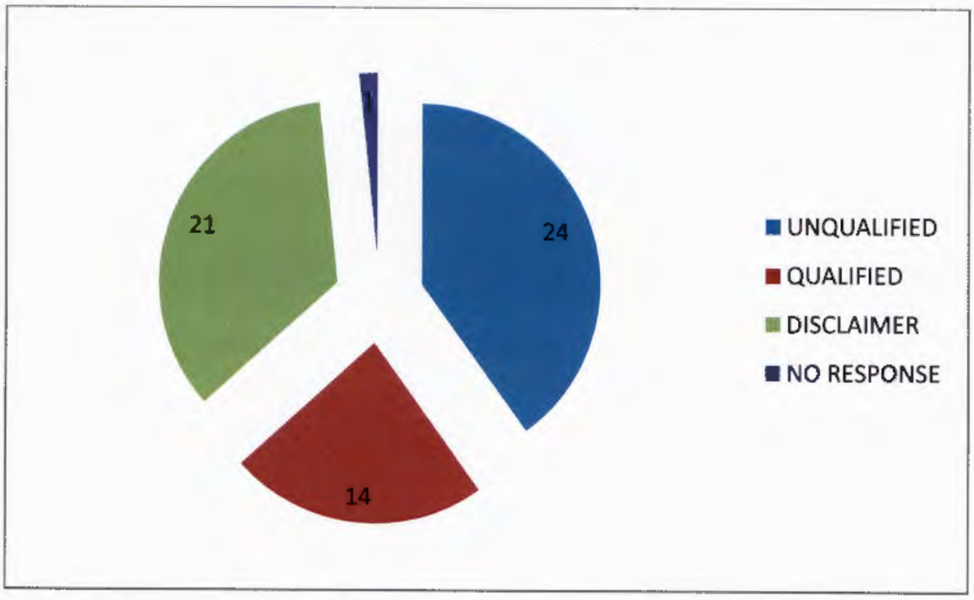


Figure 4.9 shows whether the principals did attend financial training and whether that training helped them in managing or assisting them with school finances. All the principals who attended the agreed that the training had been beneficial, however more than 50% of the principals didn't attend. This might have an impact if the principals are not attending those training courses or if they are not invited for such.

John (2015) quoted Manual as saying "principals are not appointed because of their financial skills. The skill set focuses more on academics rather financials skills training on principals. John (2015) also an article with the heading "Gauteng principals need training". The training must ensure that schools have management and internal control systems in place. Xaba and Ngubane (2010:140) also state that principals need to be trained in financial skills. The MEC in Local Government in North West mentions that financial department at municipalities remain unqualified, under skilled and untrained and it is expected that after the training, they will contribute positively in improving financial management at municipalities (Anon, 2014:3). Therefore, trained principals in finance will assist in improving school finances. Swartz (2009:4) also states that school principals should have knowledge and understanding of financial management. Du Plessis (in Mtshali, 2012) indicates that if principals don't poses managerial skills, this might lead to mismanagement of schools.

4.2.10 Audit opinions received by the school

Figure 4.10: Audit opinions received by the school for financial year 31 Dec 13



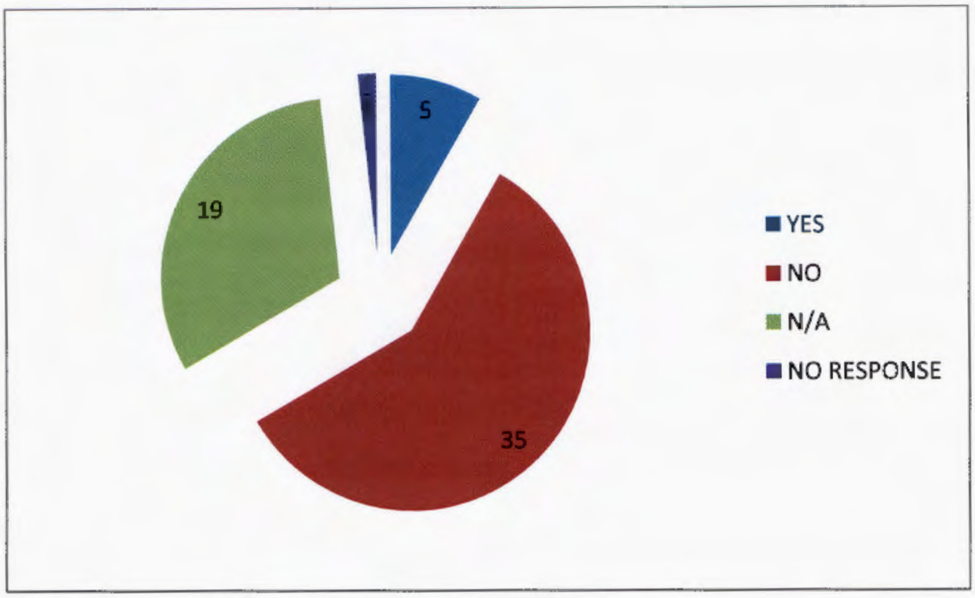
Audit opinions show whether there are control at the schools so that school finances are being used for intended purposes and whether there is misappropriation of funds. Twenty-four (24) schools out of 60 have shown that they have received a clean audit opinion for the financial year then ended 2013. There is also much of a concern that the schools did not have financial controls or they didn't have proper record management in place hence they received a disclaimer audit opinion.

Anon (2014:1,3) states that in the North West Province all 23 municipalities failed to achieve clean audit reports due to lack of officials who are unqualified, under skilled and untrained. This is true in a sense that if officials are not trained in financial skills, they can contribute to the qualified, disclaimer and / or adverse audit opinion.

In addition as it has been mentioned by Chabane (Office of the Premier 2010:1) that auditing should be used as an instrument of improvement and that recommendations by the Auditor-General should be followed and used.

4.2.11 Meetings held to discuss audit outcomes

Figure 4.11: Meetings held to discuss audit outcomes



All schools (19) that received unqualified audit opinions did not hold meetings in order to discuss measures that should be taken to sustain their unqualified audit opinions. However, N/A came as a result of how the question was asked. Only five schools that received a clean audit had held meetings to discuss their sustainable measures. More than 50% of the school did not hold meetings irrespective of the school's auditors audit opinion.

4.2.12 Budget meetings held with parents

Figure 4.12: Budget meetings held with parents

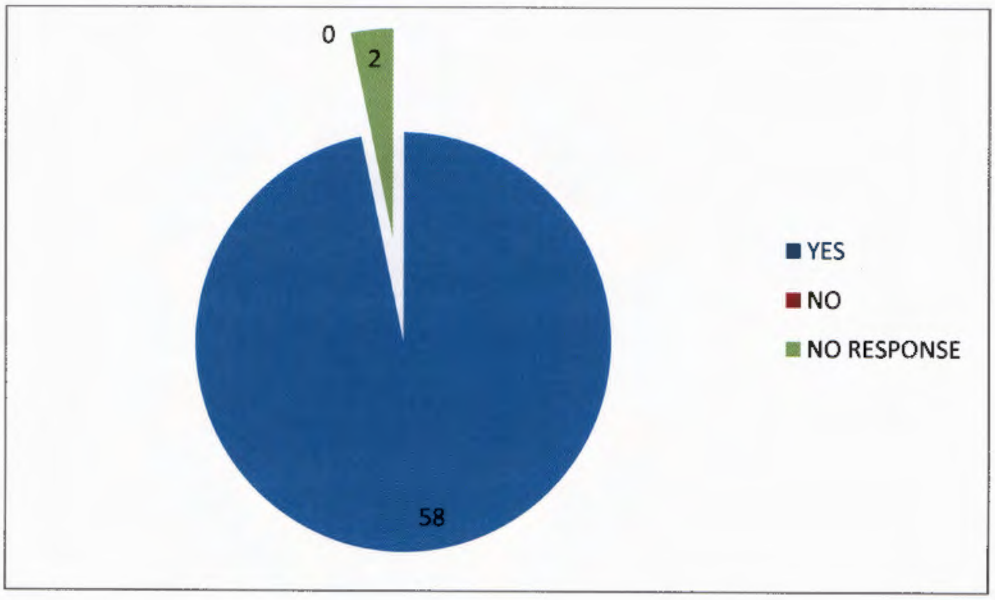
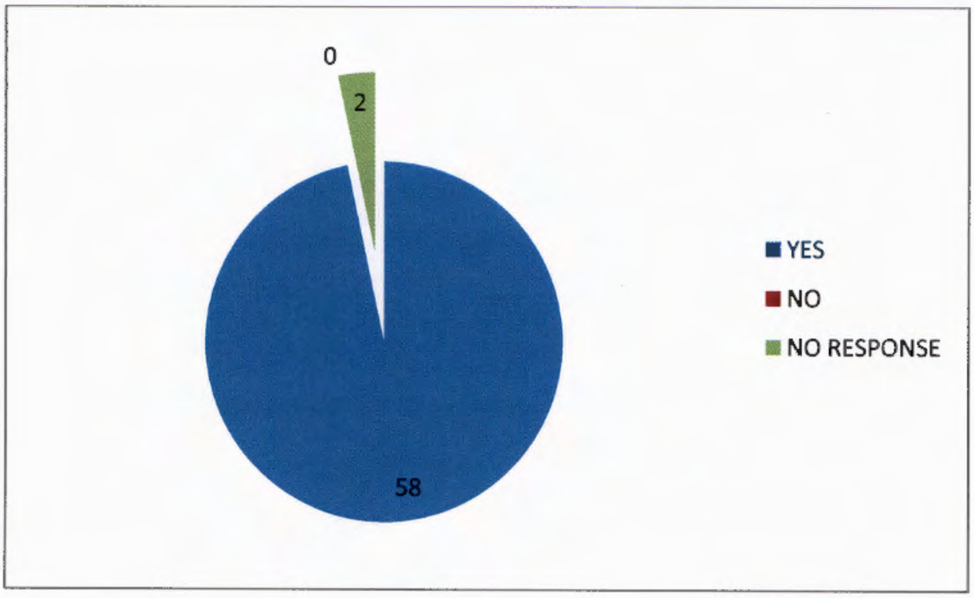


Figure 4.12 shows that all the schools held school meeting with parents in order to discuss their 2014 financial year income and expenditure (budget).

In addition, this is also a compliance issue as per the SASA (Act No 84 of 1996). The schools are also required to complete a template form called Certificate of Good Governance (Appendix I). This is the document all schools are obliged to complete at the beginning of each and every school year. In terms of SASA (Act No 84 of 1996), S 38(2), prior to approval of the school budget, a general meeting of parents must be convened for consideration and approval by a majority of parents present.

4.2.13 Does the school have financial controls?

Figure 4.13: Does the school have financial controls?



Fifty-eight (58) schools out 60 indicated that there were financial controls in place which is a good indication that school funds are being used for intended purposes and not being misappropriated. Based on the Figure 4.10, there's a contradiction because if schools have financial controls, then unqualified audit reports should have been received by schools.

4.2.14 Did the school receive any financial training from the AO/District?

Figure 4.14: Did the school receive any financial training from the AO/District?

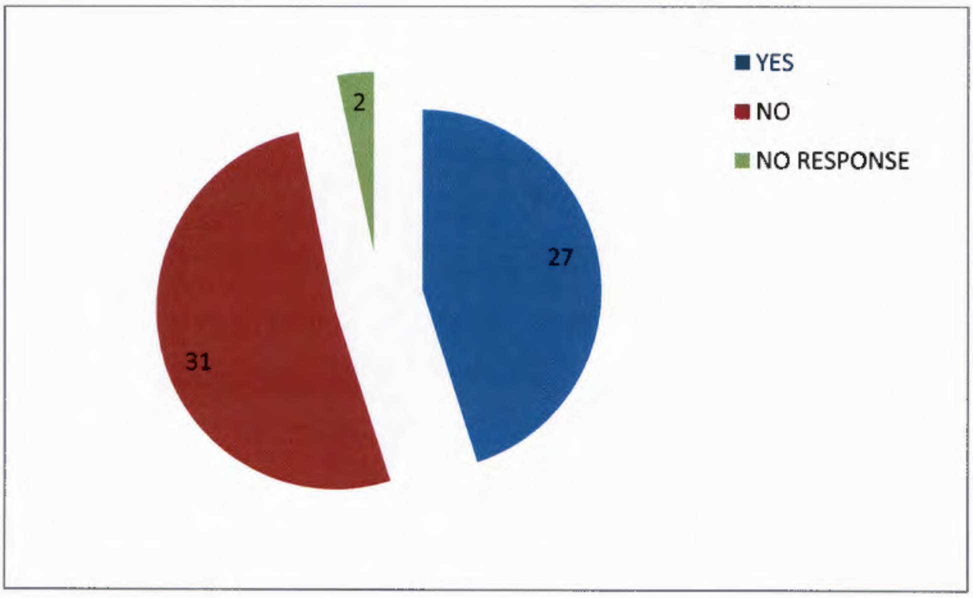
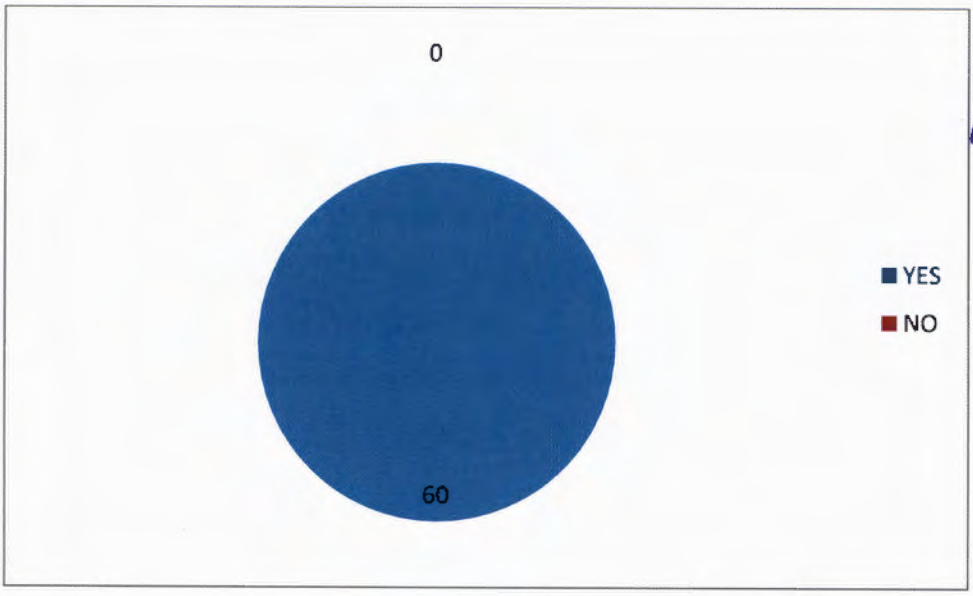


Figure 4.14 shows that 31 schools did not receive financial training from their area and district office during the 2013 financial year other than EMGD. Twenty-seven (27) schools indicated that they had been capacitated by either area or district offices.

4.2.15 Are the school's financial policies aligned to PFMA?

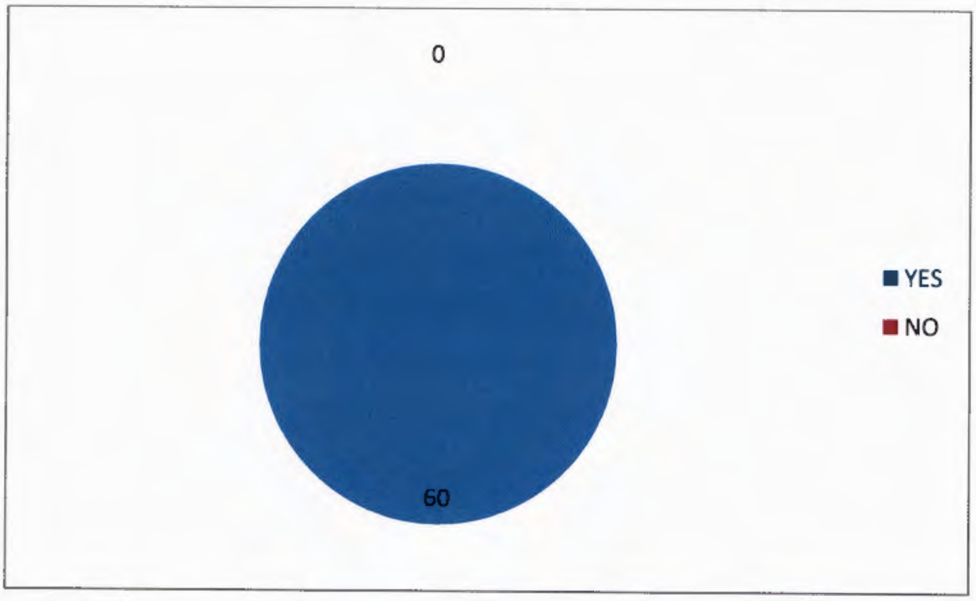
Figure 4.15: Are the school's financial policies aligned to PFMA?



A 100% of the samples schools indicated that they have financial policies aligned to the PFMA as per Figure 4.15. Policies give guidance on how income and expenditure should be treated.

4.2.16 Does the school have a finance committee?

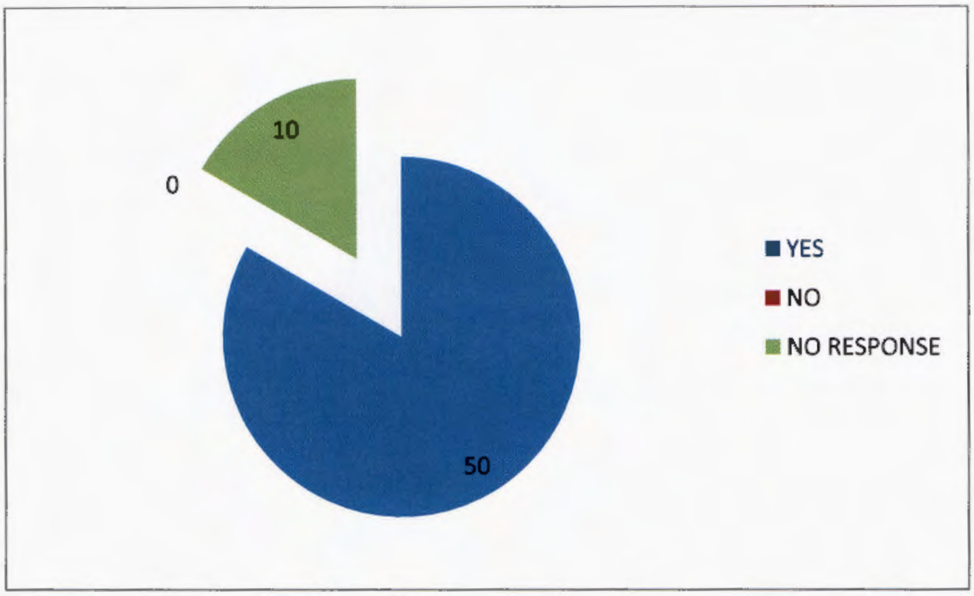
Figure 4.16: Does the school have a finance committee?



All the schools sampled have finance committees. This committee is intended to monitor school finances. They have to ensure that schools funds are not being misappropriated. As it has been indicated in corruption watch (2015) the SGB can have a finance committee that can assist with the money matters (school fees, fundraising and feeding scheme). According to Basic Department of Education (2014), the finance committee plays a vital role by supporting the treasure, advising the SGB on financial issues, preparing financial statements and suggesting an auditor.

4.2.17 Bank reconciliations performed by schools

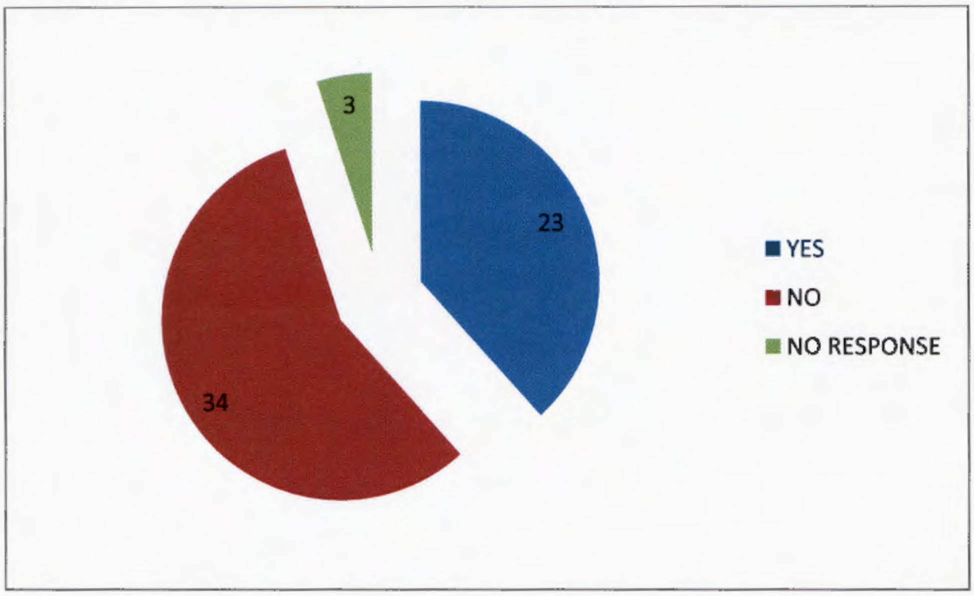
Figure 4.17: Bank reconciliations performed by schools



None of the schools indicated that they did not perform their bank reconciliation for the financial year ended 2014. Fifty (50) schools of the sampled schools showed that they had performed their bank reconciliation which is more than 50% of the sample. Discoveries done by SAICA states that one of the financial management instruments include bank reconciliations which was not performed at schools (Anon, 2015).

4.2.18 Budget inputs from area offices

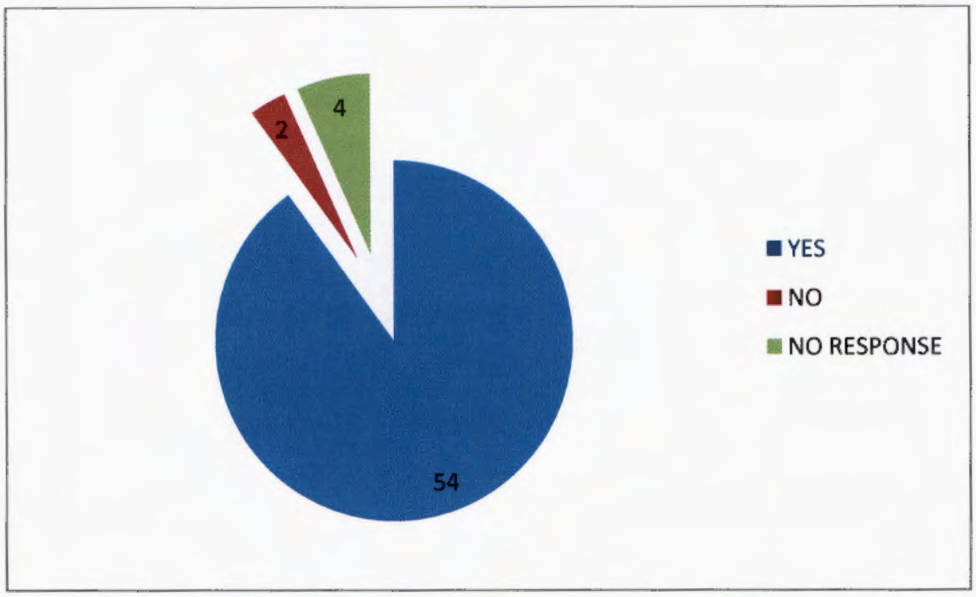
Figure 4.18: Budget inputs from area offices



Thirty-four (34) schools of the sampled schools, as per Figure 4.18, indicated that they did not get any inputs from their respective area offices regarding the school's budget. Area offices in which 23 schools are based showed an interest in the school's budget and made their inputs. 3 respondents from schools did not complete or respond to the question.

4.2.19 Amendment to the budget

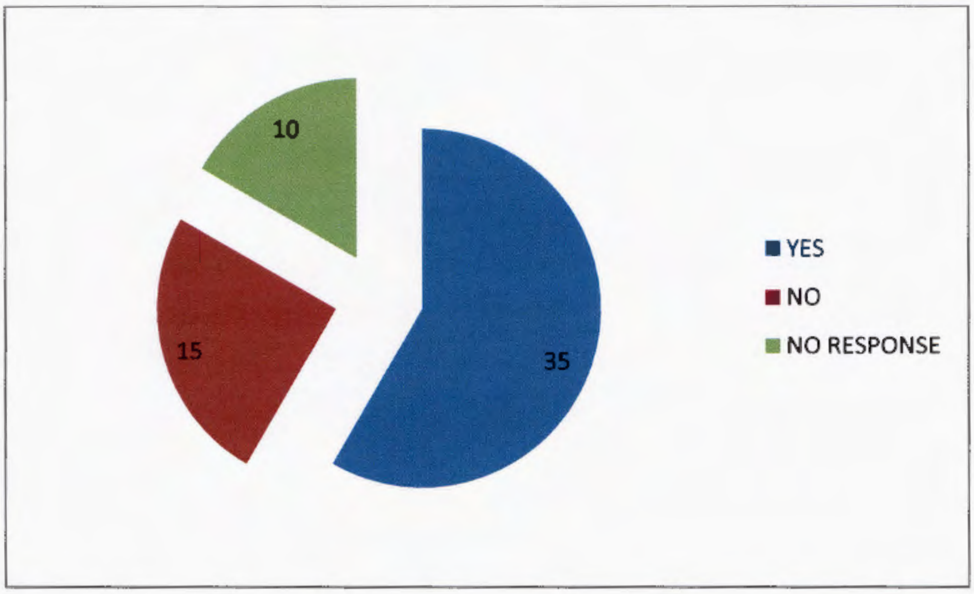
Figure 4.19: Amendment to the budget



Fifty-four (54) schools indicated that when they wanted to amend the budget, they had to inform the SGB of their intentions. Only two schools amended the budget without informing their SGB. Four of the schools did not respond to the question.

4.2.20 Amendment of policies

Figure 4.20: Amendment of policies



This is a follow-up of Figure 4.19 which wanted to confirm whether schools had informed the SGB regarding the budget adjustment. In Figure 4.20, 35 schools agreed that their financial policy allowed them to make adjustments to their budget. Fifteen of those schools did not have such a policy and ten schools did not respond to the question.

4.21 Do schools use petty cash to pay their suppliers?

Figure 4.21: Do schools use petty cash to pay their suppliers?

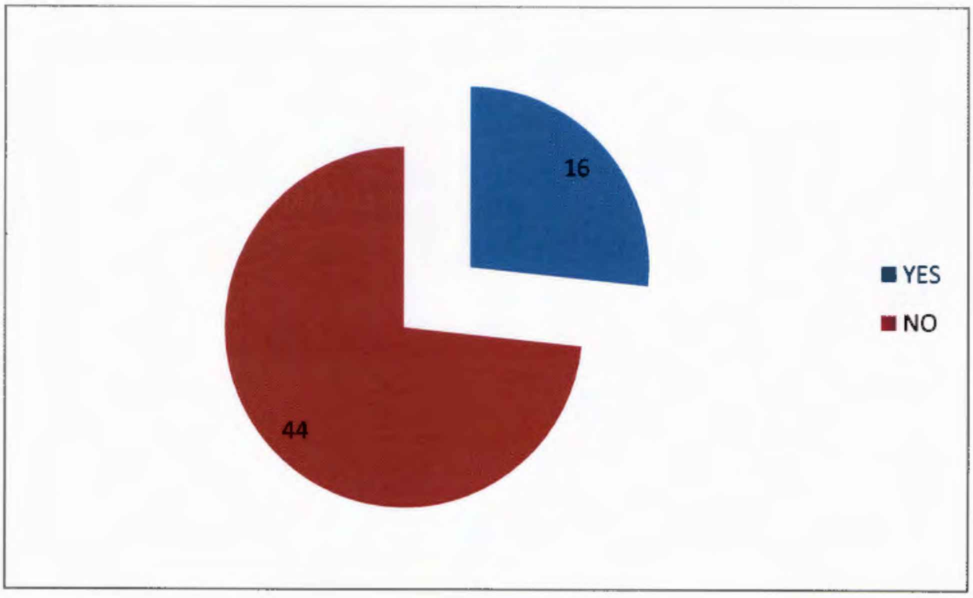
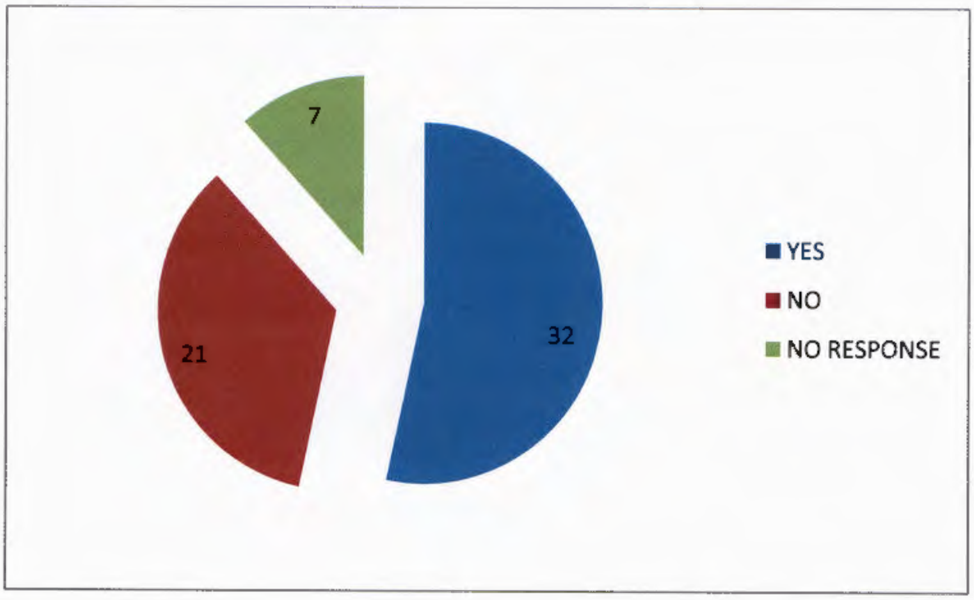


Figure 4.21 shows that the schools don't keep petty cash in their respective schools since no suppliers are being reimbursed using petty cash. According to Figure 4.21, 44 many schools don't use petty cash to pay their suppliers and only sixteen schools did use petty cash for such payments.

4.22 Does the financial policy stipulate petty cash amounts to be paid to suppliers?

Figure 4.22: Does the financial policy stipulate petty cash amounts to be paid to suppliers?



This figure is to indicate whether the schools that are using petty cash to pay their suppliers did stipulate how much should be paid. Thirty-two (32) schools indicated they had such amounts in their financial policy. According Department of Education KZN petty cash is used for payments that are too small to pay by cheque

In addition, of the schools that agreed that they make use of petty cash to pay their suppliers, one school indicated that they can pay a supplier a total amount of R3,000.00 per transaction and two of the schools did not state how much they pay the supplier per transaction. The others indicated that they can pay a total amount of between R300–R400. As stated by John (2015), policies should be used to prevent corruption and if they fail to do that, then they should be revised.

4.23 Safety of cash held at school premises before being banked

Figure 4.23: Safety of cash held at school premises before being banked

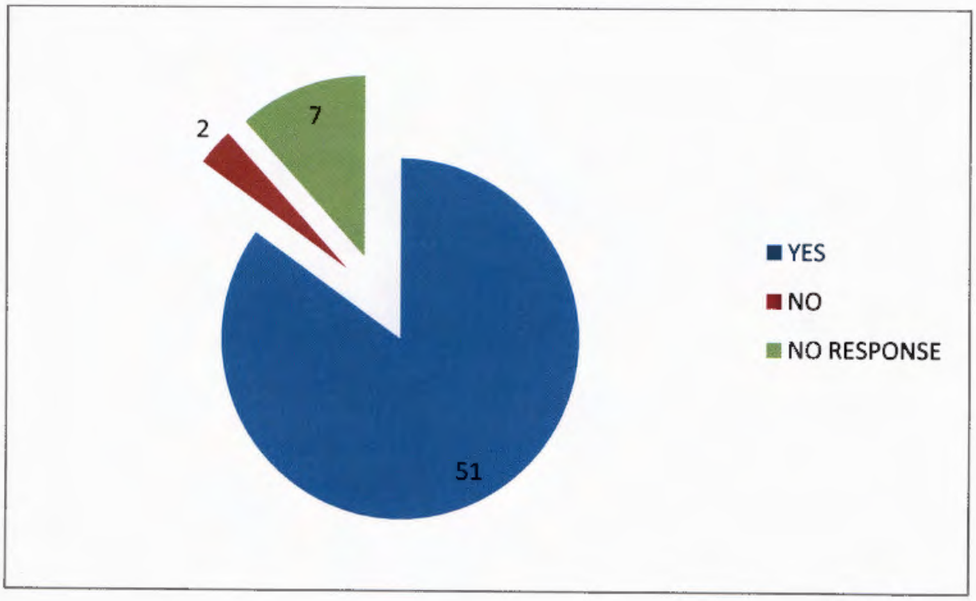


Figure 4.23 indicates that in 51 schools the cash that is being kept at the school before being banked is being kept in a safe place. Only two schools stated that where the school's money is being kept is not totally safe. 07 of the total sample did not respond to the question.

4.24 Does the school issue crossed cheques to their suppliers?

Figure 4.24: Does the school issue crossed cheques to their suppliers?

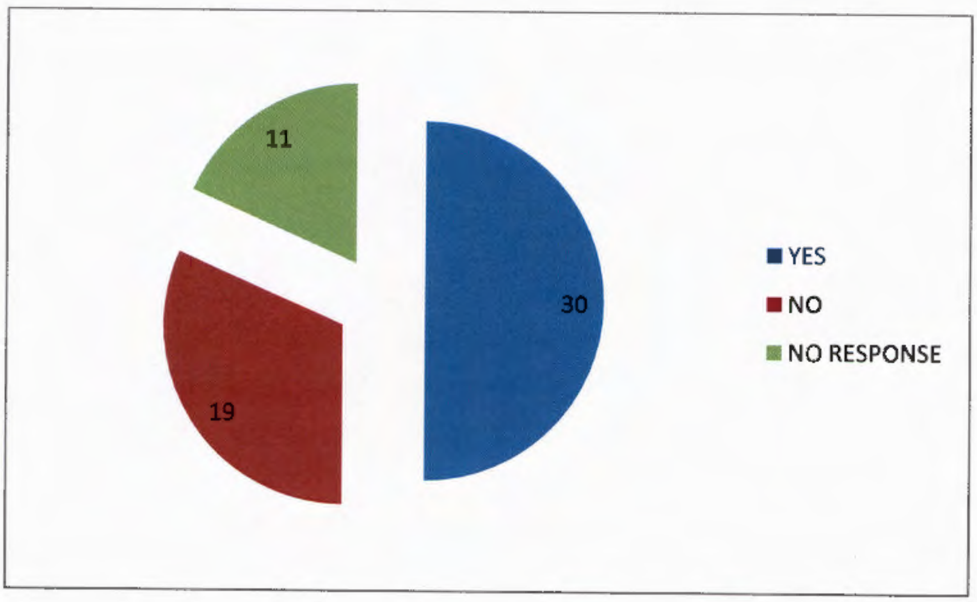


Figure 4.24 indicates that 30 schools issue crossed cheques to their suppliers and only 19 did not issue such. Nineteen (19) of the schools did not respond to the question.

4.4 CONCLUSION

This chapter detailed the results of the research. Graphs were used to augment the results. After completion of analysis and findings from the questionnaires, Chapter Five provides the main conclusion of the study. The chapter among other issues addresses the recommendations and provides answers to the study objective.

CHAPTER FIVE

CONCLUSION

5.1 INTRODUCTION

This chapter concludes the study. As has been discussed in the preceding chapters, the main focus of the study was to determine the root cause of financial performance of selected schools in the North West Province. In this study there are some key pointers that helped the researcher to determine the cause or contributing factors to this study. The study's key questions were:

- Did the Department of Basic Education make allocation / budget in order to train SGB members?
- Did the SGB members make any follow-ups with the auditor in order for them improve their financial performance?
- What measures were taken by the department in order to assist those schools that did not perform well?

5.2 PREVIEW

The problem statement provides the background of the study. The research design was also outlined. The significance and limitations of the research are indicated.

5.3 RESPONSE TO RESEARCH QUESTIONS

The findings of this study in relation to each objective are analysed to determine whether they were achieved:

5.3.1 To determine that chairperson members have financial skills to assist the SGB

Based on the research conducted, chairpersons of the schools' SGBs don't have the financial skills which will enable them to make informed decisions relating to financial issues. In the North West Province, as it is regarded as being rural, this issue correlates with the unemployment rate in the province. This, however, has a direct impact because most of the chairpersons are unemployed youth who lack a proper financial background. Those who are employed are completely not in the financial or accounting stream of training.

5.3.2 To ensure that SGBs are being trained regarding financial performance

The Department of Basic Education has a unit which is responsible for training principals and SGB members in terms of governance and management. Chairpersons were not capacitated about issues relating to financial management at schools. This could have a major impact as a result of lack of knowledge of financial issues.

Another issue on the training of chairpersons has to do with whether the said chairperson who did not attend the training did not do so as a result of whether they were not invited or blatantly refused to attend such.

5.3.3 To ensure that the SGB's know how to interpret the audit report

As per Figure 4.11, more than 50% of the schools did not hold such meetings to discuss the auditors' reports and find a way forward. There might be a lack of understanding between non-comprehension and interpretation of this report.

5.3.4 To determine whether the Provincial department had made an allocation or budget for training SGB members

The Department of Basic Education has a special unit which deals with issues of financial and management training for both principals and their chairpersons, called EMGD. Each district has its own unit and conducts their own training.

The department has made allocations for various training initiatives in the department, which among other things includes training for teachers' development, employee development and skills development. Skills development training relates to the training for governance and management for chairpersons and principals.

The issue as per our respondents and discussions with principals is that they are not receiving training which will assist them with the financial issues.

5.3.5 To determine whether there were any special courses offered to SGB members for schools that did not perform well or did not receive an unqualified audit report

It is clear from the respondents that there are no interventions from the department's side or if there are any, then they are of minimal value to the public schools. From the sampled schools, only 21 schools received an unqualified audit opinion. There are no interventions done by the department to ensure that there's improvement in schools in terms of financial reporting and the findings in terms audit reports.

5.4 RECOMMENDATIONS

Recommendations of this study are as follows:

5.4.1 Development plan to assist schools in obtaining an unqualified audit opinion

The EMGD unit corporate should develop a plan which will assist the schools in the province. There are various units that visit the schools for various reasons. There has to be cohesion among all those units.

The other issue is whether the training course offered by the EMGD are accredited or not. I'll recommend that the EMGD partner with the North-West University or any other higher learning institution to ensure that departmental officials who are offering those training courses are well-equipped and they are eligible to offer such training. Since the majority of the SGB members are adults, their method of training should be similar to that of Adult Basic Education and Training (ABET). The level of literacy should also be taken into consideration owing to the fact that not all parents have been exposed to formal education. The Ministerial Review Committee of School governance (2004) also concurs that SGB members should implement what they were trained on and at the same time, the trainer should continuously monitor the implementation and progress made.

5.4.2 Role of the department

The department should ensure that there are stringent measures for schools that are not performing in terms of their financial management and reporting. Any school that does not have sound financial procedures will find it very difficult for the learners to produce good results at the end of the year. If the department can have bravery to act against principals who do not produce good matriculation results, then they should have a similar level of bravery in terms of schools that do not so well in financial management and reporting by way of annual financial reports leadings to good audit outcomes.

The SASA (Act No 84 of 1996), even though it gives parents the supremacy to be in charge of the school, does not preclude the department from intervening when there is financial abuse at public schools. The department must intervene at all times.

The department should also establish a toll-free number where financial misconduct at schools can be reported or the issues can be reported directly to the forensic auditor of the department. The concern should not be reported to the area office or district or any other unit which is involved with schools because there could be some collusion between officials.

A similar scenario as compared to the preceding paragraph is that the department came with an innovative idea of appointing an Administrative Assistant (AA) at public ordinary schools. Principals rely solely on those officials who are not trained or don't have any financial skills. The department must at least ensure that AAs who are appointed at least have, as a minimum requirement, basic Accounting or any other financial course. The partnership between SAICA and Department of Education also discovered those administrative assistants were not properly trained (Anon, 2015).

Principals have also indicated that financial training provided is not adequate. Partnerships between the university and the department will be very helpful if the department can recommend to the higher learning institutions that one of the compulsory courses for educators should be financial management. In addition, one of the minimum requirements to appoint a principal should be "must have a sound financial background".

5.4.3 Role of the schools

Respondents have indicated that they have policies which are aligned to the PFMA (Act No 1 of 1999) but they are not following those policies. This is a non-compliance issue which leads to schools not having an unqualified audit opinion. Issues raised by some principals are that where they procure their goods and services they don't make use of three quotations as required by the PFMA. National treasury practice note 8 of 2007/2008 should be followed in order to prevent non-compliance issues to be raised by the auditors.

Proper record-keeping and recording of transactions play a vital role. Any movement in the school's bank account, whether income or expense must be recorded, no omissions. AAs should ensure that proper filing is done on daily basis to avoid misplaced or lost documents. It will be easy for schools to file their supporting documents especially in terms of expenses according to their cheque numbers. In addition, schools should also maintain a proper asset register.

Transparency at schools must be encouraged between the SGB and the parents with regard to financial issues. No information must be hidden from parents.

5.4.4 School Governing Body

Parents nominate themselves for positions which they want to stand for as it has been stated by Corruption Watch (2015). I recommend parents should nominate themselves for positions in which they have experience and skills. A parent who wants to stand as a chairperson must at least have acquired some expertise somewhere. A parent who wants to stand as a treasurer must have some financial background. As it was mentioned by Pheto (2015), that Panyaza Lesufi only wants quality parents to join the SGB to ensure that learner's education is of the high most priority.

Lastly, I encourage parents, especially those who are employed, to make time and participate in those elections which might alleviate the present situation.

5.5 LIMITATIONS OF THE RESEARCH

The researcher experienced some difficulties with the principals in the various districts. Some of the questionnaires were not returned at all to the researcher or others were deferred. The researcher was forced to select other schools as many of the schools did not return the questionnaires.

The year 2015 is the year in which it has been legislated that new SGBs should be elected. It's expected that for those questionnaires that are still outstanding the chairperson's section won't be completed or the questionnaires might not be returned at all.

5.6 SUGGESTED TOPICS FOR FURTHER STUDIES

The following topics need to be further investigated.

- Criteria being used to appoint a chairperson;
- measures to improve training material; and
- fraud at our public schools.

5.7 SUMMARY

5.7.1 Chapter 1

Chapter 1 introduces the problem statement and also the background of the research study. The study it's all about the financial performance of schools in the North West Province which are ranked between quintile 1 and 3. The province comprises of four districts. It should be noted that SASA has bestowed financial responsibilities to the SGB. The problem statements of the study is determine whether people who are in charge of school finances have financial skills or are being capacitate to perform their duties.

5.7.2 Chapter 2

The literature review of the study compares what other states are managing issues relating to mismanagement of schools finances. Systems that were used prior to the introduction of the SASA were also discussed. The SASA also elaborate the responsibilities of the principal and SGB. Roles of principals, SGB and the Department of Education were discussed prior and subsequent to the introduction of SASA. In order for the school to have a financial viability, the school needs to have a proper control measures in order to curb misuse of school finances. Schools need to be accountable for funds received from government and other stakeholders hence the school books must be audited to determine fair presentation of financial affairs. Qualification of officials responsible for schools finances is also a key factor.

5.7.3 Chapter 3

This chapter entails research methodology used for this study. The researcher has used the Qualitative Study method. Advantages and disadvantages of the study have been included. The population, sample and which method was used for this study. Purposeful was used for this study. The questionnaire was used as a data-collection instrument.

5.7.4 Chapter 4

In this chapter, questionnaires received from respondents are being analysed. Questions include among other the qualifications, age, gender and experience in relation to financial skills. Answers received from respondents are being compared to detailed information in literature review to substantiate the answers received.

5.7.5 Chapter 5

In this chapter the researcher, based on the outcome of the questionnaire, recommends what actions needs to be taken in order to address financial performances at public ordinary schools.

5.8 CONCLUSION

In conclusion, this study focused on financial performance of selected schools in the North West Province. It outlined the various challenges encountered on a day-to-day level. As such, it contributed to this field of study as the recommendations made by the research offer means to improve financial management at schools.

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APPENDIX A – STATEMENT OF FINANCIAL PERFORMANCE

ABC SECONDARY SCHOOL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	**2013**
Revenue	**XXX**	**XXX**
- Government grant	XXX	XXX
- Other income	XXX	XXX
Employee related costs	XXX	XXX
Depreciation	XXX	XXX
Bank charges	XXX	XXX
Repairs and maintenance	XXX	XXX
General expenses	XXX	XXX
Total expenditure	XXX	XXX
Surplus / (deficit) for the year	XXX	XXX

APPENDIX B – STATEMENT OF FINANCIAL POSITION

ABC SECONDARY SCHOOL

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	**2013**
ASSETS		
Non-current assets		
Property, plant and equipment	XXX	XXX
At cost	XXX	XXX
Accumulated depreciation	(XXX)	(XXX)
Current assets		
Inventory	XXX	XXX
Trade and other receivables	XXX	XXX
Cash and cash equivalent	XXX	XXX
Total assets	**XXX**	**XXX**
EQUITY AND LIABILITIES		
Capital and reserves	XXX	XXX
Accumulated profit	XXX	XXX
Current liabilities		
Trade and other payables	XXX	XXX
Bank overdraft	XXX	XXX

APPENDIX C – STATEMENT OF CHANGES IN NET ASSETS

ABC SECONDARY SCHOOL

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Accumulated surplus/deficit	Total net assets
Transfer to / from accumulated surplus/(deficit)		XXX	XXX
Surplus / (deficit) for the period		XXX	XXX
Balance as at 31 December 2013		XXX	XXX
Correction of prior year adjustment		XXX	XXX
Restated balance		XXX	XXX
Transfer to / from accumulated surplus/(deficit)		XXX	XXX
Surplus / (deficit) for the period		XXX	XXX
Balance as at 31 December 2014		XXX	XXX

APPENDIX D – CASH FLOW STATEMENT

ABC SECONDARY SCHOOL

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

CASH FLOW FROM OPERATING ACTIVITIES	**2014**	**2013**
Receipts		
- Income	XXX	XXX
Payments	**XXX**	**XXX**
- Employee cost	XXX	XXX
- Suppliers	XXX	XXX
- Interest paid	XXX	XXX
Decrease / (Increase) in Inventory	XXX	XXX
Decrease / (Increase) in Payables	XXX	XXX
Decrease / (Increase) in Receivables	XXX	XXX
Net cash from operating activities	XXX	XXX
CASH FLOW FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	XXX	XXX
Net cash from investing activities	XXX	XXX
CASH FLOW FROM FINANCING ACTIVITIES		
- Repayment of lease contract	XXX	XXX
Net increase / (decrease) in net cash and cash equivalent	XXX	XXX
Net cash and cash equivalent at the beginning of the year	XXX	XXX
Net cash and cash equivalent at the end of the period	**XXX**	**XXX**

APPENDIX E: QUESTIONNAIRE

SCHOOL NAME :____

EMIS NO :____

QUINTILE RANKING :____

DATE OF COMPLETION :____

SCHOOL STAMP

PART A – CHAIRPERSONS ONLY

A.1 GENDER : MALE

A.2 OCCUPATION : NOT EMPLOYED

A.3 SKILLS : COMPUTER SKILLS

A.4 NUMBER OF YEARS OF EXPERIENCE IN FINANCIAL SERVICES: NO FINANCIAL EXPERIENCE

A.5 NUMBER OF YEARS OF EXPERIENCE AS CHAIRPERSON: 3 YEARS

A.6.1 QUALIFICATION: MATRIC | DIPLOMA | DEGREE | HONOURS | OTHER

A.6.2 A tick other than matric, please specify: COMPUTER

A.7 AGE CATEGORY 30 - 40 | 41 - 50 | 51 - 60 | 61 >

A.8 DID YOU ATTEND FINANCIAL TRAINING IN 2013 **Y** **N**

If Yes, please provide module(s): N/A____

____

____

A.9 Did the training help regarding running school finances **Y** **N**

PART B – PRINCIPALS ONLY

B.1 GENDER : MALE

B.2 SKILLS : MANAGEMENT

B.3 NUMBER OF YEARS OF EXPERIENCE IN FINANCIAL SERVICES?

B.4 Number of years of experience as school manager? ____________________

B.5.1 QUALIFICATION [MATRIC] [DIPLOMA] [DEGREE] [HONOURS] [OTHER]

*B.5.2 A tick other than matric, please specify:*____________________

B.6 AGE CATEGORY [30 - 40] [41 - 50] [51 - 60] [61 >]

B.7.1DID YOU ATTEND FINANCIAL TRAINING IN 2013 [Y] [N]

B.7.2 If Yes, please provide module(s):____________________

____

____

B.8.1 Did the training help regarding running school finances [Y] [N]

B.8.2 Please elaborate : ____________________

____

____

B.9 What control measures are in place in order to ensure that a school's finances are used for intended purposes____________________

____

____

____

PART C – GENERAL QUESTION REGARDING THE SCHOOL (PRINCIPALS AND SGB CHAIRPERSONS)

C.1 What audit opinion did the school receive in 2013? ______________________________

C.2.1 If not unqualified, did the SGB, Principal and parents have discussions regarding the audit opinion received in 2013? Y N

C.2.2 If yes, what measures were taken?______________________________________

____

____

____

C.3 Did the SGB table or present their budget to parents in 2013? Y N

C.4 .1Does the school have financial controls in place? Y N

C.4.2Please motivate:____

____

____

C.5 Does the AO/District office capacitate the school regarding financial performance other than EMGD Unit: Y N

C.5.2: If yes, please elaborate: ____

____

____

_________________________________ Y N

C.6 Does the school have a finance policy which is aligned to PFMA?

Y N

C.7.1 Does the school have a finance committee?

C.7.2What are roles and responsibilities of the committee?

____

C.8 Did the school prepare a 12-monthly bank reconciliation for the previous financial year?

C.9.1Does the area office review the budget inputs after the school have discussed it with the SGB or parents? Y N

C.9.2 If yes, please provide details:

C.10.1 If the school wants to adjust the budget, do they inform the SGB about the plan or the intentions? Y N

C.10.2 Please provide the process to be followed in order to amend the budget

Y N

C.11.1 Does the financial policy have such changes?

C.11.2 Please provide details from the policy including such changes?

Y N

C.12.1 Does the school use petty cash to make any payments to suppliers?

C.12.2 If yes, what is the maximum amount to be paid to a supplier? ______________________

Y N

C.13 are the minimum and maximum amounts stipulated in the finance policy?

C.14.1 Where does the school keep cash before being banked?__________________________

C.14.2 Is the place very secure? Y N

C.15.1 Does the school use cheques or hard cash to pay suppliers? Y N

C.16 What supporting documents are attached to support the expenditure? _______________

____

____

__________________________________ Y N

C.17 Does the school issue crossed cheques?

C.18 How does the school resolve the issue whereby the payee's name on the cheque and the supplies differ? ____

____

____

____

APPENDIX F: CORRUPTION CASE

Thursday, 27/06/2013 - 11:31

http://www.corruptionwatch.org.za/content/school-heads-firing-line-yet-again

According to the tip-offs about schools recently, principals are hiring family members to do school work, keeping teachers in the dark about school finances, and taking money meant for paying a school's utility bill. Here's a snapshot of some of the schools incidents* we've received from the public recently, so you can get a feel for the kind of trends we're picking up: principals exposed again, this time for nepotism, keeping teachers in the dark about school finances, and taking money meant for paying a school's utility bill.

Principal keeping staff in the dark

"I am a teacher at XXX vocational skills centre in XXX. My concern is about the embezzlement of funds. There are two huge advertising billboards which generate an unknown amount of rands to the school. The deal was clinched by the principal and he never disclosed how much money is generated by these billboards. Also we are in the dark about the handling of finances ... during December holiday his brother was given a job to fix the schools toilets which is a clear case of nepotism."

R9 000 splash at casino with school funds

"Corruption from 2010 January till 2013 our school is XXX. Our school is a no paying school meaning leaners are not paying school fees as they are getting a grant from the government amounting to R1.872.797.00 which is calculated per learner ... Currently our school does not have textbooks for us to teach, no phone and we have to photocopy books when teaching, the school hall is dilapidated but the money for all this services is available/ allocated for. Learner support teacher material committee always buys small stationery for example they will but +- 50 pens for the whole school and the stationery will be delivered over the weekend when no member of that committee is available to account for those deliveries ... Every year the budget is spent without any accountability as to where the money has gone to as everything remains the same with no progress ... Grade one to grade 3 learners are asked to buy and bring to school toilet rolls and A4 papers though the money is allocated for on the budget.

What is more surprising is that as teachers we were called and told by the principal that there was a donation of R10, 000, 00 from a "supplier" for us to go and spoil ourselves on mother's day. The money was given to one of our educators by the name of XXX in cash and we were taken to casino's XXX restaurant and the bill was settled by cash amounting to R9000. Please investigate as to who is spending the school's funds. I would like to remain anonymous I am contactable by phone and email for further assistance and documentations."

Principal enriching himself with school fees

"We experienced a very serious fraud in our school, XXX Primary. It was done by the most highly profiled comrade, the principal. We have numerous scenarios which need your level of expertise to investigate. These are some of that which we can share with you: the principal hired a borehole drilling machine/company. It bored two holes, one at school and the other at his house. The cheque paid to the company was fat and this rose suspicion that the two holes were paid by one school-cheque ... Presently they are busy bullet-proofing two classrooms and the service provider is his brother in law ... The school photo camera and its printer, estimated to be worth an amount of R6000, vanished from his office, and on top of that he did not allow the SGB to open the case ..."

Principal cashes in

"The principal and the SGB chairperson are only two people who are responsible for the school funds. They always sign cheques without quotations or supporting documents. Sometimes they will sign the cheque saying is for Eskom or municipal (rates), but on the cheque the principal or chairperson's name will be written. the school owes Eskom + or - R70 000 and + or - R50 000 municipality ... every year the department is depositing money in the school account, 10% is for library equipment but they are not doing anything for the library, the library is non-functional. If investigation can be conducted more corruption will be discovered."

APPENDIX G – REQUEST LETTER TO THE HEAD OF DEPARTMENT

TO : **HEAD OF DEPARMENT**

: **NORTH-WEST DEPARTMENT OF EDUCATION**

: **Dr I.S MOLALE**

FROM : **FRANS MASIKE**

RESEARCH STUDENT AT NWU (MAFIKENG CAMPUS)

DATE : **27 MAY 2014**

SUBJECT : **REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN YOUR DEPARTMENT**

I'm currently an employee of the Department of Education, working under the FMS Directorate, Sub-Directorate: Budget Planning (Learning Institutions).

Kindly allow me to conduct research in the sampled schools in your department for the purpose of fulfilling the requirements of the Masters degree in Business Administration in Commerce and Administration Faculty at North West University. (Mafikeng Campus)

Most of the schools in the province have experience qualified, disclaimer and emphasis of matter audit opinions. Schools that will be focused on are from Quintile 1 to 3, especially those in rural areas. The research will be based on all four districts in the Province that is; Bojanala, Dr Kenneth Kaunda, Dr Ruth Segomotsi Mompati and Ngaka Modiri Molema. My topic for the research is

Financial performance of selected public schools in the North West Province

The respondents' information will be treated with the utmost confidentiality and I'll ensure that when collecting information, teaching is not interfered with. If so requested, your very good office would be provided with the completed research with findings.

I remain very confident and optimistic that this request will meet your favourable consideration.

Yours truly

....

APPENDIX H: RESPONSE FROM NW DEPARTMENT OF EDUCATION

education
Lefapha la Thuto la Bokone Bophirima
Noord-Wes Departement van Onderwys
North West Department of Education
NORTH WEST PROVINCE

1st Floor, East Wing,
Garona Building, Mmabatho
Private Bag X2044,
Mmabatho 2735
Tel.: +27 (18) 388-3429 / 3432 / 3404
Fax.: +27 (18) 388-3430
e-mail: sgedu@nwpg.gov.za
e-mail: ptyatya@nwpg.gov.za

OFFICE OF THE SUPERTINTENDENT-GENERAL

Enquiries: Mpiliso Tyatya
Tel.: +27 (18) 388-3429
Fax.: +27 (18) 388-3430
e-mail: ptyatya@nwpg.gov.za

Date: 6 June 2014

To: **University of the North West**
Mafikeng Campus

Attention: Mr. Frans Masike

From: Dr. I.S. Molale
Superintendent General

REQUEST FOR PERMISSION TO CONDUCT RESEARCH

Reference is made to your letter regarding the above matter. The content is noted and accordingly, approval is granted to your kind self to conduct research as per your request, subject to the following provisions: -

- That you contact the District Directors for logistical purposes about your request and this letter of approval.
- That as far as possible the general office functionality should not be compromised by the research process.
- That participation in your project will be voluntary.
- That the findings of your research will be made available to the NW Education Department upon request.

With my best wishes

Thanking you.

DR. I.S. MOLALE
SUPERINTENDENT GENERAL

"Towards Excellence in Education"

APPENDIX I – CERTIFICATE OF GOOD GOVERNANCE

Education and Sport Development
Department of Education and Sport Development
Departement van Onderwys en Sport Ontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko
NORTH WEST PROVINCE

Garona Building,
East Wing,
Ground Floor,
Private Bag X2044,
Mmabatho 2735
Tel.: (018) 388-3886-9
Fax: (018) 388-1875
e-mail: zmtila@nwpg.gov.za

DIRECTORATE: BUDGET AND PLANNING

SUB-DIRECTORATE: BUDGET PLANNING,MANAGEMENT AND SUPPORT SERVICES (LEARNING INSTITUTION)

CERTIFICATE OF GOOD GOVERNANCE IN TERMS OF SECTION 38(1) OF THE PFMA

I... ....
FULL NAMES DESIGNATION

INSTITUTION....................................... EMIS...

DISTRICT: .... FINANCIAL YEAR: ....

HEREBY CERTIFY THAT THE FOLLOWING TASKS ARE PERFORMED IN COMPLIANCE WITH SECTION 38(1) OF THE PUBLIC FINANCE MANAGEMENT ACT (ACT NO 1 OF 1999)

(a) FINANCIAL MANAGEMENT.

1. SGB is constituted in terms of section 28 of the South African Schools' Act of 1996(Act No 84 1996): ☐
2. Number of SGB meetings held during the previous academic year: ☐
3. Number of SGB meetings with parents during the previous academic year: ☐
4. Annual budgets presented to parents on (date): ☐
5. Financial reports presented to parents on (dates) ☐ ☐ ☐ ☐ ☐
6. Approval of school fee structure by parents on:
   Minutes of the meeting approving the school fee structures available? ☐

Page 1 of 4

7. The school maintains the following registers:

Stock:

Inventory:

Assets:

8. Payments of municipal services made up to (date):

Amount paid to municipality in last academic year

9. No of staff employed and paid out of school funds (IF APPLICABLE):

10. Amount of statutory deductions e. g. tax, pensions, paid over (date):

11. Personnel and other related records properly maintained

12. A treasurer to the SGB has been appointed

13. Appropriate financial records are maintained

14. Funds from the department are expended in improvement of access to education in accordance with the approved school's budget

15. Meetings where the Principal accounted for the finances of the school

(b) INTERNAL CONTROL

1. A safe/strong room is available where valuable documents are kept:

2. Certified auditors have been appointed:

   Names...

   Qualification of auditors ....

   Contact details..

3. Finance sub-committee of the SGB has been appointed:

4. Bank account is maintained and at least two signatories thereto approved:

   Bank details:

   - Bank: ....
   - Account number: ....
   - Branch code: ....

5. Monthly ledger reconciliation performed up to (date):

6. List of financial policies developed, implemented and reviewed:

- ....
- ....
- ....
- ....
- ....
- ....

7. Segregation of duties between receiving, banking and disbursement of cash is in place:

(c) TRANSPARENCY

1. Audited financial statements for the previous year .... are available for scrutiny:
2. Number of inspections carried out by officials from the Department during previous year
3. Authorized officials from the department of education are welcome to make unannounced visits to confirm the above declarations from the school records:

(d) APPROVAL OF THE CERTIFICATE

.... SIGNATURE OF PRINCIPAL

.... DATE

.... SIGNATURE OF SGB CHAIRPERSON

.... DATE

SCHOOL STAMP

....
SIGNATURE OF ISC MANAGER

....
DATE

ISC/APO STAMP

Document received by:

....
SIGNATURE OF BUDGET OFFICIAL

....
DATE

DISTRICT STAMP