

Financial Management of Schools

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C O N N E X I O N S

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Table of Contents

1 Orientation of the Study	1
2 Literature Review	7
3 Research Design and Methodology	35
4 Analysis of Results and Research Findings	43
5 Summary, Recommendations and Conclusion	51
6 Bibliography	57
Index	62
Attributions	63

Chapter 1

Orientation of the Study¹

1.1 Chapter One

1.1.1 Orientation of the Study

1.1.1.1 Introduction

The year 1994 heralded a new era for South Africa culminating in the first democratic elections in April 1994. The Constitution of the Republic of South Africa, Act 108 of 1996, set our country on the road to true democracy. April 2009 saw the fifth democratic elections in South Africa, which mandated government to quicken the pace of transformation in its attempt to move our country towards an inclusive society. Like Janus¹ we need to look back and learn from the lessons of the past fifteen years, focussing specifically on our shortcomings, the shortcomings of a country in transition. These shortcomings will identify areas of development and like Janus we can also look forward to the next fifteen years and beyond.

The South African education system has also undergone change since 1994, the most notable being the promulgation of the South African Schools Act, Act 84 of 1996 which introduced a system of democratic governance into South Africa's public schooling system. In 1997 School Governing Bodies were elected for the first time for a three-year term

1. Janus – Ancient Roman god represented with two faces; on at the front and the other at the back of his head.

of office – 2009 will see the fifth such elections. The election of School Governing Bodies via the South African Schools Act makes provision for power sharing within a school – power is shared between the school governing body (SGB) and the school management team (SMT), a radical shift from the pre-1994 era, which was characterised by centralised control of our schools.

My ardent interest in financial management (of schools) began when I qualified as a Master Trainer for Schools' Financial Management in 1999 and after my appointment as a Superintendent of Education in 2002 this passion continued. Both these portfolios found me being involved in the monitoring and evaluation of the management of public schools' finances with the intention of developing and implementing capacity building programmes. The specific need to conduct this study came to the fore during the Pinetown Education District's "Adopt-a-School" Project in early 2007 when I served on a District Management Team working in the Inanda, Ntuzuma and Kwa Mashu (INK) schools. During these visits I came face-to-face with the shocking realities and atrocities commonplace in these schools in respect of the management of schools' finances, namely:

- budgets were poorly compiled or non-existent
- if budgets existed, then variance reports were never compiled
- bank reconciliation statements were rarely compiled

¹This content is available online at <<http://cnx.org/content/m32026/1.1/>>.

- signatories to the school fund account were questionable
- finance policies and control measures were non-existent
- cheque and cash payments were generally made in the absence of payment authority and supporting documents
- procurement procedures were highly questionable
- petty cash was generally abused
- statutory reports were rarely filed
- books of account were not maintained
- the external auditor generally wrote up the books of account and thereafter conducted the audit
- school fee registers were non-existent and school fees could not be tracked
- stock registers were non-existent

The Constitution of the Republic of South Africa and the South African Schools Act mandate the Minister of (Basic) Education to determine Norms and Standards for the funding of public schools and to fund public schools out of public revenue. Because the public (taxpayers) fund schools, schools are accountable to the public (taxpayers) in terms of the Public Finance Management Act (PFMA), which implies that the accounting officer (of the school) must:

- maintain a system of financial controls
- maintain a system of internal audits
- maintain appropriate procurement procedures
- account for and control revenue
- account for and control expenditure
- take responsibility for the maintenance and safeguarding of assets;

[PFMA (2000; 28)]

This anomaly between the requirements of the PFMA on the one hand and observations of what actually took place in schools on the other hand was the catalyst for this study. The study examines the financial role function of the school finance committee (FINCOM) and other relevant stakeholders within the context of school governance.

1.1.1.2 Rationale

“Governments in countries all around the world (United States, Australia, India and Britain) are promoting school-based management. The trend is away from bureaucratic control of education towards self-managing schools” [DoE: Self-Managing Schools (2000; 5)]. The path towards self-management manifests itself in the mandatory functions, which have been devolved to SGBs via section 20 of the South African Schools Act. Schools are encouraged to move from self-management towards complete self-reliance via the application for allocated functions, commonly referred to as section 21 functions. The intended shift from state control to self-management and ultimately full self-reliance comes with a concomitant shift in responsibility and accountability. Whether the school is self-managed (Non-Section 21) or self-reliant (Section 21) we need to ask the question:

- who is responsible for the management of the school’s finances?
- what assistance can be offered to public school financial managers?

This study will investigate whether South African School principals, assisted and supported by their school governing bodies, in general, and principals of public schools in the Pinetown Education Department, assisted and supported by their school governing bodies in particular are:

- able to manage the schools finances
- competent (sufficiently skilled) to perform the financial management function
- provided with the necessary training to manage the finances

– in short are financial managers coping.

1.1.1.3 Statement of the Problem

There are likely to be a vast number of factors inherent in the Culture Of Learning, Teaching and Service Delivery [COLTS] in many of the schools in the Pinetown Education District such as unionism; cronyism; nepotism; regard/disregard for ones moral obligation to perform ones job adequately; an existent/non-existent code of ethics; capacity/lack of capacity – to name but a few, which contribute to/mitigate against public school financial management team’s ability/lack of ability to carry out their Key Responsibility Areas to the best of their abilities.

It is against this background that the problem/s this study seeks to solve is highlighted, viz.:

- (i) who is responsible (and accountable) for the management of public schools’ finances?
- (ii) do principals and their school governing bodies have the necessary capacity to manage schools’ finances?

1.1.1.4 Research Aim/s

The general aim of the study is to determine who is responsible and accountable for the management of public schools’ finances (in the Pinetown Education District).

In order to achieve the general aim of the research study, the specific aims of the study are to:

- determine the ability of school governing bodies to assist school principals in managing schools’ finances
- determine whether school principals and their school governing bodies have been sufficiently trained and capacitated to manage schools’ finances
- develop guidelines which would be able to assist school principals and school governing bodies to manage schools’ finances efficiently, effectively and economically
- develop strategies and make recommendations which will assist school principals and school governing bodies in transforming their schools into self-reliant schools

1.1.1.5 The Significance of the Study

According to South Africa Yearbook 08/09 (2008; 195), at 60% of Gross Domestic Product [GDP], South Africa has one of the highest rates of government investment in education in the world. In 2009 there were approximately 11, 6 million learners in 26 500 public schools in country with the National Treasury allocating R65 billion to education – of this R4 800 million is paid directly to schools via the Norms and Standards for School Funding. In 2009 there were approximately 350 000 learners in 500 public ordinary schools in the Pinetown Education District and these schools received approximately R157 million from the state.

The post-apartheid school funding policies of South Africa views every school as a cost centre and each public school principal, as a responsibility manager, is expected to accept accountability for the investment that the state makes in his or her school.

The study’s significance revolves around principals embracing their role of responsibility manager, assisted and supported by their school governing bodies, tasked with leading their schools towards self-reliance.

1.1.1.6 Definition of Key Concepts

1.1.1.6.1 Accountability

Van der Westhuizen in Hansraj (2003; 16) refers to accountability as a persons duty to give an account of having executed his / her work in terms of set criteria and determined standards – in other words, whether he / she has satisfactorily completed his / her work.

Marishane and Botha (2004; 110) state that accountability is measured by the extent to which decisions taken and resources used succeed in attaining the educational goal.

Dimmock in Hansraj (2003; 15) explains accountability as the capacity of the school principal to work with others in order to demonstrate that the school has indeed been responsive to the needs of the students, the local community and society at large within the particular framework of responsibility of self-management, which applies, to the school.

1.1.1.6.2 School Based Management

Raywind in Marishane and Botha (2004; 95) explains school based management as a mechanism aimed at improving schools by shifting decision making powers regarding the budget from the central level to the schools.

Marishane and Botha argue that school based management is the joint responsibility of both the school governing body and the school management team, which together form a school based financial management structure – this structure is accountable to the two main sources of school funding namely the state and the community and is responsible for monitoring and evaluating the financial management performance of the school based management structure.

Caldwell and Spinks in Mestry (2006; 27) explain school based management as a an approach to the management of public schools wherein there is a significant and consistent decentralisation to the school level (giving the school the) authority and responsibility to make decisions related to the allocation of resources, in a system of education having centrally determined goals, priorities and frameworks for accountability.

1.1.1.6.3 Financial Management

Clarke (2008; 278) describes financial management as follows: “It is essential that the (school) principal makes sure that she / he has the knowledge and understanding of the basic processes involved in managing the school’s accounts, the budgeting process and the systems and controls that are necessary to ensure that the school’s monies are not misappropriated.

Momoniati in Erasmus (2008; 402) explains financial management as a requirement of managers to take responsibility for the actions and achievements in exchange for greater managerial discretion over their inputs. Thus, managers have to take responsibility for their performance.

Van Wyk (2004; 411) states that the objective of financial management in the public sector is to support management in the allocation of limited resources with the purpose of ensuring economy and efficiency (and effectiveness) in the delivery of outputs required to achieve desired outcomes that will serve the needs of the community (school).

1.1.1.6.4 Policy

Kallaway (1997; 165) describes policy as a statement of intent, decisions, courses of action and / or resource allocation designed to achieve a particular goal or resolve a particular problem.

The Oxford Illustrated Dictionary (1976; 1304) describes policy as a document containing the rules for prudent conduct indicating the courses of action to be taken by an institution.

Ryan in Mestry (2006; 35) indicates that a good policy identifies and articulates the values and the basic principles to be applied to (the) specific needs of the organisation. It should not only set direction but should also give direction. It is therefore essential that all stakeholders be directly involved in the drafting and implementing of all school policies.

1.1.1.7 Limitations of the Study

As is the case in most research studies, the researcher would be naive to think that he / she would not encounter barriers, obstacles and challenges.

This study was limited by (for) the following factors (reasons):

- population sample
- “respondents” who had initially agreed to be interviewed, subsequently withdrew
- time constraints
- lack of adequate / sufficient secondary data

1.1.1.8 Research Design and Methodology

Burns (1997; 19) describes research as a systematic investigation whereby data are collected, analysed and interpreted in an effort to understand or predict a phenomenon and the research is influenced by the researchers theoretical framework – this theoretical framework is referred to as the paradigm and influences the way in which knowledge is studied and interpreted.

Methodology refers to the rationale and philosophical assumptions that underline a particular study relative to the scientific method used with a view to explaining the researchers' ontological and epistemological views [Patton (2002; 69)].

I have opted to use a constructivist approach in this study since as Mertens (2005; 12) suggests “reality is socially constructed” and according to Cresswell (2003; 8) constructivist research tends to rely upon participants views of the situation being studied – hence use will be made of qualitative data collection methods and analysis.

The Pinetown Education District was chosen for the following reasons:

- an abundance of multicultural schools representing all ex-departments of education
- proximity to the district office – the furthest school interviewed was in a forty kilometre radius of the Pinetown District Office
- a range of schools ranked in all five funding quintiles implying differing levels of funding
- schools with differing levels of infrastructure
- a range of schools from schools producing excellent academic results to schools which have been classified as academically dysfunctional
- differing levels of school governing body participation (ranging from total apathy to full participation)

The data collection methods included focus group interviews in nine public ordinary schools (both primary and secondary) wherein the following members of the school governing body were interviewed – the principal, a parent and an educator. Interview protocols and field notes were recorded, to include the situation, observations and non-verbal responses, which would assist in the subsequent case analysis. The interviews were completed using a semi-structured interview approach and interviews were tape recorded to assist in and validate the transcription of the interview.

1.1.1.9 Organisation of the Study

The study has been divided into five chapters.

Chapter one introduces the study by focussing on the role function of the school principal and the school governing body in the states attempt to move schools from self-management towards self-reliance, which is also encapsulated in the rationale. The statement of the problem highlights the capacity of the principal and the school governing body to fulfil his/her/their role function. The research's general and specific aims as well as the significance of the study are listed. The chapter concludes with the design and methodology.

Chapter two provides the theoretical framework for the investigation into the accountability and responsibility for the management of public schools' finances. It begins with an overview of the Pinetown Education District (from a financial perspective), and then looks at the accounting cycle from policy, funding and budgeting through to recording and reporting.

Chapter three focuses on the research design and methodology wherein the qualitative data collection method is explained and defended – the data required for the investigation will be collected via nine focus group interviews conducted in the Pinetown Education District. A thematic approach will be adopted to analyse and interpret the collected data.

Chapter four focuses on the results of the investigation that is the research findings.

Chapter five focuses on the development of guidelines and strategies and makes recommendations for the efficient, effective and economic management of schools' finances.

Chapter 2

Literature Review¹

2.1 Chapter Two

2.1.1 Literature Review

2.1.1.1 Introduction

The management of school finances can be one of the most challenging of principals responsibilities, because for many it is an area in which they have little or no training or expertise. It is also likely that the elected members of the (school) governing body may be equally ill equipped for the task [Clark A; (2008; 278)].

Post-apartheid South Africa has been characterised by a shift from a highly centralised, top-down approach to education provisioning by the National Department of Education (DOE) to the devolution of powers to the Provincial Education Departments (PEDs) and down to the level of the school. Post-apartheid policy has shifted the emphasis (from redistributive policies) to less directly interventionist state policies which emphasise education growth in a context of fiscal constraint, a focus on decentralisation and cost saving . . . a shift of financial responsibility from public to private sources, and a growth in the notion of partnerships and voluntarism [Kallaway P; (2002; 188)]. Kallaway P (1997; 64) states that education (now) becomes a provincial competence subject to a national policy framework. The “new” South African state has deployed a complex range of discourses – the specificity seems to lie in the linkage of redistributive strategies with policies designed for a context of financial stringency (ibid; 65).

It is against this background of on the one hand the perceived inability and/or lack of expertise on the part of school principals and school governors and on the other hand the reductions in the states expenditure on education that this chapter explores the role of public school principals and school governing bodies in the management of schools’ finances.

The KwaZulu-Natal Department of Education (KZNDoe) comprises of twelve Education Districts (as depicted in figure 1) grouped for management purposes into three clusters of four districts each – namely the Coastal Cluster (comprising of the Ilembe, Pinetown, Umlazi and Port Shepstone Districts); the Midlands Cluster (comprising of the Umzinyathi, Othukela, Umgungundlovu and Kokstad Districts) and the Northern Cluster (comprising of the Amajuba, Vryheid, Obonjeni and Empangeni Districts). The Pinetown Education District is in the Coastal Cluster and covers the western and northern half of the eThekweni Municipality.

¹This content is available online at <<http://cnx.org/content/m32023/1.1/>>.

2.1.1.2 Financial Overview of the Pinetown Education District

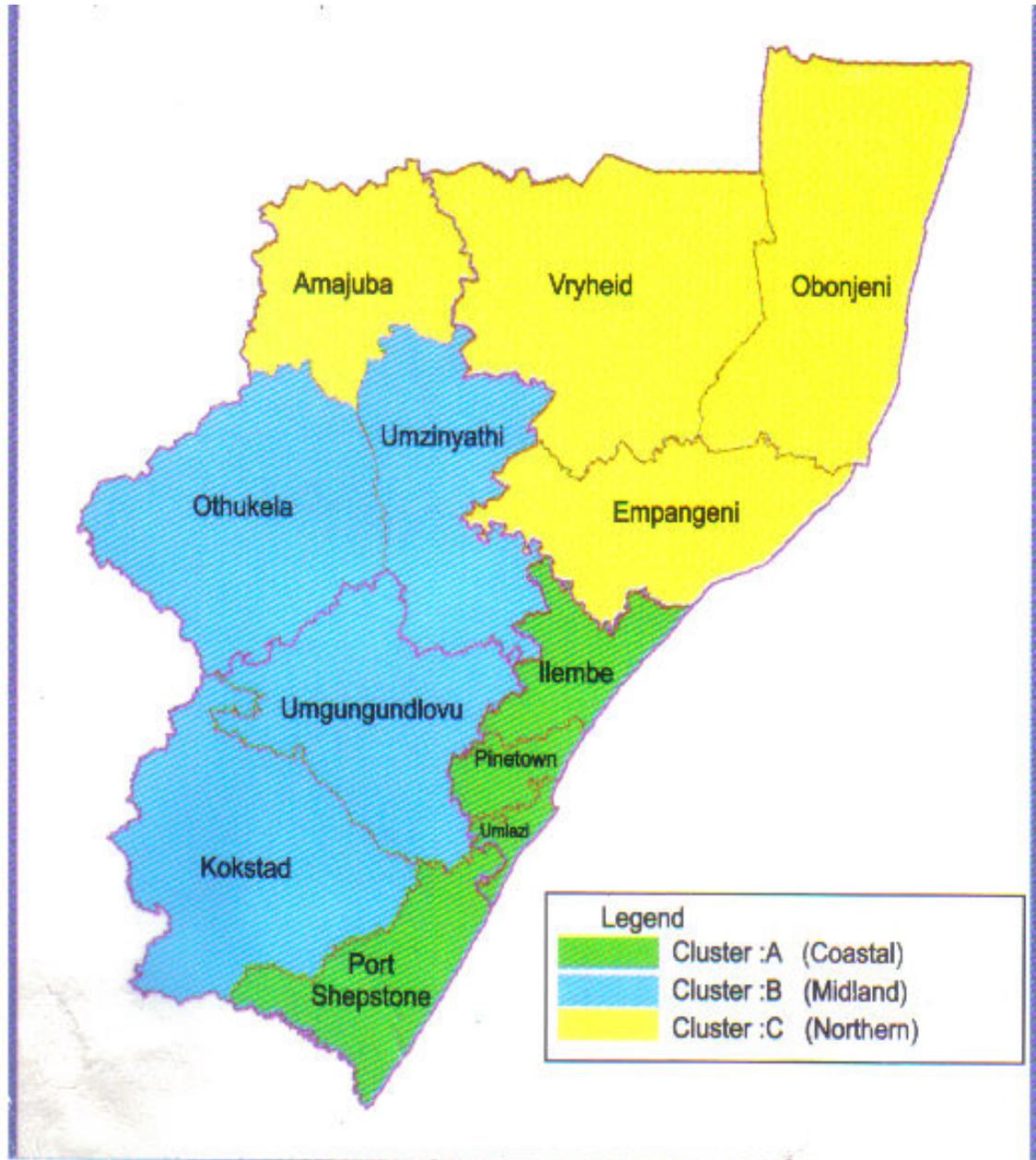


Figure 2.1

Figure 1: Education Districts in KZN

Source: KZNDoE-2008

Although largely urban in nature, there are some underdeveloped rural and peri-urban areas at the periphery. The district manages five hundred and eighty (580) schools – five hundred (500) are public

ordinary schools; eleven (11) are LSEN schools, that is schools for Learners with Special Education Needs; five (5) are public pre-primary schools and sixty four (64) are independent schools. The direct management of these 580 schools is the responsibility of an Education Circuit Office, each of which is responsible and accountable for +/- 145 schools. There are four (4) Education Circuit Offices in the Pinetown Education District:

- Circuit A comprising of Phoenix, Verulam and Tongaat
- Circuit B comprising of Inanda, Ntuzuma and Kwa Mashu
- Circuit C comprising of Krantzkloof, Ndengezi and Westville
- Circuit D comprising of Inchanga, Molweni and Mpumalanga

This research study will focus on, in the main, the management of the finances of the 500 ordinary public schools.

The process of budget allocation by a Provincial Education Department to schools in a particular education district involves drawing the Resource Targeting List of schools, which lists all schools in that province, sorted by the level of poverty prevalent in the community surrounding the school based on Statistics South Africa (StatsSA) Census data. Table 1 indicates the Norms and Standards budget allocation made by the Provincial Education Department to schools in the Pinetown Education District.

Quintile	Schools	Learners	Allocation
1	27	15,443	12,462,501.00
2	32	19,987	14,790,380.00
3	141	97,764	59,147,220.00
4	192	147,432	59,562,528.00
5	108	68,139	10,902,240.00
TOTAL	500	348,765	156,864,869.00

Source: EMIS (Education Management Information System) Unit of the Pinetown Education District.

Table 2.1

In addition to the budget allocations (norms and standards) received from the provincial education department, schools also generate additional funds by levying school fees. Table 2 below indicates the school fees levied by fee-charging schools in the Pinetown Education District during the 2008 financial year, which is from 01 January 2008 to 31 December 2008. The fees indicated in table 2 represent the actual school fees collected during the review period – the average collection rate was recorded at +/- 35%, that is a bad debt factor of +/- 65% (most schools wrote off on average 65% of the school fees as bad), however the ex-Model C schools, which charge between R10, 000.00 to R20, 000.00 per learner per annum, reported (on average) a 90% collection rate.

Quintile	Schools	Learners	School Fees
1	27	15,443	0.00
2	32	19,987	0.00
3	141	97,764	7,332,300.00
4	192	147,432	18,429,000.00
5	108	68,139	20,441,700.00
TOTAL	500	348,765	46,441,700.00

Source: 2008 Audited Annual Financial Statements of fee charging schools.

Table 2.2

2.1.1.3 Policies and Procedures

According to the DoE: Self-Managing Schools (2000; 7), the South African Schools Act provides the basis for a system, which devolves much more power to schools. At the heart of the South African Schools Act is the principle that each school is on a path to self-management – if it is not already there. The intention of the State to make schools self-reliant is reinforced since “central to the new education system (is) that the South African Schools Act gives every school the status of juristic person” DoE: Self-Managing Schools (2000; 9). This implies that the assets acquired by the school become the property of the school and the school, as a legal personality, is responsible for the liabilities of the school.

According to the South African Schools Act, Section 15 [Status of Public Schools]:

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

As a juristic person the school exists independently from its members, which implies that the school has rights and responsibilities in its own name as if it were a natural person. The school can therefore enter into contracts; however it does so through its school governing body, that is the school governing body acts on behalf of the school – it has decision-making powers concerning the school and may bind the school legally [Potgieter (1997; 12)]. A member of the school governing body shall not be liable for any debt, damage or loss incurred by the school unless he or she acted without authorisation or with malicious intent, in which case he or she may be held responsible for the debt, damage or loss [Rajah S (2003; 2)].

Section 16 of SASA [Governance and Professional Management of Public Schools] states:

16. (1) Subject to this act . . . the governance of a public school is vested in its governing body

16. (2) A governing body stands in a position of trust towards the school,

which implies that the overall governance of a public school is vested in its school governing body – in other words the school governing body is liable to perform the statutory/fiduciary functions relating to the school’s assets, liabilities and resources; in essence the SGB must take responsibility for the financial management of the school.

Jones (2000; 9) states that the ultimate responsibility for the accuracy of the books (of account) is the school principal even if he or she does not have the task of maintaining the books on a regular basis – the management of the schools finances is (however) a primary function of the school governing body. This brings about the question: who is responsible for what?

According to Clarke (2008; 280) adapted – these overlapping responsibilities need to be minimised. The lines of authority need to be clearly drawn so it is quite clear who is responsible (if and) when problems arise. There are essentially three areas of responsibility:

- management of the financial process – this is essentially an operational role; normally delegated to the finance officer or bursar

- financial management (of income and expenditure AND assets and liabilities); this is normally the responsibility of the school principal
- oversight functions – ensuring that there are policies and procedures in place to control the schools' finances; this is the responsibility of the school governing body and its finance committee (FINCOM)

The South African Schools Act makes provision for school governing bodies to establish committees. Section 30 [Committees of the Governing Body] reads as follows:

30. (1) a governing body may-

30. (1) (a) establish committees, including an executive committee (and finance committee); and

30. (1) (b) *appoint persons who are not members of the governing body to such committees on grounds of expertise, but a member of the governing body must chair each committee.*

According to Mestry (2004; 129), a view supported by Clarke (2008; 282) the governing body of every public school must ensure that there are proper policies and procedures in place for the effective, efficient and economic management of the schools finances and the school governing body must also have systems in place to monitor and evaluate the correct implementation of the policies and procedures and to report thereon. The finance policy is arguably one of the most important policies that a school governing body has to put in place. Clarke (2008; 291) states that one of the main purposes of the schools financial policy is to put in place a system of controls (checks and balances) to ensure that the schools finances are safeguarded and correctly managed. One of the more important, if not the most important, control/s is a system of internal checks whereby the work of one person is checked by another and there is a clear segregation of duties – for example the person responsible for collecting and receipting the money (school fees) should not be responsible for banking these monies.

Internal controls are systems, procedures and processes that are implemented to minimise the risk (and any financial consequences) to which the department (school) might otherwise be exposed as a result of fraud, negligence, error, incapacity or other cause [Guidelines for Accounting Officers (2000; 28)]. The purpose of a control system is to minimise opportunities for mismanagement and fraud as well as to protect the schools personnel from charges of mismanagement and fraud, to ensure that the schools money is spent for the purpose it is intended, that is educational purposes only. Internal controls are designed to “provide reasonable assurances that the organisations objectives are achieved efficiently, effectively and economically” [Guidelines for Accounting Officers (2000; 28)].

According to Clarke (2008; 292), Mestry (2006; 35) and Bisschoff and Mestry in Mestry (2004; 129) the schools finance policy should, as a minimum requirement, comprise of the following:

- Cash Management – which includes but is not limited to: safe storage of cash; daily banking of monies received; proper accounting records; financial transactions supported by source documents & monthly reconciliation of the cash book with the bank statement
- Internal Controls – which includes: internal checks (checking of one persons work by another); segregation of duties; internal audits; functioning finance committees (FINCOM); establishment of audit committees
- Audit trails – that is the ability to check every stage of any transaction. The SASA requires that a school's financial records be retained for a period of seven years. If the school uses a computer programme for its finances, then records must be backed-up daily.
- Procurement Procedures must involve, *inter alia*,: the FINCOM to approve expenditure / purchases above a certain pre-determined limit; the SGB to ratify expenditure / purchases above a certain pre-determined limit; the FINCOM to obtain three quotes for expenditure / purchases above a certain pre-determined limit; to put out to tender expenditure / purchases above a certain pre-determined limit
- Asset Management includes: Safe guarding of Assets; Annual Stock Takes; Board of Survey and if necessary Board of Enquiry

- Reporting must include as a minimum requirement: Monthly Budget Variance; Monthly Income and Expenditure to the Circuit Office; Quarterly Income and Expenditure AND Budget Variance to the Education District Office; Audited Annual Financial Statements to the Provincial Head Office

2.1.1.4 Corporate Governance

The King Report on Corporate Governance made recommendations relating to corporate governance and ethical standards for South African entities and included a set of guidelines and principles for good governance. Compliance with the King Report should be an integral part of the *modus operandi* of all public sector institutions. The King 2 Report incorporated, inter alia, recommendations on a Code of Corporate Practice and Conduct applicable to all public institutions – the focus was on the functions, duties and responsibilities of governors to ensure effective governance of their institutions (schools). The “King Code” includes four basic principles namely fairness, accountability, responsibility and transparency. Corporate governance therefore describes the overall management of the institution and the King Report states that corporate governance should form the basis of financial management in the public sector. Fakie in Van Wyk (2004; 413) supports the views of the King Report by stating that corporate governance deals with controls, decision making and structures for accountability that will assist in ensuring that the objectives of sound financial management practices are achieved. One of the objectives of corporate governance is to ensure that public service entities (including schools) deliver services in an efficient, effective and economical way.

Van Wyk (2004; 414) adapted states that the implementation of sound corporate governance and financial management principles is hindered due to various managerial shortcomings which include but are not limited to:

- a lack of skilled and qualified staff
- responsibilities not being clearly defined
- a lack of knowledge of the PFMA
- a lack of training
- a lack of structured policies and procedures
- existing systems not supporting the requirements of the PFMA
- outdated accounting and information systems
- inadequate control systems
- the poor flow of documentation and information
- non integration between budgets and strategies

Van Wyk goes on to state that the above shortcomings can be grouped into three broad categories: (i) inadequate and unknowledgeable staff; (ii) poor integration of budgets and strategies and (iii) outdated control and reporting systems and suggests that financial management will only be effective if: (i) line managers are competent and committed; (ii) outcomes based budgeting is applied and (iii) accrual-based reporting is introduced into the public sector. Wheeler in Van Wyk (2004; 415) emphasises the need to find solutions to one of the most pressing needs in South Africa – an honest and sound financial system. Van Wyk (2004; 415) concludes by stating: “With a few exceptions financial administration in the public sector is not a pretty sight due to a lack of up-to-date technology, financial restraints, inadequate financial training and poor internal control systems.”

As schools move away from public administration and management (in their attempts to become self-reliant) towards a more business-like approach of managing their affairs, compliance with the “King Code” becomes a pre requisite. School governing bodies need to realise that they are bound by, and must comply with the stipulations of the South African Schools Act and the Public Finance Management Act. Good governance further seeks to ensure that there is adequate control over the strategic, tactical and operational planning of the school, especially the schools finances and resources, to enable it to achieve its overall objectives. Corporate governance requires an inclusive approach – the school management team on the one hand needs to demonstrate and put into practice honesty, integrity, accountability, responsibility and

transparency and the school governing body on the other hand must apply tests of fairness, accountability, responsibility and transparency and must be accountable to both the school and their constituency.

2.1.1.5 Self-Reliant Schools

The KwaZulu Natal Department of Education (KZNDoE) has identified seven strategic goals, which must be accomplished in order for the strategic plan, of the current member of the executive committee (MEC) for education, to function. Strategic goal 3 reads as follows: “Transform schools into self-reliant institutions which are community centres life-long learning” [KZNDoE Strategic Plan 2005-2010 (2005; 9)].

According to the Report to Minister (2003; 39): “The South African Schools Act embodies a shift from supply-driven service delivery in schooling, where government decides on how service delivery takes place to a more demand-driven mode, where local communities gain a greater say in how they would like the service delivery that they receive to be structured. One of the intentions of the South African Schools Act, which is based on worldwide trends in education, is for schools to become “self-managed” or “self-reliant” schools. According to the DOE: Self-Managing Schools (2000; 6) self-management in schools is based mainly on two sections of the South African Schools Act:

- Section 20 – which gives school governing body the power to administer and control the school’s property, buildings and resources.
- Section 21 – which gives school governing body extra allocated functions to control their own finances and extra-curricular activities.

By default all schools have section 20 functions, which imply that the community (all relevant stakeholders and role players) plays an active role in the “life” of the school, specifically in assisting in the financing of schools. Section 20 of the South African Schools Act [Functions of All Governing Bodies] reads as follows:

20 (1) Subject to this Act, the governing body of a public school must:

20 (1) (a) promote the best interests of the school and strive to ensure its development through the provision of quality education for all learners at the school;

20 (1) (b) adopt a constitution;

20 (1) (c) develop the mission statement of the school;

20 (1) (d) adopt a code of conduct for learners at the school;

20 (1) (e) support the principal, educators and other staff of the school in the performance of their professional functions;

20 (1) (f) determine times of the school day consistent with any applicable conditions of employment of staff at the school;

20 (1) (g) administer and control the school’s property, and buildings and grounds occupied by the school, including school hostels, if applicable;

20 (1) (h) encourage parents, learners, educators and other staff at the school to render voluntary services to the school;

20 (1) (i) recommend to the Head of Department the appointment of educators at the school

20 (1) (j) recommend to the Head of Department the appointment of non-educator staff at the school

20 (1) (k) at the request of the Head of Department, allow the reasonable use of the facilities of the school for educational programmes not conducted by the school;

20 (1) (l) discharge all other functions imposed upon the governing body by or under this Act

Section 21 of the South African Schools Act makes it possible for the school governing body of a public school to apply for the allocation of additional functions or for the Provincial Head of Department to allocate additional functions to the school governing body based on the capacity of the school governing body. According to Section 21 of the South African Schools Act, [Allocated Functions of a School Governing Body]:

21 (1) subject to this act, a governing body may apply to the Head of Department, in writing, to be allocated any (or all) of the following functions:

21 (1) (a) to maintain and improve the school’s property ...

21 (1) (b) to determine the extra-mural curriculum of the school and the choice of subject options ...

21 (1) (c) to purchase textbooks, educational materials and equipment for the school

21 (1) (d) to pay for services of the school

In terms of the National Norms and Standards for School Funding (2000; para 107) each Provincial Education Department must develop a checklist which schools will use to apply for the allocated functions and will also assist the PED in determining whether the school governing body is capable of managing any allocated function it has applied for – its purpose “is designed to gauge the school’s preparedness to assume self-management” [Marishane and Botha (2004; 100)]. Table 3 below is the checklist currently being used by the KwaZulu-Natal Department of Education for this purpose:

School Governance			
1	Is the SGB legally constituted in terms of Sec 28 of SASA	Yes	No
2	How often does the SGB meet	Monthly	Quarterly
3	Are detailed minutes of SGB meetings kept?	Yes	No
4	How often does the SGB meet with parents?	Annually	Quarterly
5	Does the SGB report annually on activities to parents?	Yes	No
6	Is the annual budget presented to parents for consideration?	Yes	No
7	Do parents approve of the school fee structure?	Yes	No
8	Is there a school fee exemption policy in place?	Yes	No
9	Has the school appointed a treasurer to the SGB?	Yes	No
<i>continued on next page</i>			

10	Has the school appointed certified auditors?	Yes	No
11	If YES to 10, then give the name of the school's registered auditors		
12	Does the treasurer have a functioning finance sub-committee appointed?	Yes	No
13	Does the SGB have plans to raise additional funds for the school?	Yes	No
14	Has the school in the past year/s raised additional funds?	Yes	No
15	Does the school pay for the municipal services?	Yes	No
16	Does the school currently run to budget?	Yes	No
17	Does the SGB currently pay educator or administrative staff salaries?	Yes	No
18	If YES to 17, then do such employees have contracts of employment?	Yes	No
19	If YES to 17, then do such employees have UIF cards?	Yes	No
20	If YES to 17, then are such employees registered with SARS?	Yes	No
21	If YES to 20, then give the school's PAYE reference number?		
<i>continued on next page</i>			

Finance Committee			
22	Does the school have the capacity to administer its finances?	Yes	No
23	Has the principal and finance officer received financial training?	Yes	No
24	To what extent has the principal and finance officer received financial training?		
25	Does the school have a bank account?	Yes	No
26	If YES to 25, then state the type of account		
27	If the school has a current account, then how many signatories are there?	2 or less	3 or more
28	Is the school able to publish its audited financial statements 4 months after year-end?	Yes	No
29	If YES to 28, then when were the last audited annual financial statements signed?		
30	Is a copy of the departmental financial regulations available at the school?	Yes	No
31	How often is the bank account reconciled?		
32	Does the treasurer sign every bank reconciliation statement?	Yes	No
<i>continued on next page</i>			

33	Was the schools bank account overdrawn in the last twelve months?	Yes	No
34	Does the school maintain an asset register?	Yes	No
35	Does the school keep a record of all the orders it places?	Yes	No
36	Does the school administer any lease agreements?	Yes	No
37	Are receipts issued for all monies that the school receives?	Yes	No
38	After receipt of monies, how long does it take to deposit such monies?	5 days or less	more than 5 days
Procurement Procedure			
39	Does the school currently purchase LTSM from the school budget?	Yes	No
40	Does the school have a functioning LTSM committee?	Yes	No
41	If YES to 40, then is a parent member part of this committee?	Yes	No
42	Is LTSM budgeted for in the annual budget?	Yes	No
43	Does the school maintain a stock register?	Yes	No
Registers and Records			
44	Does the school maintain personnel records for all employees?	Yes	No
<i>continued on next page</i>			

45	Is a class register maintained for all classes?	Yes	No
46	Do learners present identity documents upon registration?	Yes	No
47	Does the school have a strong-room or safe?	Yes	No
48	Does the school have an administrative office block?	Yes	No
49	Does the school have the necessary office space to manage funds effectively?	Yes	No
50	Is a computerized administrative system used?	Yes	No
Source: National Norms and Standards for School Funding (2000; 17)			

Table 2.3

In addition to completing the checklist the school governing body must also submit:

- the previous years audited annual financial statements
- the current years budget
- minutes of the meeting/s of the FINCOM

Completion of the checklist and submission of the required documents does not guarantee that section 21 functions are automatically allocated. The application follows a strict and somewhat bureaucratic procedure which is enunciated in figure 3 below:

Figure 2: Process of Approval for Section 21 Functions

Source: Norms and Standards for School Funding (2000; 10)

For a school governing body to be successful in its application for additional allocated functions certain minimum requirements must be complied with. According to DoE: Self-Managing Schools (2000; 28) each of the allocated functions has its own unique requirements:

Function 21 (a): to maintain and improve the school's property ...

- plans for maintenance and improvement should comply with the PEDs specifications
- plans should be submitted to the district planning unit
- expenditure must stay within budget – the school may not use loans or run a bank overdraft
- as far as possible the school should employ local labour

Function 21 (b) to determine the extra-mural curriculum of the school and the choice of subject options ...

- all learners must have equal access to all the school's activities
- no learner may be excluded because of a parents inability to pay school fees
- the school should have a curriculum committee – each subject to have a subject policy
- the school should have an extra-curricular committee – tasks should include, *inter alia*, time-tabling, safety and funding

Function 21 (c) to purchase textbooks, educational materials and equipment for the school

- the school should have an Learning, Teaching Support Material (LTSM) Committee inclusive of educators and SGB members
- the committee should develop guidelines for the selection, distribution and retrieval of LTSM
- the school should follow correct procurement procedures
- funding for curricular activities should be prioritised

Function 21 (d) to pay for services of the school

- the school should establish a finance committee (FINCOM)
- the school should have a finance (control) policy
- the school should use proper accounting procedures
- the school should have guidelines for the use of equipment

If a school governing body is successful in its application for the allocation of Section 21 functions, compliance in terms of the above questionnaire does not cease – the school governing body is compelled by legislation to maintain compliance (if fact the checklist provides the minimum compliance standards). Failure to maintain the minimum standards may result in some or all of the allocated functions being withdrawn, as per Section 22 [Withdrawal of Allocated Functions] of the South African Schools Act:

22 (1) the Head of Department may, on reasonable grounds, withdraw a function of a school governing body.

2.1.1.6 Funding of Schools

The South African Schools Act imposes responsibilities on the state with respect to the funding of public schools. This basic principle of state funding of public schools is based on the Constitutional guarantee of equity and redress. According to Section 34 [Responsibility of the State] and Section 35 [Norms and Standards for Funding of Public Schools] of the South African Schools Act:

34. (1) The State must fund public schools from public revenue on an equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in education provision.

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

According to the National Norms and Standards for School Funding (2000; 8) schools are viewed as cost centres and funds are allocated at the level of the provinces to types of costs:

(i) personnel costs – which includes salaries of educators and non-educators. These costs are paid by the PED.

(ii) non-personnel costs – which includes the cost of textbooks, stationery, maintenance, municipal services, and so on. These monies are paid into the current banking account of schools in the case of a Section 21 school or paid to the service providers on behalf of schools in the case of Non-Section 21 schools.

Regardless of whether the school is Section 21 or Non-Section 21 the allocation (the amount the school will receive) is the same as it is based on the number of learners enrolled at the school and the quintile in which the school is ranked. The National Norms and Standards budget allocation does however have limitations and restrictions to its use. According to KZN Circular 29 (2009; 1) schools' allocations are intended to cover non-personnel recurrent items and small capital items required by the school as well as normal (minor) repairs and maintenance to all the physical infrastructure of the school. The school allocation is primarily and exclusively intended for the promotion of efficient and quality education in public ordinary schools. KZN Circular 29 goes on to give school governing bodies "Guidelines for the Apportionment of the Allocation" and the recommended fund split is 60% for Learning, Teaching Support Materials (LTSM) and 40% for Non Learning, Teaching Support Materials (Non LTSM). Even though a "fund split" guide is given schools are compelled to abide by the guidelines and these funds are said to be "Rind Fenced" for their intended purpose/s.

The 60% LTSM funds must be split as follows:

30% for textbooks

18% for stationery

12% for other LTSM

The 40% Non LTSM must be split as follows:

20% for materials, furniture and equipment

10% for domestic account payments

5% for security services

5% for minor repairs and maintenance

In the case of Non-Section 21 schools the Norms and Standards budget allocation is not paid into the school's current banking account – that is, the KwaZulu-Natal Department of Education (KZNDoE) manages the school's the Norms and Standards budget allocation and this is commonly referred to as a “paper allocation” or a “paper budget”. The school therefore may only procure goods and services through the department of education's education district office and regional service centre. One of the greatest disadvantages for Non-Section 21 schools, according to Mestry (2004; 130) is in the event of requisitions not being processed at financial year end, schools lose their allocation since there is no “roll over” of unspent budgeted amounts, that is the unspent portion of the allocation cannot be carried over to the following financial year. In the case of Section 21 schools the Norms and Standards budget allocation is paid into the school's current banking. These schools may carry out their own procurement and may deal directly with suppliers and contractors for the relevant budgeted items in accordance with standard procurement procedures – [KZN Circular 29 (2009; 2)]. One of the greatest advantages of a school being allocated Section 21 functions, according to Mestry (2004: 130), is in the event of the school being unable to spend all of the states (budget) allocation in time, the school governing body may still process orders for services to be rendered or for Learning, Teaching Support Materials (LTSM) and (for goods and services) to be purchased because the money allocated by the Provincial Education Department is still in the school's banking account.

As the state reduces its own expenditure on non-personnel costs, parents are forced to make a larger financial contribution to schools resulting in an increased burden on parents [Kallaway (2008; 189)]. This view is supported by Marishane and Botha (2004; 97) who state that the provision of education for all without parents and communities having to share the cost would not be affordable (for the state) given the resources made available for education by the state.

The South African Schools Act Section 39 [School Fees at Public Schools]; Section 40 [Parent's Liability for Payment of School Fees] and Section 41 [Enforcement of Payment of School Fees] further enunciate the obligations of the parents:

39. (1) Subject to this Act, school fees may be determined and charged at a public school only if a resolution to do so has been adopted by a majority of parents attending the budget meeting

39. (2) a resolution contemplated above must provide for-

39. (2) (a) the amount of fees to be charged; and

39. (2) (b) equitable criteria and procedures for the total, partial or conditional exemption of parents unable to pay school fees.

40. A parent is liable to pay the school fees determined in terms of section 39 unless he or she has been exempted from payment.

41. The governing body of a public school may by process of law enforce the payment of school fees by parents who are liable to pay.

Table 4 below indicates the norms and standards budget allocation made by the state to public schools over the past four years. The year 2006 serves as the base year when quintiles were standardized throughout the country – even though there is an increase in monetary terms (+/- 5%) the allocation has decreased in real terms, that is the purchasing power of the increased allocation has actually decreased as the increase in the states allocation to schools has not kept up with the rate of inflation.

Quintile	Allocation (in Rand)			
2006	2007	2008	2009	
1	703	738	775	807
2	645	677	771	740
3	527	554	581	605
4	352	369	338	404
5	117	123	129	160
Source: Clarke (2008; 297) Adapted and Updated				

Table 2.4

In the light of the current global economic recession the National Treasury has reduced its budgetary allocation to provinces by 7,5% directing the Department of Education to reduce its budget to schools by 7,5% as well [KZN Circular 50 (2009; 1)]. The KwaZulu-Natal Department of Education has resolved to absorb a bigger part of the reduction and reduce the budget to each school by only 1,5% across the board from quintile 1 to quintile 4 resulting in the revised budget allocation for the 2009/10 financial year as shown in table 5:

Quintile	Allocation (in Rand)	
Target	Revised	
1	807	795
2	740	729
3	605	596
4	404	398
Source: KZN Circular 50 of 2009		

Table 2.5

The state has taken cognisance of the global economic recession and has addressed the perceived consequences of the recession via the unnumbered KZN Circular dated 27 May 2009 entitled “No fee Schools 2010/2011.” According to KZN Circular 27/05 (2009; 1) the DoE has extended the no fee school band to Quintile 3 schools for the 2010/2011 financial year. Quintile 3 schools will be funded at the target amount of seven hundred and eighty four rand (R784) per learner per annum in the 2010/2011 (next) financial year – representing a 31, 5% increase. The South African Schools Act has also taken cognisance of the state’s predicament and through Section 36 [Responsibility of the Governing Body] mandates the governing body to supplement the states allocation:

36. A governing body of a public school must take all reasonable measures within its means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners at the school.

2.1.1.7 Budgeting

Clarke (2008; 286) argues that preparing the annual budget is probably the biggest challenge of the school governing body. Mestry (2006; 28) states that the South African Schools Act gives the school governing body full responsibility for the managing of the schools finances including preparing the budget annually.

Section 38 [Annual Budget of Public Schools] of the South African Schools Act requires all public ordinary schools to prepare an annual budget for submission to the general parent body for approval either late in the third quarter or early in the fourth quarter each year for the following academic year.

38. (1) a governing body of a public school must prepare a budget each year, according to guidelines determined by the Member of the Executive Council, which shows the estimated income and expenditure of the school for the following financial year.

38. (2) Before a budget referred to in subsection (1) is approved by the governing body, it must be presented to a general meeting of parents convened on at least 30 days' notice, for consideration and approval by a majority of parents present and voting.

A sub committee of the school governing body, the finance committee (FINCOM) is responsible for drawing up the budget, in consultation with all relevant stakeholders and role players. Before the budget is presented to the general parent body, as contemplated in Section 38 (2) of the South African Schools Act, it must be ratified by a sitting of the full school governing body.

According to Knight (1993; 126-136) the budget process is cyclical and consists of four main phases:

Phase 1: Preliminary Analysis – is part of the school's strategic planning and takes place in the previous year. It involves prioritizing the school's key activities and funding required bringing these activities to fruition.

Phase 2: Budget Construction – is part of the school's operational planning and takes place in the previous year. It involves construction of a draft budget which will be presented to the general parent body for consideration and approval.

Phase 3: Budgetary Control: is part of the school's operational planning and takes place during the current year. It forms part of the FINCOM's oversight function.

Phase 4: Evaluation of the Budget: is part of the school's strategic planning and takes place in the following year. It forms the basis for the following years' budgetary process.

“It is not surprising that schools find the budget process troublesome. Most seem to cope reasonably well with the operational aspects but less effectively with the strategic budget planning and final evaluation” (ibid, 126).

A budget is an estimate of the schools expected income and expenditure for the following academic year. A budget may also be seen as a financial management tool for planning, implementing and evaluating and may be defined as “a plan for the allocation of resources and expenditure to achieve the objectives of the school” (ibid; 128) – this implies two starting points: on the one hand the schools' current objectives based on the school development plan (SDP) and school improvement plan (SIP) and on the other hand the levels of funding and financial commitments for the forthcoming financial year.

One of the largest sources of income for all public schools is the states Norms and Standards budget allocation. According to the South African Schools Act Section 34 (2): “*The state must, on an annual basis, provide sufficient information to public schools regarding the norms and standards budget allocation to enable public schools to prepare their budgets for the next financial year*” and the National Norms and Standards for School Funding (2000; 9) states that by the 30th September each year the Provincial Education Department must notify the school the amount of its indicative budget, that is, how much has been allocated to the school for the following financial year for non-personnel costs.

Other sources of income include: School Fees; Interest Income; Rental of School Premises; Fund Raising; Donations. The main expenditure items include, but are not limited to: Audit Fees; Bank Charges; Cleaning and Sanitation; Electricity and Water; Printing and Stationery; Repairs and Maintenance; Salaries and Wages; Security Services; Sport and Extra-curricular Expenses; Telephone and Fax; Textbooks.

Bischoff and Mestry in Mestry (2004; 129) states that the budget should reflect the schools prioritized educational objectives, seek to achieve the efficient use of funds and be subjected to regular, effective financial monitoring. One of the intentions of budgeting is to ensure that the school raises sufficient income to meet the anticipated expenses so that the school can provide quality education efficiently, effectively and economically.

There are several different strategies available to the FINCOM when they plan to construct the budget:

(i) Incremental budgeting – is a method of budgeting wherein the previous years budget is adjusted with increments for any anticipated increases in income and expenditure items (or in the case of decreases,

decrements), that is a fixed percentage is added to each and every income and expense item in the previous years Statement of Receipts and Payments (Income Statement). This added percentage is usually an inflation-linked percentage.

(ii) Pragmatic budgeting – is a method of budgeting that bases the following years budget on the previous years one but attempts to improve the previous years one via savings and redeployment.

(iii) Base budgeting – is a method of budgeting which advocates the schools planned priorities as the starting point however it accepts that the major part of most schools’ budgets will be “irrevocably committed to core activities and therefore not available to alternative uses” [Knight (1993; 134)]. This ideology is advocated in the Norms and Standards for school funding where the budget allocation has been “ring fenced”.

(iv) Zero based budgeting – is a method of budgeting which involves “wiping the slate clean”, that is by beginning the process with a blank sheet of paper. All expenditure is then estimated based on the planned priorities and identified needs of the school, that is, a cost is attached to each and every planned activity and each and every identified need in order to ensure the efficient, effective and economic functioning of the school. Sources of income are then identified and the difference between the estimated expenses and estimated income is attributed to the school fee to be levied (taking into account school fee exemptions).

(v) Programme budgeting – is a method of budgeting whereby the resources available to a school are matched to the school’s priorities and “finalized” via a reconciliation process

(vi) Coombs and Hallak (1972; 257) recommend that a cost benefit analysis be incorporated into the budgeting process. Conventional budgets and accounts, though useful for certain purposes, for example, assisting auditors, guarding against misappropriation of funds, and so on but are of limited value to compare the efficiency of the educational system.

Schools need to adopt a system that fits their own needs. Simpkins and Lancaster in Knight (1993; 140), adapted, suggest a wide range of possible criteria:

- equitable allocation to the needs of different subjects
- taking cognizance of the schools priorities
- facilitation of long term planning
- ability to react to environmental change
- take into account abilities to spend (wisely)
- be easily understood and widely accepted

In relation to the budgeting process, the FINCOM has four main tasks:

2.1.1.7.1 Planning the budget

Planning the budget involves joint decision making by all stakeholders represented on the school governing body in respect of financial resource allocation, distribution and spending. This planning is goal orientated and thus focuses on the question: How best can we use the available resources to improve the performance of our learners? [Marishane and Botha (2004; 108)]. The cost allocations must consider efficiency, effectiveness and economy and the distribution of the budget should consider redress and equity.

2.1.1.7.2 (ii)Implementing the budget

Implementing the budget involves the actual spending of the funds allocated to each programme and / or committee. It will also involve generating the funds required to fund the programmes and / or committees.

2.1.1.7.3 (iii)Monitoring the budget

Monitoring the budget involves the development of a control system or monitoring instrument – monitoring has also been referred to as budget variance reporting, that is, on a month by month basis the actual expenditure (and income) is compared with budgeted expenditure (income) and any variance must be identified, investigated and explained in order to avoid over expenditure.

2.1.1.7.4 (iv)Evaluating the budget

Evaluating the budget involves, according to Marishane and Botha (2004; 109), a critical examination of the extent to which the money allocated to the various programmes and committees managed to achieve (the schools) objectives.

2.1.1.8 Roles and Responsibilities of Stakeholders

The South African Schools Act provides that the governance of a public school is vested in its governing body, which stands in a position of trust towards the school. SASA also stipulates that the school principal, under the authority of the Head of Department, must undertake the professional management of a public school. Figure 3 shows where a school governing body fits into the provincial school governance structure.

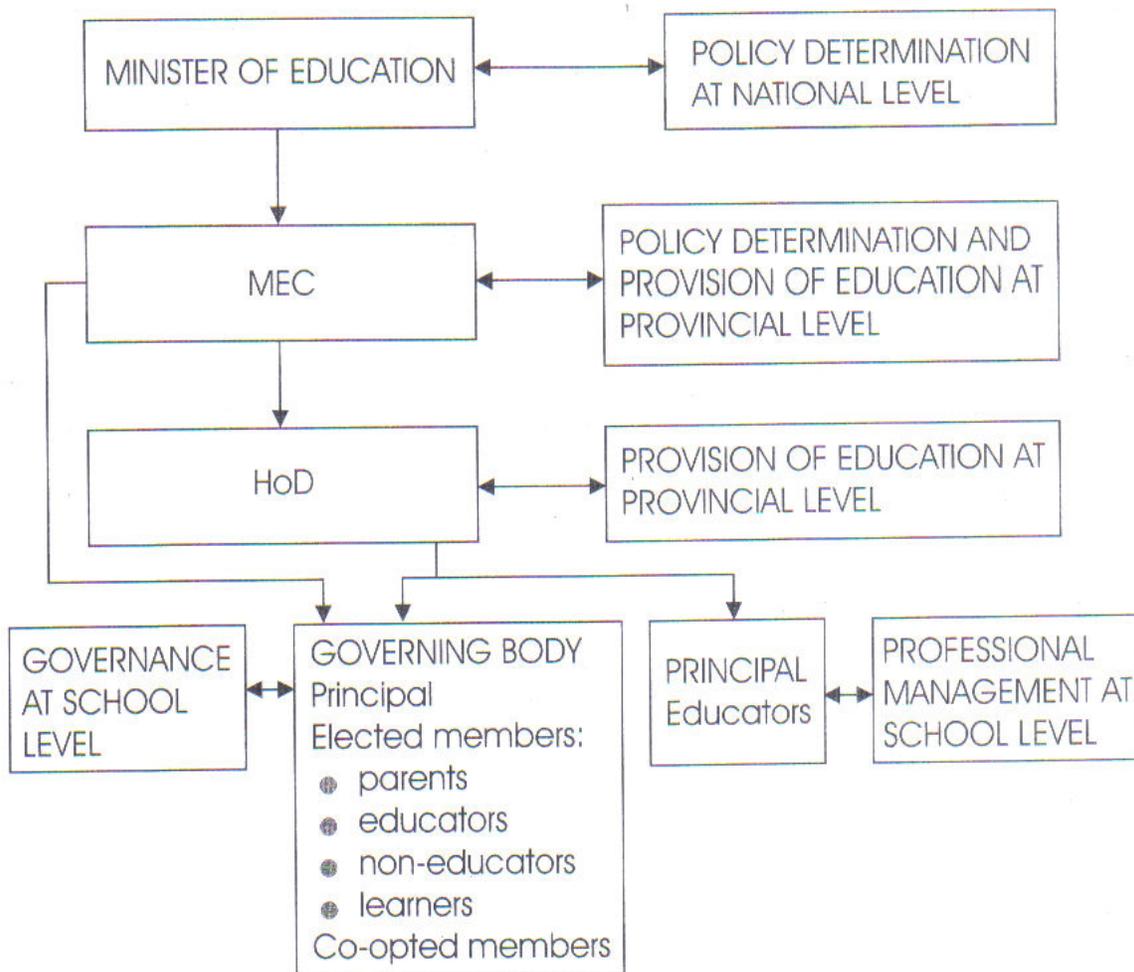


Figure 2.2

Figure 3: SGBs Position in School Governance

Source: Understanding the S A Schools Act (1997; 15)

- the governing body is part of the governance of a public school under the authority of the Minister of Education, the Member of the Executive Committee (MEC) for Education and the Head of Department.
- the governing body is responsible for the making of policy and laying down of broad guidelines for planning and decision making
- governors have to be aware of the differences between governance at school level and professional management at school level
- governors need to be aware of the hierarchy that exists in respect of education prevailing in South Africa namely: the Minister of Education; the MEC for Education in the nine provinces; the nine Heads of Department and the schools.

Clarke (2008; 280) states that the first and most important aspect of managing a school's finances is to be quite clear who is responsible for what. Overlapping responsibilities need to be minimized because the areas of overlap are also likely to be areas of conflict, that is, the lines of authority and responsibility need to be clearly drawn. Mestry (2006: 28) indicates that many principals and school governing body members are placed under tremendous pressure to manage their schools' finances because they are unable to work out practical solutions to financial problems, on account of their lack of financial knowledge, skills and expertise.

The difference between professional management and governance is somewhat difficult to isolate as these two functions normally overlap. Mestry (2004; 127) refers to this overlap as a grey area and Bisschoff and Mestry in Mestry (2004; 127) state that this grey area has given rise to many conflicts between principals and parent members of the school governing body. Section 16 [Governance and Professional Management of Public Schools] defines the responsibilities of the principal and the school governing body.

16. (1) Subject to this Act, the governance of every public school is vested in its governing body

16. (2) A governing body stands in a position of trust towards the school

16. (3) Subject to this Act, the professional management of a public school must be undertaken by the principal under the authority of the Head of Department (Superintendent General)

The principal is responsible for the professional management of the school under the direction of the Superintendent General while the overall governance of the school is vested in the school governing body, whose role is described as fiduciary in respect of its conduct towards the school. According to Mestry (2004; 129) the principal has no executive role in relation to the school governing body on property and financial matters – in fact there are no specific duties relating to assets, liabilities and property entrusted to or vested in the principal. The principal does however have a duty to facilitate, support and assist the school governing body in the execution of its statutory financial functions. Table 6 below illustrates some of the differences between professional management and governance:

Table 6: Differences between Professional Management and Governance	
Professional Management	Governance
Performs and carries out professional management functions	Supports the principal in carrying out professional management functions
Day to day administration and organization of learning and teaching at school	Meet with or consult parents, learners and educators where required by SASA
Organise all activities which support learning and teaching	Decide on school times taking into account staff conditions of service
<i>continued on next page</i>	

Decide on intra-mural curriculum	Decide on subject choices and extra-mural curriculum
Decide on textbooks and other learning support materials	Purchase textbooks and other learner support materials
Manage personnel and finances	Administer the school fund and maintain the schools financial records
Potgieter, et al (1997; 14) adapted	

Table 2.6

2.1.1.9 Roles and Responsibilities of the School Governing Body

Section 37 [School Funds and Assets of Public Schools] of the South African Schools Act indicates the responsibilities of the school governing body in respect of the monies and assets of the school:

37. (1) The governing body of a public school must establish a school fund and administer it in accordance with directions issued by the Head of Department.

37. (2) All money received by a public school including school fees and voluntary contributions must be paid into the school fund.

37. (3) The governing body of a public school must open and maintain a banking account.

37. (4) Money or other goods donated or bequeathed to or received in trust by a public school must be applied in accordance with the conditions of such donation, bequest or trust.

37. (5) All assets acquired by a public school on or after the commencement of this Act are the property of the school.

37. (6) The school fund, all proceeds thereof and any other assets of the public school must be used only for educational purposes

Clarke (2008; 280) argues that the financial responsibilities of a school governing body are perhaps its most important responsibilities and in terms of the South African Schools Act the governing body of a public school has the following fiduciary functions:

- preparation of the annual budget
- presentation of the budget to the general parent body for approval
- determine and charge school fees
- consider applications for the exemption of parents who are unable to pay school fees
- legally enforce the payment of school fees
- establish a school fund account
- keep records of funds received and paid (including asset and liability management)
- preparation of the annual financial statements (timeously)
- appointment of an auditor to audit the records and financial statements of the school
- submit the audited annual financial statements to the Provincial Education Department

The South African Schools Act therefore makes it quite clear that the school governing body, and not the principal, of a public school has the ultimate responsibility for its financial management, The principal, as a member of the school governing body, shares that responsibility and is responsible for ensuring that it is implemented [Clarke (2008; 281)]. Mestry (2004; 129) states that the principal must work in collaboration with the school governing body in the management of finances. Although the school governing body is accountable to the parents for the school funds, the principal can play a supportive role in ensuring that the school's finances are managed efficiently.

2.1.1.10 Roles and Responsibilities of the Principal

One of the core duties and responsibilities of the school principal is to manage the school's finances and apply the necessary controls to maximize the use of funds available and to account for all spending – Occupational Specific Dispensation (2007; 52). Mestry (2004; 129) states that the principal, by virtue of his position, plays a dual role: one who is responsible for the professional management of the school and the other as a member of the school governing body.

Although the school governing body has the ultimate responsibility for the financial management of the school it is normal practice for the school governing body to delegate the daily operational financial management functions to the school principal [Clarke (2008; 288)].

According to the Occupational Specific Dispensation (2007; 52), other tasks of the school principal include, but are not limited to:

- support the school governing body (as a member of the finance committee) in developing the annual budget
- provision of data to support planning, including enrolment, fee exemptions and collection levels
- support fundraising efforts
- store school accounts and other statutory records safely and make the best use of funds for the benefit of learners
- support the school governing body in having the school's accounts audited annually as prescribed by law

2.1.1.11 Training of School Governing Bodies

Clarke (2008; 278) indicates that financial management is an area in which most (school) principals have little or no training or expertise and elected members of the school governing are equally ill-equipped. Mestry (2004; 126) concurs when he states that there are many principals and school governing body members who lack the necessary financial knowledge and skills. Wohlstelter and Mohrman in Marishane and Botha (2004; 96): "... simply transferring power to the school site is not enough to bring about desirable improvements – more supportive efforts by the state are needed". It is the responsibility of the Head of Department to ensure that principals and other (education) departmental officials render all the necessary assistance to governing bodies in the performance of their functions [Mestry (2004; 129)].

Du Preez and Grobler research findings as cited in Mestry (2006; 35) indicate emphatically that there is a correlation between sound financial management and effective and efficient school governing bodies – it is incumbent for the Head of Department to ensure that school governing bodies are trained continually. Training in financial management is fundamental in preparing and equipping school managers with financial skills. Bush, et al in Mestry (2006; 35) states that every member (of the school governing body) – not just a few – must receive training. The training should enable the school governing body to be responsible and accountable for funds that have been received for the attainment of specific school objectives. It will also equip them to make a contribution towards the improvement of the overall quality of teaching and learning of the school.

The South African Schools Act, Section 19 [Enhancement of (the) Capacity of Governing Bodies] places the responsibility for the proper training and development of school governing bodies on the shoulders of the Head of Department:

19. (1) Out of the funds appropriated for this purpose by the provincial legislature, the Head of Department must establish a programme to:

19. (1) (a) provide introductory training for newly elected governing bodies to enable them to perform their functions, and

19. (1) (b) provide continuing training to governing bodies to promote the effective performance of their functions or to enable them to assume additional functions

19. (2) *The Head of Department must ensure that principals and other officers of the education department render all necessary assistance to governing bodies in the performance of their functions in terms of this Act.*

According to Mestry (2004; 129) training in financial school management should practice-based and should cover the following sections:

- the legal framework that underpins financial management
- funding of schools, including the school fee policy and school fee exemption policy
- financial planning, including budgetary planning
- policy formulation, including finance policy and financial controls
- school management information systems (MIS)

The 2000 Audit Commission Report quoted in Marishane and Botha (2004; 101): "... in order for school-based financial managers to contribute to improving the school's efficiency and effectiveness they need training in, inter alia, forecasting, procurement and monitoring expenditure". Van Wyk (2004; 54) states that training given to school governing bodies by the departments education district (and provincial head office) is usually ineffective as many departmental officials selected to do the training are not experts in financial school management. Some districts employ the services of consultants who do not necessarily have a sound knowledge of school finances to train school governing bodies.

2.2 Asset Management

Public schools spend a large percentage of their annual budgets with the intention of using the acquired assets for the purposes of quality service delivery. According to Leo (2003; 10) the National Treasury has laid down guidelines for best practices to manage assets acquired by government institutions with the main objective being to promote good financial management within the public sector. According to the Public Finance Management Act the responsibility for Asset Management rests with the accounting officer that is with the principal.

Asset Management may be defined as the acquisition, use, safeguarding and disposal of assets to make the most of their service delivery potential and manage their related risks and costs over the useful life of the asset. The objective of asset management is to achieve the best possible match of assets with the delivery of services both internally to the school and externally to the community [Leo (2003; 10)].

The KwaZulu-Natal Provincial Gazette, No. R47 (1998; para 9) dealing with Stock Item Registers reads as follows:

(1) the governing body of a public school, with the assistance of the school principal and staff members identified by him or her for this purpose, must cause a separate register to be kept for all inventory items: purchased from school funds, and donated to the school or purchased from funds donated to the school

(2) the governing body of a public school, with the assistance of the school principal and staff members identified by him or her for this purpose, must ensure that all stock items are properly maintained and looked after

(3) the governing body of a public school, with the assistance of the school principal and staff members identified by him or her for this purpose, must ensure that: the stock registers clearly indicate the source from which the stock items are acquired, and stock is taken annually

The viewpoint expressed in the gazette are supported by Clarke (2008; 324) who states that the school's assets should be as carefully looked after as the school's money and an inventory of all assets needs to be kept and the items listed on the inventory need to be checked on an annual basis. From the above extract of the provincial gazette it is clear that the management of assets is the joint responsibility of the school governing body and the school principal.

2.3 Asset Management Principles

Leo (2003; 15) identifies five primary principles of asset management, which she has diagrammatically represented in the figure below.

Figure 6: Principles of Asset Management

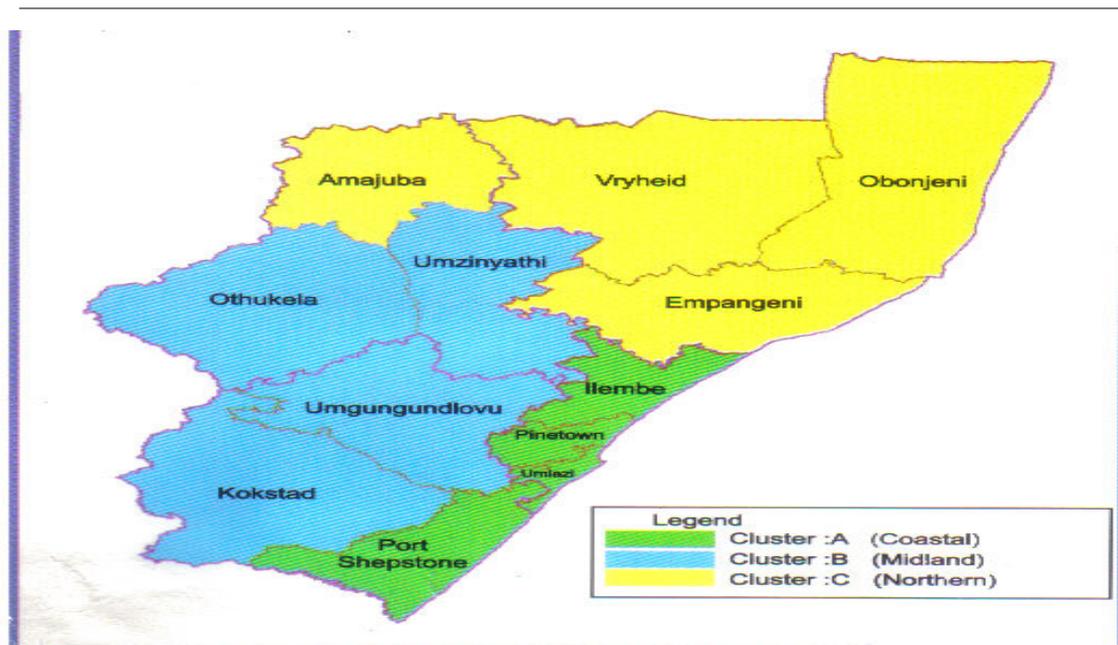


Figure 2.3

Source: Leo (2003; 15)

Her theory is based on the assumption that assets exist solely to support service delivery. She goes on to say that the five principles are not definitive but represent the current practice:

- service delivery needs guide asset acquisition decisions
- asset planning and management are to be integrated into the School Improvement Plan (SIP)
- asset management decisions are to be informed by a cost-benefit analysis
- control, accountability and reporting requirements are to be established, clearly communicated and implemented
- asset management activities must be integrated into the asset management policy established by the school governing body

2.3.1 2.10.2. Record Keeping

Clarke (2008; 282) states that the (school) governing body generally delegates a number of its duties to the principal or bursar (finance officer) but remain liable should problems arise, a view supported by Leo (2003; 17) who states that the responsibility for the maintenance of the accounting records is frequently delegated to the principal and finance officer – this does not mean accountability as been delegated. This merely facilitates the accurate, reliable and timely publication of reports.

One of the more important stock records is the asset register. The maintenance of a proper asset register is essential to safeguard and control the custody of current and non-current assets and to facilitate the preparation of the financial statements of the school [Leo (2003; 17)].

2.3.2 Board of Survey

In order to assist the school governing body in its asset management strategy they (the SGB) needs to have updated information on the condition of existing assets. This information is best obtained via a Board of Survey, which is a team comprising of the principal and at least two members of the school management team whose task is to inspect and report of the schools assets as follows:

- details of old, redundant, damaged, obsolete, irreparable and unserviceable stock
- suggestions on how the above stock should be disposed of
- nature and reasons for shortages and/or surpluses

The findings are tabled to a sitting of the full school governing body for approval. Serious discrepancies will result in a Board of Enquiry.

2.4 Accountability and Reporting

The Accounting Officers Guide (2000; 19) states that (financial) information has no intrinsic value: it must be used by managers to develop plans, evaluate alternative courses of action and where necessary institute corrective action. The production of information is not an end in itself, and when reports are not scrutinized and used by managers the quality of information will remain poor. Ideally management information should be:

- accurate (for meaningful decisions to be taken)
- economical (for its production to be justified)
- comparable (focus on performance against budget)
- timeous reports (monthly, quarterly and annual)

Section 43 [Audit of Financial Records and Statements] of the South African Schools Act, as amended, indicates the caliber of person who may audit schools' financial statements:

43. (1) the governing body of a public school must appoint a person registered as an auditor, registered in terms of the Auditing Professions Act, to audit the records and financial statements

The Public Finance Management Act Section 60 describes the duties and powers of auditors as follows:

60 (2) In exercising the powers and performing the duties as auditor of a public entity, the auditor: (a) has access to the accounting records, including all books, vouchers and documents; (b) may require from the accounting authority of that public entity such information and explanations as are necessary for the purpose of the audit, and;(c) may investigate whether there are adequate measures and procedures for the proper application of sound efficient, effective and economic management

2.4.1 Section 61 [Reports of Auditors] elaborates further

61. (1) The report of the auditor must state separately in respect of each of the following matters whether in the auditor's opinion: (a) the annual financial statements fairly present the financial position of the entity; (b) is fair in all material respects and is on a basis consistent with that of the preceding year.

The accounting authorities of public entities (schools) must submit the following reports:

Monthly reports – the school governing body must within seven days of month end submit to the Superintendent of Education:

- actual receipts (income) and payments (expenditure) for the current month

- a budget variance report (month in question and year to date)
- projections of anticipated revenue and expenditure for the remainder of the current financial year
- Bank Statement and Bank Reconciliation Statement for the current month

Quarterly reports – the PED needs to know that the school’s actual expenditure is going to plan and that funds are under control [DoE: Self-Managing Schools (2000; 46)]. As a minimum the quarterly report needs to show:

- actual expenditure for the quarter
- budgeted expenditure for the same quarter
- variances (differences between the actual expenditure and the budgeted expenditure)
- projections (anticipated expenditure for the remainder of the year)

Of specific concern to a PED is a Section 21 school’s compliance in respect of the states “ring fenced” budget allocation – is the school spending the states allocation for its intended purpose. Figure 5 below is an example of the quarterly reporting template which may be used by the Provincial Education Department for the purpose of monitoring and evaluating a school’s compliance with provincial policy in respect of the states norms and standards budget allocation.

Figure 5: Quarterly Reporting Template

		Reported quarter ended:/...../20.....					
		Current Quarter			Year to Date		
		Actual (1)	Budgeted (2)	Variance (3) [1-2]	Actual (4)	Budgeted (5)	Variance (6)[4-5]
	(a) State Subsidy						
	(b) School Fees						
	(c) Other Income						
	(d) TO-TAL IN-COME (a+b+c)						

continued on next page

	(e) Text-books							
	(f) Stationery							
	(g) Domestic Account							
	(h) Security Services							
	(i) Repairs and Maintenance							
	(j) Other Expenses							
	(k) TOTAL EX-PENSES (e+f+g+h+i+j)							
	Balance as per Cash Book: R.	Information declared correct						
	Balance as per Bank Statement: R.	PRINCIPAL			SGB			
Source: DoE Self-Managing Schools (2000; 49)								

Table 2.7

Attached to the quarterly report:

- (i) the quarterly statement of Receipts and Payments
- (ii) Bank Statements and Reconciliations for the quarter under review.

Annual report – according to the Accounting Officers Guide (2000; 21) the accounting cycle is completed with the production and publication of an annual report, which reviews the schools performance and achievement against the schools plans and budget. The Act requires that the school publish an annual report that “fairly presents” that state of its affairs, its financial results and position at the end of the financial year. The school governing body must prepare an annual report each financial year consisting of the financial statements prepared in accordance with the standards of Generally Accepted Accounting Practices (GAAP) and the KZN Financial Regulations [Leo (2003; 20)]. The South African Schools Act Section 43 [Audit of Financial Records and Statements] states:

43 (5) a governing body must submit to the Head of Department within six months after the end of the financial year (before the end of June) a copy of its audited annual financial statements.

The annual financial statements shall comprise of, as a minimum, the following documents: Income Statement; Statement of Changes in Equity; Balance Sheet; Cash Flow Statement; Notes (to the above statements) and any other statements which may be prescribed by the Accounting Standards Board (ASB).

Section 21 schools must include, as a separate schedule, to their annual financial statements:

- (i) Compliance Certificate in terms of section 38(1) (j) (k) of the Public Finance Management Act & Sections 37, 38 and 42 of the South African Schools Act

- (ii) Written Assurance Certificate, confirming the implementation of financial management and internal control systems
- (i) Transfer Payment Certificate in terms of treasury regulation 8.4.2

Chapter 3

Research Design and Methodology¹

3.1 Chapter Three

3.1.1 Research Design and Methodology

3.1.1.1 Introduction

Chapter two focussed on the literature review in respect of the management of public schools' finances, in particular the role of the public school principals and their school governing bodies in post apartheid South Africa. In order to substantiate the revelations of the literature review a qualitative approach to data collection, analysis and interpretation was chosen – the data collection method would be the focus group interview method using the semi-structured interview approach.

In order to conduct the focus group interviews with school principals, educator representatives on the school governing body and parent representatives on the school governing body written permission was requested from the director of the Pinetown Education District [Annexure A]. Permission was granted subject to the following conditions [Annexure D]:

- No school or person may be forced to participate in the study
- Access to the school/s is to be negotiated with the principal/s
- The normal learning and teaching programme of the school must not be disrupted
- The confidentiality of the participants is to be respected

3.1.1.2 Research Design

Research design is governed by the notion “fitness for purpose” [Cohen, et al (2007; 73)]. The purpose of the research (will) determine the methodology and the design of the research. Denzin and Lincoln (2008; 28) state that three interconnected generic activities define the qualitative research process – the researcher approaches the world with a set of ideas, a framework (theory, ontology), that specifies a set of questions (epistemology) that he or she then examines in specific ways (methodology, analysis). In order to determine the understanding of principals, parents and educators with regards to the accountability and responsibility for the schools finances a qualitative research design was used. Patton (1989; 57) states that qualitative data can produce a wealth of knowledge from a restricted number of people. The experiences, opinions, feelings and knowledge of people can be captured by direct questions and quotations and are not limited or distorted by predetermined and standardised categories. The researcher is allowed flexibility to explore unanticipated topics of importance as they are discovered. According to McMillan and Schumacher (2001; 395) qualitative research is an inquiry in which researchers collect data in face-to-face situations by interacting with selected

¹This content is available online at <<http://cnx.org/content/m32034/1.1/>>.

persons in their settings. Qualitative research methods allow the researcher to understand the meanings that people give social phenomena by entering into the natural world of the people whom they study.

According to Klein and Myers in Mackenzie and Knipe (2006; 123) it is assured that our knowledge of reality is gained only through social construction ... it attempts to understand phenomenon through the meanings that people give to them. Cresswell (2003; 10) concurs that a compelling reason for a researcher to choose the qualitative approach as a means of data analysis is to study the individuals in their natural settings. Patton (2002; 70) describes the strength of qualitative research as facilitating a study of multifarious concerns ... without being constrained (and hampered) by predetermined categories of analysis. The qualitative approach produces a wealth of comprehensive information about a small number of cases, by increasing the extent of understanding the cases and situations studied and by reducing generalisations often negatively associated with quantitative research. Analytic induction is thus a major logic of qualitative research. The choice of cases to be examined will have an important bearing on the validity of the analytic induction and has a direct relationship on the sampling procedure. One method of data collection that the qualitative researcher may employ is the interview – in fact the interview is probably the most common method used in qualitative research.

The research design is aimed at eliciting truthful responses from public school principals, educators and parent governors as they express their experiences on this arguably additional core responsibility and how it impacts on their ability to manage their schools effectively. This is accomplished by generating data via interviews and document analysis with public school principals, educators and parent school governors. The selection of participants and sites proved to be of paramount importance.

3.1.1.3 Sampling

According to Cohen, Manion and Morrison (2007; 100) the quality of a piece of research stands or falls not only by the appropriateness of the methodology or instrumentation but also by the sample that has been adopted. Many constraints such as cost and time, to name but two, make it impossible to obtain information from the entire population. This brings about the need to obtain data from a smaller group – this smaller group or subset of the entire population is referred to as a sample. This research study opted to make use of non-probability sampling – purposive sampling – the researcher deliberately (purposely) selects a particular section of the wider population to include in or exclude from the sample [Cohen, et al (2007; 110)].

For the purpose of this study the target population is school principals, educators and parent members of school governing bodies managing ordinary public schools in the Pinetown Education District of which nine schools were purposively selected – the power of purposive sampling lies in selecting information-rich cases for study in-depth – [Patton (2002; 53)].

The composition of the research sites is depicted in the tables below:

	Primary	Secondary	TOTAL
Circuit B	1	2	3
Circuit C	1	2	3
Circuit D	1	2	3
TOTAL	3	6	9

Table 3.1

	Sec 20	Sec 21	TOTAL
Circuit B	1	2	3
Circuit C	0	3	3
Circuit D	2	1	3
TOTAL	3	6	9

Table 3.2

	Male	Female	TOTAL
Circuit B	6	3	9
Circuit C	5	4	9
Circuit D	6	3	9
TOTAL	17	10	27

Table 3.3

	African	Coloured	Indian	White	TOTAL
Circuit B	9	0	0	0	9
Circuit C	0	6	0	3	9
Circuit D	6	0	3	0	9
TOTAL	15	6	3	3	27

Table 3.4

The choice of a constructivist approach to the research study obviates the need for the sample (research sites) to be representative of the demographics of the Province of KwaZulu-Natal. Rather the selection of research sites was based on “information-rich” cases.

3.1.1.4 Ethical Considerations

Permission to conduct the interviews in public schools with principals, educators and parents was sought from the Pinetown Education– which was duly granted.

Principals, educators and parents of research sites granted permission for them to be interviewed and permission to record the interviews was obtained prior to the commencement of the interview.

Neuman (2006; 00) explains that research has an ethical-moral dimension in that the researcher has the moral and professional obligation to be ethical even when the researched are unaware about ethics. The basic principles of ethics in research are that the ethical responsibility rests with the researcher and include:

- informed consent – the procedure in which individuals choose whether (or not) to participate in an investigation after being informed of the facts that would be likely to influence their decisions. Deiner and Crandall in Cohen, et al (2007; 51) state that the research participant has the right to refuse to take part or to withdraw once the research has begun.

- right to privacy – the greater the sensitivity of the information, the more safeguards is required to protect the privacy of the research participant.
- anonymity – the information provided by the participant should in no way reveal their identity.

Neuman (2006; 00) continues by stating that the researcher should refrain from releasing confidential details of the study with the published results and making interpretations of the results inconsistent with the data. As confidentiality is a prerequisite for credible research, anonymity of the research sites and their principals was guaranteed – during the data collection, analysis and interpretation (findings) no reference was made to the sites or their participants. The sites and participants were referred to as follows: School 1 (Principal 1; Educator 1; Parent 1); School 2 (Principal 2; Educator 2; Parent 2); School 3 (Principal 3; Educator 3; Parent 3); and so on. Additionally participants were allowed to examine the transcripts and make amendments (if necessary).

3.1.1.5 Research Bias

I am a Superintendent of Education in the Pinetown Education District and work in arguably the most progressive, proactive and highest performing circuit in the district, if not in the province – our secondary schools have consistently produced the best academic results in the district and the work ethic of our school principals is second to none.

Managers in the circuit have developed a school monitoring checklist, which has been adopted as the provincial school monitoring checklist. It contains, inter alia, benchmarks for good financial management practices in public schools – all public schools in the circuit have met the minimum expectations in respect of good financial management practices – for this reason the circuit was excluded from the selected research sites.

3.1.1.6 Pilot Study

The purpose of a pilot test is to help to determine that the individuals in the sample are capable of understanding the questions posed in the interview [Cresswell (2008; 402)]. The pilot test allows the researcher to make changes to the research instrument based on feedback from the individuals who evaluate the instrument – it is a mechanism which allows the researcher to refine his or her ideas and to find out whether the questions are workable.

According to Rosnow and Rosenthal (1996; 111-112) the purposes of pilot testing are:

- to prevent the production of flawed data
- to check each question for relevance
- to establish the best sequence of questioning
- to establish the best wording of questions

Many of the proponents of pilot testing agree that the questionnaire or interview schedule should be reviewed by more than one “outsider” who must be absolutely candid (brutally honest) with their responses and comments in respect of the strengths and weaknesses of the questions in the interview schedule.

Rosnow and Rosenthal further emphasise that the pilot test be carried out with a small number of participants to ensure that the procedure and instructions are clear and to identify problems that were likely to be encountered during the focus group interviews proper. The pilot test was undertaken with three focus groups from Circuit A – in order to make any modifications to the instrument prior to the research proper.

3.1.1.7 Data Collection

Focus group interviews were conducted in the nine schools indicated in figure 6. The target population comprised of the principal, the treasurer (or parent if the treasurer was not a parent) and educator (if the treasurer was a parent). According to Cohen, et al (2007; 376) focus groups are a form of group interview . . . the reliance is on the interaction within the group who discuss the topic supplied by the researcher yielding

a collective rather than an individual view – from the interaction of the group data may emerge that will represent the views of the participants rather than the agenda of the interviewer.

Figure 6 – Sampled Schools

Image not finished

Figure 3.1

Source: EtheKwini Municipality

According to Patton (1989; 107) the fundamental principle of qualitative interviewing is to provide a framework within which respondents can express their own understandings in their own terms. Saidman (1991; 00) points out that interviewing is one of the best instruments for qualitative data generation. This viewpoint is supported by many of the authors of qualitative research methodology including Rogers and Bouey in MacKenzie and Knipe (2006; 143) who state that without a doubt the most utilised data collection method in qualitative research is the interview. One of the greatest advantages of the interview is flexibility – according to Patton (1989; 57) the researcher is allowed flexibility to explore unanticipated topics as they are discovered.

Many of the ardent proponents of qualitative research methodology classify qualitative research interviews into three types viz. structured interviews, unstructured interviews and semi-structured interviews. Arguably the most widely interview type used is the semi-structured interview. Semi-structured interviews are sometimes referred to as guided interviews – the guides or probes allow the researcher to develop “areas of inquiry” during the interview and display the following strengths:

- the guides or probes increase the comprehension by respondents making data collection systematic
- all respondents answer the same questions thus increasing comparability
- the interviews remain fairly conversational and situational
- flexibility allows for “logical gaps” in the data to be anticipated and closed

This research study made use of the semi-structured interview method of data collection. The questions were divided into ten themes [Annexure C] and administered in nine schools to twenty seven respondents; this implies three respondents per school. Wilkinson and Birmingham (2003; 00) state that the interview process should be planned in three phases namely (i) setting up the interview and finding the participants according to the overall research design; (ii) conducting and recording the interviews and (iii) reflecting on the interviews and analysing and interpreting the data.

The use of recording devices during interviews has its advantages and disadvantages. I am of the opinion that the advantages far outweigh the disadvantages and agree with Patton (1989; 137) who asserts that the tape recorder is indispensable to increasing the accuracy of data collection and allows the interviewer to be more attentive to the interviewee, however it does not eliminate the need for taking notes. Saidman (1991; 70) concurs when he states that there is no question in his mind that in-depth interviews must be tape recorded – the researcher has to transform these spoken words into written texts.

On this basis nine interviews were tape recorded and transcribed. Observational field notes were taken which described the setting, gestures, facial expressions, tone of voice and general body language [Henning, et al (2004; 73)].

3.1.1.8 Data Analysis

Qualitative data analysis is primarily an inductive process of organising the data into categories and identifying patterns among the categories [McMillan and Schumacher (2001; 461)]. Most qualitative researchers

employ an interpretivist / subjective style rather than a technical / objective style. The criteria for deciding which form/s the data analysis to undertake are governed by both fitness for purpose and legitimacy – the form of data analysis must be appropriate for the kinds of data gathered. Patton (1989; 144) concurs when he states that analysis is the process of bringing order to the data, organising what is there into patterns, categories and basis descriptive units. The different bases of epistemology give rise to a wide variety of methods of analysing data and unlike quantitative research, data analysis can take place before the data collection process has been completed – the researcher can begin the analysis even during the interview process.

During the course of the interview ideas of analysis and interpretation were recorded in the observational field notes. Many proponents of qualitative methodologies agree that this overlapping of data collection and data analysis improves both the quality of the data collected and the quality of the analysis – however the researcher has to be careful that the initial interpretations do not bias subsequent data collected.

The method adopted for data analysis was qualitative description as outlined in Patton (1989; 147), that is a pure description of the programme and the experiences of the people in the programme – to inform the reader what happened and what it was like from the participants point of view to have been in the programme. It provides a holistic picture of what happened. According to Neuman (2001; 34) the description must be sufficiently detailed to transport the readers to the context within which the investigation took place – this allows for multiple interpretations and for readers to make their own inferences.

McMillan and Schumacher (2001; 467) state that inductive analysis means that the categories and patterns emerge from the data rather than being imposed on the data prior to data collection. They further enumerate the sources used to classify and organise data:

- the research questions
- the interview guide
- themes, concepts and categories used in prior studies
- prior knowledge of the researcher
- the data itself

The mechanics for organising the data were based on the descriptive analysis technique as outlined by Terre Blanche, et al, (2006; 252)

- reading through the interview transcripts and jotting down notes and comments
- selecting the richest and thickest portions of the interview transcripts
- listing the emerging themes and clustering and encoding them
- identifying the major themes and sub-themes
- analysing categories of the themes and sub-themes and (making sense) of what they mean

The data analysis was managed thematically. The categories and themes were the categories and themes used in the interview guide and supplemented by the literature review.

3.1.1.9 Validity of the Research Findings

The production of a convincing narrative report of the research has most often served as *de facto* validation, even if the only thing it validates is the researchers writing skills rather than his or her observational capacities [Kuklick in Denzin and Lincoln (2008; 163)]. McMillan and Schumacher (2001; 478) concur when they state that selecting trustworthy data also involves an awareness of the researchers assumptions, predispositions and influence on the social situation.

Qualitative researchers generally validate their data by means of triangulation. Denzin in McMillan and Schumacher (2001; 478) explain triangulation as the cross-validation among data sources, data collection strategies, time periods and theoretical schemes. To find regularities in the data the researcher compares different sources, situations and methods to see whether the same pattern keeps recurring – a theme could be cross checked by comparing data found in artefact collection (minutes, memos and so on), informant interviews (principals, teachers, and so on) and field observations, as illustrated in figure 7. Flick in Denzin

and Lincoln (2008; 7) state that qualitative research is inherently multi-method in focus, – the use of multiple methods or triangulation reflects an attempt to add rigour, breadth, complexity, richness and depth to any inquiry. Triangulation is not a tool or strategy for validation but an alternative to validation.

Figure 7: Triangulation for Logical Pattern

Artefact Informants

Collection

Social Scene

or

Process

Field

Observations

Source: McMillan and Schumacher (2001; 478)

The critics of qualitative research generally claim that qualitative research is too subjective, the number of cases sampled is too small, or that the analysis and interpretation is not scientific – to mention but a few criticisms. The questions that qualitative researchers need to ask themselves is: to what extent can the data analysis be trusted; how much confidence can the researcher place in his / her analysis; is the data analysis presented to the readers in such a way that they can verify and validate the findings for themselves. Lincoln and Guba (1985; 290) suggest that qualitative research should be assessed in terms of credibility, transferability, dependability and conformity of the data.

- credibility relates to how the researcher reconstructs the participants views into the process of the inquiry. One method is, according to Lincoln and Guba, prolonged engagement, that is the investment of sufficient time to achieve certain purposes, learning the culture (of the respondents), testing for misinformation introduced by distortions either by the self or by the respondents and building trust (with the respondents).
- transferability refers to the degree to which the findings can be applied to other contexts. Terre Blanche, et al, (2006; 381) state that to create a foundation for transferability and to allow other researchers to use the findings in making comparisons with their own work it should contain an accurate description of the research process, an explanation of the arguments for the different choices of methods and a detailed description of the research situation and context.
- dependability for the qualitative researcher is equivalent to reliability in quantitative research that is it should produce the same results in a similar context. In qualitative research this replicability is impossibility because of the flexibility of the research design. Guba and Lincoln (1989; 242) state that far from being a threat to dependability such changes and shifts are a hallmark of a maturing and successful inquiry – but such changes and shifts need to be both tracked and trackable.
- conformity is concerned with establishing that the data and the findings and interpretations are linked. Lincoln and Guba (1985; 326) refer to an audit whereby a third party reviews the audit trail maintained by the researcher including recordings, transcripts, interview guides, lists of interviewees, field and observational notes, and so on.

3.1.1.10 Summary

The chapter commenced with the rationale for the constructivist approach to the research study and the motivation for the use of interviews, in particular the semi-structured interview approach. The purposeful sampling of the research sites was elaborated upon with emphasis on the information-richness and ethical considerations. The data collection and data analysis methods were then discussed with an overview of the validity of the research findings. The following chapter focuses on the research findings.

Chapter 4

Analysis of Results and Research Findings¹

4.1 Chapter 4

4.1.1 Analysis of Results and Research Findings

4.1.1.1 Introduction

In chapter three the research plan, that is the research design and methodology, was discussed. In chapter four the data which was collected via the focus group interviews will be analysed and the findings interpreted.

From the focus group interviews it was quite evident, that the different schools interviewed, that schools managed their finances differently.

4.1.1.2 Data Analysis

According to McMillan and Schumacher (2001; 461) qualitative data analysis is primarily an inductive process of organising the data into categories and identifying patterns or relationships among the categories. Most categories, patterns and relationships emerge from the data, rather than being imposed upon the data prior to collection. Lincoln and Guba (1985; 8) concur when they state that the research imposes no *a priori* categories on the results of the study.

4.1.1.3 Research Findings

The following themes were identified in the data analysis: (i) allocated functions of the school governing body; (ii) non-existent or ineffective school finance policy; (iii) ineffective financial controls; (iv) inadequate school funding; (v) the role of the principal and school governing body; (vi) stakeholder involvement; (vii) training of school governing bodies; (viii) the role of the Department of Education

4.1.1.3.1 4.3.1.Theme 1: Allocated Functions of the School Governing Body

All of the participants were of the opinion that all schools should automatically be allocated Section 21 functions, especially the research participants in schools 5, 8 and 9 – which are non-section 21 schools as they believed that the KZNDoE did not act in their best interest.

Principal 5 complained about the “red tape” involved when procuring as a non-section 21 school – EC 72s (the requisition forms) and commitment registers were cumbersome and time consuming.

¹This content is available online at <<http://cnx.org/content/m32032/1.1/>>.

Principal 8: “We pay higher prices (as compared to section 21 schools) for goods and services. We should be paying less because the KZNDōE is buying in bulk and there should be a quantity discount.”

Principal 9: “There are lots of stories of acts of fraud and corruption of the part of the KZNDōE’s procurement staff at Truro (that is the Coastal Clusters Service Centre which manages the funds of the non-section 21 schools).”

Principal 2 indicated that the procurement of textbooks and stationery was cheaper and faster and the school received cash discounts which was not the case when his school was non-section 21.

Educator 9, supported by parent 9 stated that the school was “defrauded” by the KZNDōE as textbooks ordered timeously in 2007 were to date not delivered. The Service Centre did however pay the vendor. This was confirmed by Principal 9.

Educators and parents of schools 5, 8 and 9 accused the KZNDōE of discrimination for not allocating them section 21 functions even though they had applied on numerous occasions. All three schools believed that they did qualify in terms of the checklist.

Parent 8 indicated that after attending the Education Imbizo in May 2008, when the Head of Department for Education in KZN lifted the moratorium on Section 21 applications, the school immediately applied. To date (May 2009), one year later they have not had a reply.

Educator 8: “The KZNDōE did not even have the decency to acknowledge receipt of our application. Our principal has done numerous follow ups but the KZNDōE could not provide us with a progress report. I think they’ve lost our application. They lose everything.”

Principal 9: “We’ve been applying for Section 21 status every year for the past four years. Not once did we ever receive a response from the department.”

In the main this theme is about the advantages (disadvantages) of section 21 (non-section 21). Section 21 schools get the states budget allocation deposited into the school’s current banking account whereas non-section 21 schools receive a “paper allocation” and the KZNDōE manages this allocation on behalf of the school. Section 21 schools are able to procure goods and services from suppliers of their choice (provided that proper procurement procedures are followed) and can negotiate huge cash discounts, whereas non-section 21 schools may only have goods and services procured on their behalf and only from suppliers on the KZNDōEs data base at exorbitant and highly inflated prices.

Principal 5: “In November 2007 we bought computers through the department. The EC 72 was completed in blank (Truro could not give us a price). We received the computers almost a year later. Had we been a section 21 school we could have received those computers immediately at less than one third of what the department paid.”

Mestry (2004; 230) states that one of the greatest advantages of being allocated section 21 functions is that in the event of the school being unable to spend the states allocation in the current financial year, the funds will still be available to the school in the following financial year. One of the greatest disadvantages of non-section 21 schools is that in the event of requisitions not being processed by financial year end, schools lose their allocation since there is no “roll over” of unspent budget amounts (ibid; 230).

4.1.1.3.2 4.3.2.Theme 2: Non-existent or Ineffective Finance Policy

Participants agreed that the poor management of funds or even the mismanagement of funds was to a large extent as a result of the school not having a finance policy (non-existent) or if the school did have a finance policy, not implementing it (ineffective). The school’s Finance Committee (FINCOM) is inextricably linked to the efficiency and effectiveness of the school’s finance policy. During the interviews all schools indicated that they did have a finance policy however when I conducted a document review this was not the case.

Principal 7: “We do have a policy, which is everyone knows what is expected of them and who is responsible for what – we are yet to commit this policy to writing.”

School 4 had a beautifully drafted policy which they had “borrowed” from an ex-Model C school – however the name of the donor school appeared throughout the policy.

Parent 1 indicated that she had been treasurer of the SGB for the last three years, just before the new principal was appointed. He obtained all the required policies from another school and the governing body simply adopted these policies as school policies.

School 3 did have a finance policy which had been drawn up by the previous SGB – Principal 3; Parent 3 and Educator 3 agreed that the policy need to be reviewed and refined.

Schools 2; 5; 6; 8 and 9 admitted that they did not have the required finance policy but would, as a matter of urgency, develop one in consultation with all relevant stakeholders.

Clarke (2008; 282) states that the school governing body normally delegates a number of financial duties to the principal but they remain responsible should problems arise. Because of this the governing body must ensure that there are proper policies and procedures in place for the management of the schools finances and that they have a system of monitoring and reporting to ensure that the policies and procedures are correctly implemented. This view is supported by Gann in Mestry (2006; 34) who states that in order for a school to manage its finances efficiently and effectively a school finance policy must be developed, adopted by all relevant stakeholders and implemented accordingly. The governing body should be in at the start of each process of either creating or reviewing a policy or procedure.

4.1.1.3.3 4.3.3.Theme 3: Ineffective Financial Controls

Most of the participants regarded financial control as one of the main responsibilities of the school governing body. While the school principal is responsible for the management of the income and expenditure and the assets and liabilities the oversight function, that is control of finances is the function of the Finance Committee (FINCOM). The interviews also revealed that the composition of FINCOMs, where they existed, differed from school to school. The literature review indicated that one of the prerequisites for the allocation of Section 21 functions was the existence of a functioning FINCOM, however during the interviews it emerged that there was absolutely no follow up by both the district and the province to verify its existence.

Principal 1: “At present we do not have a FINCOM, our school clerk (finance officer) is on protracted sick leave and there is no treasurer – I sometimes collect school fees, bank monies and am a signatory to all cheques. Am I possibly opening myself up to financial mismanagement?”

Parent 1: “Because we do not have a FINCOM and treasure I sign about ten blank cheques every month so that the school can pay its accounts.”

Educator 1 expressed shock and outrage at what was happening at his school. He stated that it was a dangerous situation as the principal could easily cash a cheque (for personal use) and nobody would be the wiser.

Similar scenarios prevailed at the majority of the other schools in the sampled sites.

Educator 5 explained that the principal and SGB chairperson had signed cheques for the purchase of textbooks last year (2008). These books were paid for but never delivered. The Superintendent (of Education) knows about this but has done nothing.

Educator 4: “The principal and the chairman of the SGB run the schools finances and we, as stakeholders, are never consulted.”

According to Clarke (2008; 291) one of the main purposes of the school’s finance policy is to put in place a system of controls to ensure that the school’s finances are safeguarded and correctly managed, a view supported by Guidelines for Accounting Officers (2000; 28) which states that internal controls are systems, procedures and processes that are implemented to minimise risk as a result of either fraud or negligence.

4.1.1.3.4 4.3.4.Theme 4: Inadequate School Funding

All participants categorically agreed that their school funding was insufficient to pay for the basic recurrent expenses, which are the day-to-day running costs. All participants, with the exception of school 3 argued vehemently that they had been incorrectly ranked (ranked in the wrong quintile).

Principal 8 complained bitterly that her school shared a common fence with her neighbouring school yet her school was ranked in quintile 5 while the neighbour was in ranked in quintile 4. Letters of contestation had been written to the KZNDoe for the last three years to no avail – officials from the Pinetown District had queried with Head Office but they are yet to receive a response.

Principal 6: “Ours is a township school and the majority of our parents are unemployed and many of our learners come from child headed households, yet we are ranked in quintile 4. We have contested our ranking

regularly but we have had no positive feedback from the department.”

The South African Schools Act explains the responsibility of the state on the one hand to fund public schools on an equitable basis and the responsibility of the school governing body on the other hand to supplement the resources supplied by the state.

All participants agreed that school fee collection rates had been decreasing every year. As the bad debt factor increases, schools are finding it increasingly difficult to run their schools efficiently and effectively. The South African Schools Act explains the parents’ liability to pay school fees and also empowers school governing bodies to take legal action in order to enforce errant parents to pay school fees.

Principal 3: “Our collection rate (of school fees) is excellent however in recent years we’ve been handing more and more parents over to our lawyers to enforce the payment of fees.”

Parent 3: “Even though I believe it is morally wrong to sue parents for outstanding school fees, what else can we do?”

Parent 2 explained that over the past few years the school fee collection rate had been on the decline and the previous years (2008) collection was less than 25%.

Educator 7 explained that in the current economic climate with the world experiencing an economic downturn he could identify with parents being unable to pay school fees as the basic needs for food, clothing and shelter could not be met. He went on to say that government should take cognisance of this and increase state spending on education.

Parent 4: “What happened to the ruling party’s promise of free education for all?”

Principal 7: “The states “no fee school” media campaign was poorly run and highly misleading as it has incorrectly led all parents to believe that all schools are no fee schools. Fee charging schools now have great difficulty in getting parents to pay.”

All Section 21 schools expressed their dissatisfaction in being “forced” to spend their norms and standards according a predetermined formula rather than according to the needs of the school.

Principal 3: “Over the past few years we’ve received hundreds of thousands of rand to purchase sufficient textbooks for all learners in all grades. We have a fantastic retrieval system with a 100% retrieval rate. We do not need more textbooks and yet we must spend 30% of our budget allocation on textbooks – it does not consider our needs.”

Educator 3: “When we applied for the allocation of Section 21 functions it was granted on the basis that we had sufficient capacity to manage our finances. The ringfencing of the budget places unnecessary restrictions upon us and is also seen as an indicator that we are unable to manage our finances.”

4.1.1.3.5 4.3.5. Theme 5: The Role of the Principal and School Governing Body

Most of the educators and parents were of the opinion that the principal was responsible for the management of the school’s finances.

Educator 1 stated that because the principal is the accounting officer he is accountable and responsible for managing the schools finances.

Parent 2 indicated that the principal is at school every day as compared to the school governing body that only meet every other month, which makes him accountable.

Educator 2: “The principal is responsible for the day-to-day running of the school. It’s his job to ensure that all monies received are banked.”

Parent 7: “Isn’t that what the principal gets paid to do.”

All principals were of the opinion that the school governing body was responsible for managing the schools finances.

Principal 3: “The SGB is responsible for financial management however as an ex-officio member I am jointly responsible.”

Principal 1: “Technically we do not have a SGB, that is there are no FINCOM and no treasurer, and I single-handedly manage the school’s finances – not by choice but out of necessity. Will I be held accountable should things go wrong?”

Principal 6: “Black parents in township schools are not interested in the education of their children and do not participate in governance, however the school has to run. I will not accept responsibility when (financial) things go wrong.”

Principal 4 stated that their school had such a high turnover rate of parent governors that all signatories to the school fund account were state paid employees.

In the main this theme focuses on accountability, in particular: Who is accountable? Watt, Richards and Schelcher in Mestry (2006; 31) explain accountability as being liable and responsible for certain actions and decisions – it entails giving an account of actions taken and being held accountable for these actions. Donnelly in Hansraj (2003; 16) indicates the every committee member must be able to explain the rationale for all decisions taken. All decisions taken must be collective and enhance the overall achievement of the desired outcomes. Members must be accountable for financial tasks delegated to them.

Clarke (2008; 281) indicates that SASA makes it quite clear that the school governing body has the ultimate responsibility for the financial management of the school – the principal as a member of the school governing body shares this responsibility. Mestry (2004; 129) shares this viewpoint when he states that although the SGB is accountable to the parents for the school fund, the principal must play a supportive role in ensuring that the schools finances are managed efficiently.

4.1.1.3.6 4.3.6.Theme 6: Stakeholder Involvement

Most principals and educators agreed that schools experienced great difficulty in getting parents involved in school governance. None of the nine schools interviewed were able to elect the parent component of the “new” SGB because all nine election meetings were not quorate – notwithstanding the state amending its quorum requirements from 50% to 15%.

Principal 6: “Even when we are successful in electing parents to the SGB we are faced with a high turnover rate (parents simply never return after being elected) resulting in instability.”

Principal 4: “Our follow-up parent election meeting was attended by six parents who automatically became the parent members of the SGB. How can these “uneducated” people manage our schools – no wonder our schools are in a mess.”

Parent 4: “These are the things (these derogatory comments) that keep us away from the school – these insults. We don’t want to take away the principals power – we just want to make sure that the right things are done.”

Educator 4: “To have uneducated lay people leading the school governing boggy, deciding on, inter alia, staffing issues and staff promotions, managing and being accountable for hundreds of thousands of rand doesn’t make sense. What was government thinking? No wonder education in this province is in a mess.”

Parents on the other hand saw participation on the SGB as one of their inalienable democratic rights and also a means to become involved in the education of their children.

Parent 3: “We have a fantastic working relationship with the principal and staff. Granted we don’t know everything but the principal regularly arranges developmental workshops.”

Parent 7: “The principal regularly undermines our authority and as parents we have a constitutional right to serve as school governors. We expect the principal to disclose information to us.”

The South African Schools Act requires the Head of Department to ensure that principals assist governing bodies in performing their functions. The success of a SGB in carrying out its statutory functions and arguably the success of the school (in terms of its pass rate) depends on the principal and staff working collaboratively with the SGB, especially in the area of financial management.

In respect of the delegation of governance duties to members of staff, participants had differing opinions.

Principal 3 indicated that there was no need to delegate governance duties to members of his staff as his school had employed a financial secretary and a bursar.

Principal 5: “Staff members have a heavy academic workload so it is not possible for them to take on additional duties.”

Educator 8 stated that even though he had a heavy workload as an Accounting Head of Department he took on the additional duty as treasurer of the SGB as there was no body else willing or capable of performing this important function.

Educator 7: “The time I spent as a member of the FINCOM sometimes has a negative impact on my core responsibility, that is teaching.”

Principal 2: “The state should consider deploying state paid finance officers to all schools.”

4.1.1.3.7 4.3.7. Theme 7: Training of School Governing Bodies

All participants agreed that the Pinetown Education District had reneged on its legislative mandate to fulfil its functions in terms of Section 19 of the South African Schools Act, which is to train newly elected governing bodies and to provide continual training for existing governing bodies.

Principal 1: “I was appointed as principal four years ago just before the election of the previous SGB. In their three-year term of office they had never been trained. We are soon to elect a new SGB – they too probably won’t be trained. In fact I have not been inducted into my current job.”

Principal 4: “None of my GB members have ever been trained by the district.”

Principal 6: “Even if the SGB was trained (which they were not) because of the high turnover rate training would have to be regular and continuous.”

Principal 9: “I think we will be electing our fifth set of school governors for the next three-year term of office. I don’t think that the third and fourth GBs were trained.”

Educator 3: “The Pinetown Education District presented its fourth annual District Improvement Plan (DIP) to schools in April 2009 – it looked like a photocopy of the previous three years plans, none of which came to fruition. The district seems to be good at planning but is unable to implement.”

The literature review indicates quite clearly that financial management training is one of the areas of professional development requiring special attention. Clarke (2008; 278) reads as follows: “... principals have little or no training or expertise (in financial management) and elected SGB members are equally ill-equipped.” Mestry (2004; 126) concurs: “... principals and SGB members lack the necessary financial knowledge and skills.” Section 19 of the South African Schools Act mandates the Provincial Education Department to provide:

(i) introductory training for newly elected governing bodies to enable them to perform their functions, and

(ii) continuing training to governing bodies to promote the effective performance of their functions or to enable them to assume additional functions

4.1.1.3.8 4.3.8. The Role of the Department of Education

It is standard practice for schools to submit monthly, quarterly and annual financial reports to the district office. All the participants unanimously agreed that Education Districts in general and the KZNDoE in particular showed absolutely no interest in schools’ finances. Some participant sites were victims of misappropriation of funds, which had been reported to the KZNDoE – these reports appear to have been ignored.

Principal 3: “All the Service Centre wants is our audited annual financial statements. I know that they are never read because they phoned me just the other day for my (i) written assurance, (ii) compliance certificate and (iii) transfer payment certificate which were included in my audited annual financial statements submitted in June 2009.

Educator 5 supported by parent 5 stated that they had reported misappropriation of funds to the Superintendent of Education and the Pinetown Education District Office and to date nothing has been done.

Educator 1: “About three years ago our school was defrauded of about a quarter of a million rand – to date nothing has been done by the district or the province.”

Principal 8: “We hand in our audited annual financial statements dutifully every year expecting at least some response from the KZNDoE – none has been forthcoming. I think that the audited annual financial statements are collected so that someone can tick a collection sheet.”

Principal 9: “We once erroneously handed in the wrong audited annual financial statements – no one was the wiser.”

The comments by the participants supports and is supported by the literature review: “... financial information has no intrinsic value; it must be used by managers to develop plans, evaluate alternative

courses of action and where necessary take corrective action. The production of (financial) information is not an end in itself, and reports are not scrutinized and used by managers the quality of information will remain poor.” [Accounting Officers Guide (2000; 19)].

Chapter 5

Summary, Recommendations and Conclusion¹

5.1 Chapter Five

5.1.1 Summary, Recommendations and Conclusion

5.1.1.1 5.1.Introduction

In chapter four the data collected was analysed and the findings interpreted. Chapter five will commence with a summary of the previous four chapters, thereafter the findings will be used to form a basis for recommendations which will assist school governing bodies manage their finances efficiently, effectively and economically and assists schools in becoming self-reliant.

5.1.1.2 Summary

5.1.1.2.1 Statement of the Problem

This study investigated the management of public schools' finances. In both the literature and empirical study it was established that that the management of public schools' finances was the responsibility of both the school governing body (which had to carry out its statutory obligations) and the principal (as an *ex-officio* member of the school governing body).

5.1.1.2.2 5.2.2.Literature Review

Literature relevant to the financial management role of both the school governing body and the principal was reviewed. In order for the key stakeholders to carry out their statutory and fiduciary obligations they would have to display differing degrees of competence in the following areas of focus:

- policy formulation and the development of procedures and practices to control finances (cf 2.3)
- moving the school from self-management towards self-reliance (cf 2.4)
- taking ownership of the school via innovative methods of supplementary funding (cf 2.5)
- taking responsibility for the annual budget and allied tasks (cf 2.6)
- taking cognisance of the differences between professional management and governance (cf 2.7)
- the capacity of the principal and school governing body to manage the school's finances (cf 2.8)
- the management of current and non-current assets (cf 2.9)
- accounting for the management of the school's finances (cf 2.10)

¹This content is available online at <<http://cnx.org/content/m32029/1.1/>>.

All of the above areas of focus must not be viewed in isolation as each area of focus is interconnected and possibly sequential in order for the stakeholders to accomplish their objectives.

5.1.1.2.3 The Research Design and Methodology

The study made use of a qualitative research design – the approach was constructivist since reality is socially constructed [Mertens (2005; 12)] and constructivist research tends to rely on the participants views of the situation being studied [Cresswell (2003; 8)].

The views of principals, parents and educators were explored via focus group interviews. Patton (1989; 107) explains that the interview provides a platform for respondents to express their own understandings in their own terms. The interviews were conducted in nine schools in the Pinetown Education District representing both Section 21 and Non-Section 21 schools, Primary and Secondary schools, male and female respondents and all four ethnic groups (cf 3.3).

5.1.1.2.4 Analysis of Results and Research Findings

From the empirical study and literature review the following themes emerged rather than the themes being imposed on the data prior to the data collection [McMillan and Schumacher (2001; 461)]:

- the Head of Department to invoke his discretionary powers to allocate Section 21 functions to deserving schools based on the capacity of the school governing body (cf 4.3.1)
- non-existent or ineffective school finance policy (cf 4.3.2)
- ineffective financial controls (cf 2.3 and 3.4.3)
- inadequate school funding (cf 2.5 and 3.4.4)
- the role of the principal and school governing body (cf 2.7 and 3.4.5)
- stakeholder involvement (cf 3.4.6)
- training of the school governing body (cf 2.8 and 3.4.7)
- the role of the Department of Education (cf 3.4.8)

5.1.1.3 5.3.Recommendations

Based on the findings and the literature the following is recommended:

5.1.1.3.1 Review of the allocation of additional functions to school governing bodies

The school governing body may apply for the allocation of additional functions or the provincial Head of Department may allocate additional functions to school governing bodies based on the capacity of the school governing body [SASA (1996; 21 (1))]. Since a moratorium on the allocation of additional functions has been in place since March 2005, school governing bodies which have developed capacity over the last four and a half years have been denied the opportunity to apply and have forgone the benefits which come with these allocated functions. It is therefore recommended that:

- the moratorium be lifted
- the Head of Department invoke his discretionary powers and allocate additional functions to schools whose governing bodies display capacity
- the questionnaire (cf table 3) be modified from a YES/NO type response to an evidence based application
- the questionnaire be shortened to exclude irrelevant information
- the process of approval (cf figure 2) be shortened by cutting out irrelevant authorisation personnel thereby speeding up the process

The HOD may, on reasonable grounds, withdraw a function of a school governing body [SASA (1996; 22 (1))]. In my capacity as both Master Trainer for School Financial Management and as a Superintendent of Education, I have come across many Section 21 schools whose SGBs lack capacity to carry out their allocated functions. There are also many schools, which as a result of this incapacity, have been defrauded of hundreds of thousands of rand. The Pinetown Education District is aware of these cases and yet research has shown that no school in the district has had its allocated functions withdrawn. It is further recommended that:

- the capacity of Section 21 schools' governing bodies be reviewed regularly (based on reports submitted to the Education Districts)
- the Education Districts or the Provincial Education Department conduct random sampling of other "non errant" Section 21 schools' governing bodies for general review.

5.1.1.3.2 Drafting of a generic school finance policy

Clarke (2008; 291) states that one of the main purposes of the schools' finance policy is to put in place a system of controls (checks and balances) to ensure that the schools' finances are safeguarded and correctly managed. Blandford in Mestry (2006; 35) concurs: "The formulation of rules and regulations for the handling of money ... is necessary." Based on the literature reviewed in chapter three an example of the rules and regulations for the management of cash could be: (i) indicate the person/s responsible for collecting the cash; (ii) all monies received must be receipted; (iii) monies received should be banked daily; (iv) if monies cannot be banked provision must be made for safe storage; (v) proper accounting records (including source documents) must be maintained to record these transactions; (vi) audit trails should be used to verify and validate each and every transaction

As the majority of the schools sampled had either inadequate or non-existent finance policies it is recommended that:

- the Education Districts or the Provincial Education Department draw up a generic schools' finance policy containing the minimum rules and regulations for the efficient, effective and economic management of the schools' finances
- school governing bodies (inclusive of all relevant stakeholders) use the above generic instrument to adapt and contextualise it to their schools
- the governance unit at the level of the district ensure that all public schools are in compliance

5.1.1.3.3 Composition and Functions of the Finance Committee (FINCOM)

According to SASA (1996; 30 (1) (c)) the governing body of a public school may establish committees, including a finance committee and allied sub committees. The South African Schools Act however does not specify: (i) the constituents or composition of the FINCOM; (ii) its functions and (iii) the frequency of its meetings. The literature reviewed further exacerbates the problem as the various authors had differing views on the constituents, functions and frequency of meetings. A consolidation of the literature reviewed generally indicated that the FINCOM should, as a minimum, comprise of: (i) the treasurer; (ii) the chairperson; (iii) the principal; (iv) the finance officer (bursar) and (v) an educator representative. Additional members could be co-opted if the above constituents lacked expertise.

According to Clarke (2008; 53) the FINCOM should meet monthly whereas Mestry (2004; 121) suggest that it is vital for this committee to conduct regular meetings. Clarke (2008; 53) lists the duties of the FINCOM as: (i) preparation of the school budget for submission to the full board; (ii) monitor income, expenditure and cash flow; (iii) financial oversight to ensure that the board and the Provincial Education Department's policies are adhered to and (iv) to check and act on audit reports. Mestry (2004; 131) describes the functions of the FINCOM as: (i) to develop and implement a finance policy; (ii) to construct a budget and keep control of it; (iii) to monitor and approve all expenditure and (iv) to ensure proper procurement procedure – all decisions taken by the FINCOM must be ratified by the SGB.

Based on the literature and the findings around financial controls and the functioning of the FINCOM it is recommended that the National Department of Education or the Provincial Education Department:

- stipulate the minimum composition of a FINCOM
- identify the key constituents of the FINCOM
- gazette the FINCOMs statutory functions
- indicate the frequency of the meetings of the FINCOM

5.1.1.3.4 5.3.4. Review of the Funding Norms for Public Schools

The National Department of Education (DoE) has pegged the “adequacy benchmark”, that is the minimum amount of money that the state should provide to a public school in order for a school to cover its recurrent expenses, at quintile 3 – currently five hundred and ninety six rand (R596) per learner per annum. In the Pinetown Education District sixty percent (60%) of the schools representing sixty two percent (62%) of the learners are under-funded, that is they are ranked in quintiles 4 and 5 (cf table 4). According to KZN Circular 27/05 (2009; 1) the DoE has extended the no fee school band to Quintile 3 schools. Quintile 3 schools will be funded at the target amount of seven hundred and eighty four rand (R784) per learner per annum in the 2010/2011 (next) financial year – representing a 31, 5% increase. Quintile 4 and 5 schools are currently funded at R398 and R160 respectively. It is therefore recommended that:

- quintile 5 schools receive at least R596 per learner per annum, the current (2009/2010) adequacy benchmark
- the PED immediately address the contestations that schools have lodged in respect of wrong quintile ranking
- if education is a national priority, then it must be funded on a needs basis rather than on a budget that the state can afford

Unpublished research (the results of which are in my possession) conducted recently in schools in Circuit A (Phoenix, Verulam and Tongaat) and Circuit B (Inanda, Ntuzuma and Kwa Mashu) indicate a strong correlation between the prudent management of finances and assets and inadequate state funding, that is schools receiving less state funding (schools in quintile 4 and 5) tend to manage their finances and assets better than those receiving more funding (schools in quintiles 1, 2 and 3). Under-funded schools also displayed excellent retrieval rates of loaned textbooks. The research also indicated the inability of the adequately funded schools to spend this larger state allocation. The research findings indicated that well managed schools “complained” that even though they had stockpiled textbooks over the last few years they were still “forced” to spend 30% of the states budget allocation on textbooks, an asset they did not require. It is therefore recommended that:

- a stock / asset audit be conducted to ascertain whether schools have sufficient textbooks, furniture and equipment
- based on the outcome of the above audit schools be granted the “freedom” to spend the states allocation on their needs rather than being forced to spend according to a predetermined formula

5.1.1.3.5 Training of School Governing Bodies

The research findings clearly indicated that both the Provincial Education Department and the Pinetown Education District had reneged on their legislative mandates to train school governing bodies. The literature reviewed indicated the possible reasons for this failure – where the PED and Districts did conduct training it was ineffective since the provincial and district officials were not experts in school financial management. Some provinces and districts employed consultants however this training also proved ineffective as many consultants do not necessarily have a sound knowledge of school finances.

The research referred to in section 5.3.3 above also indicated a link between poor financial management and poor academic performance. Mestry (2004; 129) concurs with the above research finding when he states that the training (of an SGB) in financial management is fundamental in preparing and equipping school managers with financial skills ... to be responsible and accountable for funds and to make a contribution towards the improvement of the overall quality of teaching and learning of the school.

It is recommended that:

- the Master Trainer be reinstated because these volunteer school based personnel who conduct this training are hand picked experts in school financial management
- all members of the FINCOM be trained as the cascade method (train one or two members who are then expected to train the others) which is commonly used has proved to be ineffective
- all Education Districts closely monitor the training of SGBs bearing in mind that “new” SGBs will be inaugurated in September 2009

5.1.1.3.6 Reviewing the Role of the Department of Education

According to the literature reviewed it is standard practice for schools to submit monthly, quarterly and annual financial reports to the education district office. The literature also indicated that management to develop plans, evaluate alternatives and where necessary take corrective action must use the information. The findings contradicted the literature, as it was quite apparent that the statutory reports submitted by schools were not used for their intended purpose, if used at all.

When the literature and findings are juxtaposed school principals and governors are justified in questioning the credibility of the KZNDoE, which is further warranted by the regular display of a lack of synergy often referred to as “the left hand does not know what the right hand is doing”, a case in point being the submission of the audited annual financial statements: (i) annual financial statements are collected by the Education Circuits, checked for completeness and submitted to the Finance Directorate of the Cluster before 30 June; (ii) schools are then contacted by the by another sub-directorate within the Finance Directorate to submit appendices which were included in the annual financial statements; (iii) the Norms and Standards section of the Finance Directorate then require schools to account for the states budget allocation which was also submitted as an annexure to the annual financial statements; and (hopefully) finally the Financial Support Services Directorate at the Provincial Head Office require the Education Circuits to audit the states budget allocation notwithstanding the schools having submitted audited financial statements.

Similar scenarios of confusion and mayhem are displayed in other aspects of the KZNDoE’s interaction with schools’ finances. It is recommended that:

- monthly reports sent to the Education Circuits be analysed and interpreted by the Circuit Manager with the intention of providing feedback to the school and providing reports to the Education District
- quarterly reports be used by the Education Districts to monitor and evaluate the schools’ compliance with the directives of the province
- annual reports and annual financial statements be synergistically managed by the Cluster and the Provincial Education Department

5.1.1.4 5.4.Conclusion

Although this study focussed on schools in the Pinetown Education District the findings are highly likely to be applicable to all schools in the province and the recommendations should be valid for all schools in the province. The department (of education) has requested a copy of the findings – this will be provided and it is hoped that cognisance be taken of both the findings and recommendations.

Chapter 6

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6.2 Focus Group Interview Questions

6.2.1 1. Status of the school

1.1. Why did you choose to apply for section 21 status?

Or

- Why did you choose to remain a non-section 21 school?

Probe

- What are the pros [cons]?

6.2.2 2. Policies and Procedures

2.1. Does your school have a finance policy?

Probe:

- How was the policy derived?
- Is it reviewed regularly? [explain]

6.2.3 3.Funding

- Is the funding received from the state sufficient?

6.2.3.1 Probe

- Is your school ranked in the correct quintile?
- Do you track the expenditure of Norms and Standards via a commitment register?

- How much are your annual school fees and what is the

collection rate [bad debt factor]?

6.2.3.2 Probe

- Are parents aware of the DoEs exemption policy?
- Are there mechanisms in place to track school fees collection?

6.2.4 4.Budgeting

- Explain how your school budget is drawn up?

6.2.4.1 Probe

- What is your role in the budgetary process?
- Are all stakeholders involved in the process?
- Is a budget variance maintained to monitor expenditure?

6.2.5 5.The role of the School Governing Body

- Does the school have a legally constructed finance committee?

6.2.5.1 Probe

- Who serves on the FINCOM?
- How often does the FINCOM meet?
- Provide minutes of the meeting of the FINCOM?
- Does the school have the necessary personnel to perform the required financial functions/duties?

6.2.5.2 Probe

- Do the school have a finance officer/ bursar?
- Who serves as the treasurer of the school?
- Who are the signatories to the school fund account?

6.2.6 6.The Role of Staff

- Indicate the aspects of financial management in which the staff are involved?

6.2.6.1 Probe

- What is the role of staff in budgeting?
- Do any staff members sit on the FINCOM?
- What, if any, assistance is given by the Business, Commerce and Management [BCM] Head of Department [HOD] and the accounting teacher/s?

6.2.7 7.Records and Register

- Are the statutory records [books of account] and registers

[Assets; Stock & LTSM] adequately maintained?

6.2.7.1 Probe

- By whom?
- Are monthly bank reconciliation done?
- Does the school maintain petty cash?
- Does the school conduct the annual Board of Survey?

6.2.8 Accountability and Transparency

- How are stakeholders kept informed about the financial standing of the school?

6.2.8.1 Probe

- Are the monthly statements of receipts and payments; Bank Statements and Bank Reconciliation Statements submitted to the DoE?
- Are quarterly Statements of Receipts and Payments presented to the School Governing Body?
- Are annual financial statement audited [by a reputable auditor as specified in SASA and presented to the parent body as well as submitted to the DoE timeously]?

6.2.9 Financial Management Training

- Has the DoE provided you and/or your SGB adequate training on managing the schools finances?

6.2.9.1 Probe

- Have you been inducted after you assumed duty as a principal?
- Did the induction include aspects of Financial Management?
- Are you sufficiently equipped and qualified to perform your financial management role function as elucidated above?
- Do you have any other academic or professional qualification?
- Do you think you are adequately trained / capacitated to manage the schools finances?
- Do you receive from your Superintendent of Education?

6.2.10 10.Time Management

- As the instructional leader, do you teach [any subject] and if so how many hours per week do you spend in the classroom?

6.2.10.1 Probe

- Approximately what percentage of your non-teaching time [NTT] is allocated to financial management?
- Is financial management as “a needless added responsibility”?
- Are you able to delegate some of you financial management responsibilities to members of the School Management Team?

6.2.10.2 Probe

- Comment on Team Work and ability and/or willingness of the SMT to assist.
- To what extent is the SGB able to assist in the financial management of the school?

Index of Keywords and Terms

Keywords are listed by the section with that keyword (page numbers are in parentheses). Keywords do not necessarily appear in the text of the page. They are merely associated with that section. *Ex.* apples, § 1.1 (1) **Terms** are referenced by the page they appear on. *Ex.* apples, 1

S School Finances, § 1(1), § 2(7)

School Management, § 1(1), § 2(7)

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Financial Management of Schools

This study focuses on the management of public schools' finances. The Constitution of the Republic of South Africa, Act 108 of 1996 and The South African Schools Act [SASA], Act 54 of 1996 deems it legally binding for the Minister of Education to determine Norms and Standards for the funding of public schools in consultation with the Minister of Finance. The Public Finance Management Act [PFMA], Act 1 of 1999, allows the Superintendent-General of the Department of Education to delegate the task of Responsibility Manager and Accounting Officer in respect of the management of a school's finances to the school principal. However, the South African Schools Act tasks the responsibility of the management of public schools' finances to the School Governing Body. This anomaly begs the question: Who is responsible for the management of the school's finances? The research reports on principals and school governing bodies working within the above legislative environment and homes in on a) The ability of principals and school governing bodies to manage the finances of the school efficiently and effectively. b) The skill levels of principals and school governing bodies i.e. do principals and school governing bodies have the necessary skills to perform their financial management functions. c) Has the Department of Education [DoE] provided the necessary training and development to principals and School Governing Bodies.

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