

**ASSESSING THE EFFECTIVENESS OF SECTION 21 SCHOOLS IN PUBLIC
FINANCIAL MANAGEMENT (A CASE OF CIRCUIT 13 IN KING WILLIAM'S TOWN
DISTRICT IN THE EASTERN CAPE)**

By

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University of Fort Hare
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DECLARATION

I, Vuyokazi Mnwana, declare that this dissertation, *Assessing the Effectiveness of Section 21 Schools in Public Financial Management (A Case of Circuit 13 in King William's Town District in the Eastern Cape)* is my own work. The dissertation has never been submitted before in any other institution and for any other purpose. All the sources, of which information has been drawn from, have been fully indicated and acknowledged in the form of a complete list of references.

Signed: _____

On this _____ day of _____

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ABSTRACT

The transformation in the education system of South Africa has led to a series of changes in the manner in which schools function and the manner in which they are managed. The transformation process saw the promotion and devolution of powers to schools and self management whilst at the same time ensuring equal access to education. The South African Schools Act spelt out the regulations that need to be followed towards the achievement of the envisaged goal, coupled with the other regulatory framework such as National Norms and Standards for School Funding.

The new dispensation saw schools being classified into two categories: Section 20 and Section 21 with stipulated functions. The Section 21 schools experienced an added responsibility of being expected to manage their funds, allocated by the Department of Education through a paper budget, a function they are not formally trained for.

The principals and School Governing Bodies had to ensure that they comply with the framework that governs public financial management so as to ensure that financial resources are managed in an effective, efficient and economic manner. This function prompted schools to acquaint themselves with the laws and regulations such as the Public Finance Management Act and the Treasury Regulations in order to ensure that their financial management practices are compliant with the prescribed framework. Their activities need to be conducted in a manner that promotes transparency, responsibility, equity and accountability, all of which are principles of good governance. To ensure effective financial management, schools have to acquire new knowledge and skills in basic financial management.

The aim of the study was to assess whether the schools have the skills needed to render effective public financial management in order to be able to account on their financial activities. The study further attempted to establish the role played by the Department of Education towards facilitating empowerment strategies and the role played by the auditors in terms of the assessment of the school's financial records.

A case study of three schools was conducted, all of which are section 21 schools but differ in terms of their socio-economic backgrounds, location and conditions. The socio-economic

backgrounds are described in terms of the quintile system and the location in terms of urban, rural and sub-urban schools. The information was gathered through interviews with the principals of the three schools, chairperson and treasurer of the School Governing Body and the school finance officer or bursar. Other interviews were conducted with the Education Development Officer, who is a representative of the Department of Education at schools and an auditor who conducts the auditing function for schools in terms of financial control.

It emerged from the findings that the urban schools are well equipped and capable of managing school finances in an effective manner, whilst the sub-urban and rural schools do not have the necessary skills and knowledge to manage school finances. As it turned out, theirs is a functioning for compliance without proper understanding of the financial processes which include budgeting, funds and income management, expenditure management and financial reporting.

Although the Department of Education is employing all means possible to empower stakeholders on financial management it has emerged that the strategies are inadequate to address the problems experienced by these schools. The auditor has identified a series of discrepancies and challenges in terms of financial reporting although they also try to mentor and support schools.

Keywords:

Accountability Accounting Officer Efficiency Effectiveness
Section 20 and Section 21 schools School Allocation School Governing Body
Public Finance Management Quintile status

LIST OF ACCRONYMYS

DoE	Department of Education
ECDoE	Eastern Cape Department of Education
EDO	Education Development Officer
EFT	Electronic Funds Transfer
EMS	Economic Management Sciences
FEDSAS	Federation of School Governing Bodies
FinCom	Finance Committee Meeting
HoD	Head of Department
LTSM	Learner Teacher Support Material
MDG	Millennium Development Goals
NNSSF	National Norms and Standards for School Funding
PDE	Provincial Department of Education
PFMA	Public Finance Management Act
SASA	South African Schools Act
SGB	School Governing Body
SMT	School Management Team
SNP	School Nutrition Programme
S20	Section 20
S21	Section 21
PSC	Public Service Commission

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CHAPTER ONE

1. BACKGROUND AND ORGANISATION OF THE STUDY

1.1 INTRODUCTION / BACKGROUND MOTIVATION FOR THE RESEARCH

The Eastern Cape Department of Education (ECDoE) is plagued by a series of challenges related to public financial management. The situation is evident in the negative audit opinions received by the department from the office of the Auditor General, for the past years. This opinion has been further aggravated by a statement issued by the Superintendent General of the department in the Daily Dispatch, (dated May 17, 2013) where the department was described as being in a state of complete administrative collapse and systemic disintegration of the entire school system. Challenges such as weak procurement systems, total lack of accountability and poor financial management characterised by an absence of controls were some of the issues highlighted. Since schools are some of the beneficiaries of the department's allocated budget from the provincial revenue, they need to ensure that there are effective financial management systems in place to ensure accountability. It is unfortunate to note that the schools are the points where some of the challenges are highlighted, which have a contributing effect towards the financial reporting systems of the department. The challenges include improper budgeting techniques, weak procurement procedures and expenditure that are not effectively accounted for. The situation was further highlighted by the non-delivery of Learning and Teaching Support Material (LTSM) on time and non-payment of service providers for the functions rendered. This appears to be a widespread syndrome in the whole province of the Eastern Cape as reported by the Daily Dispatch, (dated June 9, 2012). The article was highlighting the plight of the South African Booksellers Association regarding the debt incurred by the Section 21 schools (hereafter S21 schools), which buy their textbooks using funds given by the ECDoE, and also reported on the textbook crisis affecting Eastern Cape pupils, amongst them, S21 school pupils.

A Report of the Task Team for the Review of the Implementation of the National Curriculum Statement (2009:53-54) reported on the poor performance of many S21 schools, due to the inability to follow recommendations for setting aside a portion of their funding allocation for the procurement of LTSM. The report cited the Eastern Cape as one of the provinces where many S21 school children were severely affected by the problem. The report further questioned the

manner in which monies given to these schools were utilised, that is, the financial management skills. Mestry (2006:28) supported the view by indicating that many Principals and School Governing Body (SGB) members are unable to manage their school finances as they lack the necessary skills and knowledge in financial management. The situation has led to the withdrawal of part of the Section 21 functions allocated to schools by the Acting Superintendent General of the ECDoE, through Circular no.11 of 2012. Although the function was envisaged to accelerate service delivery, in some instances, it proved to be the opposite.

In 2011, National Government invoked Section 100 (1) (b) of the Constitution on the ECDoE, that is, national intervention in the department to improve services in education. The problem, amongst others included non-delivery of textbooks to schools on time. In the State of the Nation Address (2012), Honourable President Jacob Zuma highlighted the need to strengthen the national intervention for the ECDoE to improve the effective delivery of education services.

The main aim for the establishment of S21 schools was to promote self management in all aspects of school management and governance, which means, all necessary systems must be in place to ensure delivery of quality education.

1.2 STATEMENT OF THE PROBLEM

The problems identified in so far as procurement and delivery of LTSM to schools in time, is a symptom of a deep underlying financial problem. I believe it is poor management as funds are budgeted for and granted by the department. The S21 schools have been given large sums of money; a financial function that the Principals and the SGBs are supposed to undertake in a responsible manner and to be accountable to the school community, that is parents and the Department of Education (DoE). The question is, are all school principals and the SGBs entirely empowered to undertake this function? Are their actions in line with the financial management policy and procedures?

1.3 OBJECTIVES OF THE STUDY

1.3.1 PRIMARY OBJECTIVE

The central statement of this research is to assess the effectiveness of section 21 schools in public financial management in Circuit 13, King William's Town District in the Eastern Cape Department of Education by examining whether they are well skilled and knowledgeable to be able to account on school finances.

1.3.2 SECONDARY OBJECTIVES

The secondary objectives will be generated/ approached from two angles; that is, determining the understanding of the school Principals and the SGBs and the assessment of the current practices.

- a) To determine the understanding, views and perceptions of school Principals, SGBs and School Finance Officers on their knowledge and skills required for effective public financial management
- b) To determine the role played by the Education Development Officer (EDO) on guiding the schools on financial management
- c) To determine the role played by the accounting or audit companies in compiling audit reports
- d) To provide recommendations on findings in order to assist the ECDoE to provide lasting solutions

1.4 SIGNIFICANCE OF THE STUDY

The study will add meaning to the existing literature that aims at improving the financial management of schools. Ntsetho (2009:305) recommended an exploration of the roles and responsibilities of accounting officers, SGBs and education officials in public finance management, coupled with the need for their support and training.

The study will assist the ECDoE in devising strategies that will help schools to manage the public finances in a responsible manner, whilst at the same time providing skills necessary for the allocated function. It will also equip school principals, as accounting officers, the SGBs and school finance officers with skills and knowledge of public finance management and proper reporting procedures, and it will eliminate chances leading to corrupt and fraudulent practises.

Lastly, it will provide necessary support to bridge the gaps in financial reporting procedures identified by the accounting firms so as to ensure that public finances are managed responsibly and accounted for.

1.5 LITERATURE REVIEW

Cloete (1985:1) defines public administration as a distinctive field of activity which makes up all the functions that need to be undertaken by personnel in public institutions to deliver services to the public. These functions include the generic administrative functions, generic auxiliary functions and the functional work. The generic administrative functions, as identified by Cloete (1985:2), include policy-making, financing, organising, controlling, staffing and determining work procedures. All these functions need to be undertaken in all public institutions. They also pave the way to public accountability to ensure better service delivery.

According to Cloete (1985:16-18), public accountability refers to the ability of each public official to account in public for his actions through the accounting officers of the entire department, that is the Superintendent General in the case of the Department of Education. This is achieved through various measures such as laws, policies, structures and procedures that will ensure that maintenance of public accountability.

The following are the systems in place to ensure public accountability is upheld so as to ensure a responsible use of public funds and improved service delivery. These include the Constitution (Republic of South Africa, 1996), South African Schools Act (SASA) (1996), Public Finance Management Act (PFMA) (1999) and the Norms and Standards for School Funding (NSSF)

(2006). These will be discussed in Chapter two of the study. All these documents pave a way towards an effective and accountable use of public resources.

The Constitution (RSA, 1996) prescribes basic values and principles that govern public administration in section 195 (1). For the purpose of the study, the following values and principles will be discussed:

- (i) promoting efficient, economic and effective use of resources,
- (ii) provision of services that is impartial, fair, equitable and without bias and,
- (iii) an accountable public administration.

PFMA gives guidelines on the effective and efficient use of funds accessed from the public revenue. SASA (1996) provides for the uniform system for the organisation, governance and funding of schools, whilst NSSF (2006) ensures that funds are distributed equally and fairly so as to address the imbalances of South Africa's past apartheid era which created gaps in the education system. This has led to categorising schools into different national quintiles to ensure proper distribution according to the community's income status and levels.

The Office of the Auditor-General is in place to ensure proper accounting standards are adhered to through reports submitted by the Heads of Departments that are audited and later published to promote public accountability.

According to the Business Dictionary (n.d.¶ 1) accountability means the obligation of an individual or organisation to account for its activities, accept responsibility for them and to disclose the results in a transparent manner. It includes the responsibility for money or other entrusted property. Accountable public administration is, therefore, an administration that is able to ensure that systems are in place for responsible management of the available resources with proper accounting systems, coupled with laws that regulate the implementation process. Roman (2008:9) believes that accountability is one of the cornerstones of democracy as public officials are duty bound to account for their activities, which will eventually foster a sense of responsibility when executing their duties. Raga & Taylor (2005:1) argue that accountability is a basic requirement for the prevention of abuse of power by those in authority and also ensures that resources are utilised effectively, efficiently in a responsive and transparent manner. A

responsive and transparent administration promises to be one that upholds the principles of good governance.

According to Gildenhuis (1993:56), a prerequisite for an accountable public administration is public accountability, which is a basic requirement, especially when dealing with public financial management. Visser & Erasmus (2002:4) define public financial management as the systems, procedures and mechanisms by which government receives revenue, spends through the budget and exercises control through particular mechanisms. Normanton (in Gildenhuis 1993:59) views the concept of public accountability as a more positive approach of evaluating the results of a public institution for efficiency and effectiveness; an evaluation that is aimed at the prevention of misuse of public money. This poses a greater need for public accountability on those public officials who deal with the financial management of their institutions. The implication is that, accounting officers must account to the taxpayers in public, hence the Auditor-General's reports of finance management of the various government departments and institutions. It is for this reason that schools need to account for their finances as their finance practices are reflected on the audit reports of the Department of Education.

1.6 RESEARCH METHODOLOGY

Research methodology is the systematic way in which the study aims to solve the problem, the steps the researcher needs to adopt in researching the problem and the logic behind these steps. An in-depth discussion of the research methodology will be dealt with in chapter Three. Research methodology can be categorised into two types, qualitative and quantitative methods. For the purpose of this study, both quantitative and qualitative research methods will be employed. Maree (2007:51) views qualitative research as being concerned with processes and contexts that underlie various behavioural patterns whilst at the same time exploring the reasoning behind the behaviour. Struwig & Stead (2001:12) and Maree (2007:51) concur on the importance of the analysis of the participant's natural environment so as to focus their meaning and interpretation. Qualitative methodology will be beneficial to the study because process research will be used. This, according to Struwig & Stead (2001:12) examines interrelated events along a developmental continuum so as to understand how prior events play a role in influencing

the participant's thoughts and behaviours. The study will therefore, try to explore the reasoning behind capacity or incapacity of the s21 schools to manage public funds, whilst at the same time conducting an analysis of the environment they are operating on so as to be able to make meaningful deductions. Although Leedy (1989:141) highlights the interpretive character of a qualitative study whereby the researcher accounts for what has been accounted for by others, the main disadvantage lies in the researcher reporting only on the data based on the participant's feelings, thinking and behaviour, without making assumptions beyond the specific group of participants. It is for this reason that the researcher needs to be sensitive towards the views of the participants so as to gain their confidence and to carefully craft the tools that will enhance a healthy researcher-participant relationship based on trust and ethics.

Quantitative research, according to Struwig & Stead (2001:4) is a research that involves relatively large samples and structured data collection procedures, therefore, the use of quantitative research method will be in the form of structured data collection procedures such as questionnaires and checklists to measure the adherence to prescribed rules and regulations governing financial management. Some of the characteristics of quantitative research, as identified by Struwig & Stead (2001:4-6) include causality, that is, trying to establish casual relationships between dependent and independent variables and generalisations, that is, generalising the results beyond the confines of the research sample. The study will establish causality as it tries to determine whether the financial function is compatible with the skills that are needed to carry it out. The results will be generalised beyond the confines of the research population as the problem seems to be affecting various schools that share similar contextual characteristics.

1.6.1 POPULATION AND SAMPLE

Circuit 13 is made up of seventeen schools in the King William's Town area and the surrounding rural areas. Out of the total population of these schools, three schools will be sampled, that is, one school from the rural area, one school from suburban area and one school from an urban area. The sampling of the schools is purposeful because some of the participants have shown characteristics that are of interest to the study. To be more specific the study will employ

stratified purposeful sampling, as already highlighted above as the schools differ in terms of quintile status and socio-economic conditions. The sample size will include the Principals as Accounting Officers of each of the three schools, three members of the SGB from each school and the Bursar or School Finance Officer, the EDO and the designated accounting firms for the sample schools.

1.6.2 DATA COLLECTION INSTRUMENTS AND METHODS

It is important to have a plan of obtaining and gathering information from the participants so as to be able to draw inferences from the data, which Welman & Kruger (1999:46) define as a research design. The study will apply the following research designs or instruments:-

- 1.6.2.1 The case study: According to Maree (2007:75) strives towards a holistic understanding of the manner in which participants relate and interact in a specific situation so as to make meaning of the problem being studied. Denscombe (2007:37 & 45) identifies the use of various sources, data and methods as one of the strengths of the case study approach, which will help in capturing the complex reality of the problem being studied. In this research, an in-depth case study of three schools will be conducted; that one school from the rural area, one school from a suburban area and one school from an urban area in King William's Town District.
- 1.6.2.2 Interviews: According to Denscombe (2007:173) are meetings that are aimed at producing material for the purposes of research that the interviewee needs to agree to it. In this research, both semi-structured and unstructured interviews will be conducted so that answers can be open-ended so as to generate more ideas for discussion to address the research question. The interviews will be guided by the use of questionnaires so as to focus the discussion.
- 1.6.2.3 Questionnaires will be used to collect quantitative data on assessing how principals,

- 1.6.2.4 SGBs and school finance officers understand, interpret and execute financial management policies and procedures, whilst at the same time collecting data to establish the role of the EDO in equipping and supporting S21 schools towards efficient and effective financial management to ensure accountability and auditors' role to uphold high accounting and reporting standards.
- 1.6.2.5 Focus groups will also be used, whereby a small group of people will be interviewed together, for the exploration of attitudes, perceptions and ideas, as suggested by Denscombe (2007:178). The principal, members of the School Governing Body and the School Finance Officer will make a focus group that will help in the exploration of attitudes, perceptions and ideas.
- 1.6.2.6 Source or document analysis in the form of government publications, official statistics, newspapers, website pages and internet will be conducted. These documents will form the theoretical basis of the research and will guide the researcher towards drafting relevant questions for the interviews. These sources, according to Denscombe (2007:227-228) are authoritative, objective, factual and so they tend to have credibility and are regarded as impartial. Newspapers, on the contrary, should be used sparingly as they can sometimes be subjective and fail to give the real account of events. For the purpose of this study they will be used with supporting official documents to highlight the depth of the problem being studied.

1.7 ETHICAL CONSIDERATIONS

Denscombe (2007:143-145) highlighted the ethical principles that should guide a researcher when undertaking a research. These include the protection of the interests of the participants, avoiding deception or misrepresentation and allowing participants to give informed consent to be part of the research process. All these will be taken into consideration so as to maintain a high standard of professional ethics and to foster a mutual relationship based on trust.

1.8 SCOPE AND LIMITATIONS OF THE STUDY

The study will focus on investigating financial accountability of S21 schools in Circuit 13 in King William's Town District. Since the study focuses on school finances, the researcher might experience difficulty in securing interviews. Therefore, there will be a need for the researcher to clarify the objectives of the research and the procedures prior to the commencement of interviews and assure participants of the ethical considerations that need to be upheld, coupled with a high degree of sensitivity and tolerance. The researcher needs to obtain permission for sharing financial information and to guarantee confidentiality. Planning, designing and engaging in interviews might be an exercise that will demand time, a resource that is critical in a research process. The researcher needs to be equipped with time-management skills so as to drive the research process to fruition.

1.9 CLARIFICATION OF CONCEPTS AND TERMS

The following are the terms that need to be clarified:-

Accountability means the obligation of an individual or organisation to account for its activities, accept responsibility for them and to disclose the results in a transparent manner.

Accounting Officer is someone who has been assigned a responsibility to manage an institution, who is supposed to account for the activities of such an institution to the public. It is necessary for the accounting officer to be able to manage the institution effectively and efficiently so as to enhance service delivery.

Financial Management is the management of finances that focuses on transparency, prioritisation of scarce resources and upholding the principle of value for money in order to avoid wasteful and fruitless expenditure.

Good Governance has the following principles: participatory, accountable, transparent, efficient, responsive and inclusive, respecting the rule of law and minimizing opportunities for

corruption. All these are meant to provide for an accountable public administration that limits corruption and fraud.

National quintile for public schools. South African public schools are placed and grouped according to the poverty levels of their surrounding communities. The groups are ranked from one to five. Quintile one is the poorest quintile of the five groups, quintile two is the second-poorest quintile, and quintile five is the least poor of the groups. This allows for the Department of Education to increase the funding of the poorest schools as compared to the least poor schools.

Public accountability is the obligation of the accounting officer of the institution to conduct and report on the institution's systems and resources in a transparent manner, especially when dealing with public finances. This is done to limit fraudulent and corrupt practices.

Public Finance Management Act (Act 1 of 1999). This act is meant to regulate financial management in the national government and provincial governments and to ensure that public funds are managed effectively and efficiently. It also provides for the responsibilities of those entrusted with the financial management responsibilities.

South African Schools Act (Act 84 of 1996). It is meant to provide for a uniform system for the organisation, governance and funding of schools throughout the Republic of South Africa. It also highlights the necessity for setting uniform norms and standards for the education of learners at schools.

School Governing Body means the elected representatives of the parent body of a school that has been given a mandate to run the school governing function, whilst the principal and school management team run the management function of a school.

Section 21 school. This is a school that has been allocated the function of managing their funds from the Department of Education as stated in Section 21 of the South African Schools Act (1996). The funds are only meant for the maintenance of the school's property, buildings and

grounds, the purchase of Learner Teacher Support Material and paying for the services to the school.

Transparency involves the disclosure of information, processes and activities of the organization or institution to the public. This promotes accountability on the part of those held accountable for the activities of the institution. This is also in line with the transformation agenda of the Republic of South Africa, through the Batho Pele principles of openness and transparency.

1.10 PRELIMINARY FRAMEWORK OF THE STUDY

The study will be divided into the following chapters:

Chapter One: Research Proposal outlines the background and rationale of the study, clearly defines the problem to be studied. The formulation of objectives of the study has also been outlined together with the preliminary review of the existing literature that gives a background to the study. An in-depth discussion of the research methodology and clarification of concepts have been conducted.

Chapter Two: Literature Review will be based on an in-depth analysis of the existing literature so as to bring the study into perspective, allowing for a deeper understanding of the research topic content and to formulate a theoretical or conceptual basis for the study.

Chapter Three: Research Methodology will give detailed steps on the research design and methodology as the researcher is engaged in the research process. This is the stage where the researcher will engage with the participants in trying to collect data for the study.

Chapter Four: Data Analysis will be the interpretation and analysis of the collected data so as to enable the researcher to arrive at reliable and valid findings which will lead to conclusions. A thorough discussion of the collected data will contribute towards arriving at solutions for the identified problem being researched.

Chapter Five: Findings and recommendations will present recommendations based on the analysis of the data collected. The recommendations will pave way towards a solution to the

research topic and will also identify gaps still existing in the study that will allow ideas for further research.

1.10 CONCLUSION

The chapter defines the manner in which the researcher will undertake the entire research process, taking into consideration all the necessary required procedures. The objectives will give direction towards the overall conclusion and final recommendations to be made in the study. The following chapter will introduce the available literature so that reliable deductions and findings can be made.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter highlights the different categories of schools, with the different powers and functions that they possess. More emphasis is placed on Section 21 schools. The study focuses on the rationale for the establishment of these schools and the framework that governs their operation. The main focus is on the public financial management in these schools, which has a legislative framework, guidelines and regulations that must be followed to ensure efficient and effective use of public resources so as to uphold accountability. These processes include budgeting, cash and expenditure management, procurement and accounting procedures for reporting.

The roles of the different stakeholders will also be examined, as tabled in the legislation. The relevant stakeholders include the Principal of the school, the School Governing Body, the School's Finance Officer and the School's Finance Committee. The roles of the Education Development Officer and external auditors will also be studied to enhance capacity and accountability.

This chapter serves as the foundation for the procedures that need to be adhered to by those allocated the financial responsibility by the state. It will further inform the basis for the data collection tools which will be part of the next chapter, whereby current practices will be evaluated against the guidelines.

2.2 DEFINITION OF SECTION 21 SCHOOLS

Schools are divided into two categories, Section 20 and Section 21 schools (hereafter S20 and S21). The Government Programmes and Policies: School Governing Body [online] has made the following distinction; S20 schools receive allocations of textbooks and stationary from government. Their water and electricity accounts are paid directly by government. For renovations, the Department of Education (hereafter DoE) sends an official from the Department of Public Works to do repairs. In addition to the functions of S20 schools, S21 schools are

allocated finances by the DoE and are responsible for ordering stationary and textbooks, are also responsible for their water and electricity accounts and undertake their maintenance. They also decide on choices of subjects and extra-mural activities to offer. The above distinction is based on the contents of the South African Schools Act (Act 84 of 1996). Section 20 of the South African Schools Act (hereafter SASA) gives SGBs of all public schools the following functions:-

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

- (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;*
- (b) adopt a constitution;*
- (c) develop the mission statement of the school;*
- (d) adopt a code of conduct for learners at the school;*
- (e) support the principal, educators and other staff of the school in the performance of their professional functions;*
- (f) determine times of the school day consistent with any applicable conditions of employment of staff at the school;*
- (g) administer and control the school's property, and buildings and grounds occupied by the school, including school hostels, if applicable;*
- (h) encourage parents, learners, educators and other staff at the school to render voluntary services to the school;*
- (i) recommend to the Head of Department the appointment of educators at the school, subject to the Educators Employment Act, 1994 (Proclamation No. 138 of 1994), and the Labour Relations Act, 1995 (Act No. 66 of 1995);*
- (j) recommend to the Head of Department the appointment of non-educator staff at the school, subject to the Public Service Act, 1994 (Proclamation No. 103 of 1994), and the Labour Relations Act, 1995 (Act No. 66 of 1995);*
- (k) at the request of the Head of Department, allow the reasonable use under fair conditions of the facilities of the school for educational programmes not conducted by the school;*
- (l) discharge all other functions imposed upon the governing body by or under this Act; and*
- (m) discharge other functions consistent with this Act as determined by the Minister by notice in*

the Government Gazette, or by the Member of the Executive Council by notice in the Provincial Gazette.

- (2) The governing body may allow the reasonable use of the facilities of the school for community, social and school fund-raising purposes, subject to such reasonable and equitable conditions as the governing body may determine, which may include the charging of a fee or tariff which accrues to the school.*
- (3) The governing body may join a voluntary association representing governing bodies of public schools.*

(Adapted from the South African Schools Act, 1996)

The functions highlighted above are the functions of all SGBs of public schools in South Africa and this is what constitutes the S20 schools. Section 21 of SASA (1996) provides for the following allocated functions to the SGBs of certain schools:-

Allocated functions of governing bodies

- 21. (1) Subject to this Act, a governing body may apply to the Head of Department in writing to be allocated any of the following functions:*
- (a) To maintain and improve the school's property, and buildings and grounds occupied by the school, including school hostels, if applicable;*
 - (b) to determine the extra-mural curriculum of the school and the choice of subject options in terms of provincial curriculum policy;*
 - (c) to purchase textbooks, educational materials or equipment for the school;*
 - (d) to pay for services to the school; or*
 - (e) other functions consistent with this Act and any applicable provincial law.*

(Adapted from the South African Schools Act, 1996)

The functions above are those that are allocated to the S21 schools. SGBs that have been allocated the S21 functions have the powers to deal directly with the suppliers when procuring their budgeted items. Therefore they need to act within the prescribed standard procurement procedures, whilst keeping records of their cash management for monitoring and audit purposes. This gives S21 schools greater autonomy in their management and governance functions.

2.3 THE RATIONALE FOR THE ESTABLISHMENT OF SECTION 21 SCHOOLS

During the apartheid era, South African schools received unequal distribution of resources, with 'white schools' being most advantaged as compared to the 'black schools'. This was highlighted by Mc Lennan in (Smith & Foster 2002:2) which led to a need for transformation after 1994. Smith in (Smith & Foster 2002:2) further highlighted the transformation process by the democratic government to ensure a system of education that provides for equality in education for all students in the South African education system to redress the past imbalances. This included the devolution of powers to ensure that self-management of schools was promoted. It is for the reasons stated above that new legislation, policies and systems had to be put in place to ensure the transformation process was carried out effectively. The decentralization process involves more responsibilities and powers to the school Principals and their SGBs. Mestry (2004: 129) cited that, apart from the professional management of the school, the Principal is obligated to work collaboratively with the SGB in the management of school finances, since the SGB has been entrusted with the management of school finances.

The fact that these functions have been given to these schools; it warrants the need for proper financial management systems to be in place that will guide an effective, efficient and economic use of resources.

2.4 NATIONAL NORMS AND STANDARDS FOR SCHOOL FUNDING

The Constitution (Act 108 of 1996) provides the right to education, with the state ensuring the provision of funds for acceptable quality education. Through SASA (1996) the state has an obligation to fund schools from the public revenue on an equitable basis in order to ensure that the right to education is exercised, whilst supporting the schools through the provision of sufficient information to help in the preparation of their budgets. As a means of redressing the past imbalances, the DoE has established the National Norms and Standards for School Funding (hereafter NNSSF), a policy document which the Minister of Education is required to publish in terms of SASA (1996). Clark (2009:109) asserts that the document, outlines the revised 'School Allocation' and 'Fee Exemptions' in the public schools, that is, the DoE's model for school funding. According to the NNSSF, the school allocation refers to the amount of money that

government gives to each ordinary public school every year. The school allocation must be used to buy stationery, textbooks and furniture and to pay also for services such as electricity and telephone bills, photocopying and other day to day services. Although the school allocation allows schools to utilize money for the services above, schools are not allowed to use it for the construction of new buildings and the payment of salaries, even for the personnel hired by the SGB.

Government, therefore, works out the amount of the school allocation on the basis of the number of learners at that particular school and also on the basis of the poverty level of the school community. This process is called the 'School Quintile System'. The system has five quintile allocations with the poorest schools receiving most from the school allocation whilst the less poor receiving the least. The assumption is that, parents from poor communities are less able to purchase books and stationary that will assist their children in the learning process. The current quintile allocations for 2012/2013 are as follows:-

- ❖ Quintile one schools receive R960 a child annually
- ❖ Quintile two schools receive R880 a child annually
- ❖ Quintile three schools receive R880 a child annually
- ❖ Quintile four schools receive R480 a child annually
- ❖ Quintile five schools receive R165 a child annually

(Adapted from amended National Norms and Standards for School Funding 2012)

The first three quintiles are regarded as no-fee schools, since they are not expected to pay school fees, whilst the last two quintiles are fee paying schools; therefore, the SGBs of the fee paying schools have the power to set the school fees according to the needs of the school. Although this process has been established in 2006, it is under review as there has been wide criticism that it has failed to meet its intended goal of ensuring equitable funding, especially in favour of the poorest learners. The Public Service Commission (2008:22) (hereafter PSC) and Clark (2009:109-110) have both identified some gaps in the quintile system, citing the exclusion of income levels and poverty of individuals over the geographical location of the school which hinders the ultimate decision for the quintile placement. The school allocation

is distributed to schools in the form of a paper budget which gives schools the breakdown of the items they are permitted to use it for. The Provincial Department of Education (hereafter PDE) allocates funds to schools annually based on the 10th day learner enrolment figures for LTSM and other school needs, within the framework of NNSSF. The PDE deposits the full amount of the S21 school's annual allocation into their bank accounts in three tranches, that is, in the first, second and third term. This gives the S21 schools greater freedom of financial decision making but within the specified guidelines. This has added a huge responsibility on the school Principals and SGBs, as they are expected to manage large sums of money over and above their normal management and governance functions in the schools which necessitates their empowerment with public financial management skills.

2.5 PUBLIC FINANCIAL MANAGEMENT

As highlighted in the discussion above, schools have an added responsibility of ensuring high standards of public financial management which demands a high level of accountability and efficiency. For effective, efficient and economic use of public resources, laws and guidelines need to be in place to serve as a navigating tool for management activities. These set out the procedural framework for financial management activities and also serve as a yardstick for performance. As a means of enforcing accountability, systems need to be in place with structures that monitor ethical conduct in the sphere of financial management. It, therefore, becomes highly essential or imperative for Accounting Officers and Financial Managers to be conversant with the regulations and guidelines that govern public financial management. In the case of schools, as suggested by Mestry (2004:129), SGBs are entrusted with the financial function and the principal has a duty to facilitate, support and assist the SGB in the execution of financial management. The school principal, therefore, also becomes accountable to the SGB. It is also of paramount importance to identify the roles and responsibilities of key stakeholders so as to promote effectiveness and efficiency in the public sector and also for improved service delivery.

2.6 DEFINITION OF PUBLIC FINANCIAL MANAGEMENT

National Treasury (2000:3) is of the view that the focus of financial management is on the prioritization, effective, efficient and economic use of scarce resources, whilst ensuring that government objectives are met, coupled with transparency and adherence to a set of relevant legislation.

Visser & Erasmus ((2002:4) define public financial management, in the context of public management and administration, as a study that relates to public institutions, systems, procedures and mechanisms by which revenue is received, money is expended through the budget and controlled via specific mechanisms. The World Bank (2005) further contends that public financial management requires the development of laws, organizations and systems to enable sustainable, efficient, effective and transparent management of public finance. The World Bank further strengthens the idea by suggesting that sound financial management supports comprehensive control, prioritization, accountability and efficiency in the management of public resources and delivery of services as envisaged in the public policy objectives, including the achievement of Millennium Development Goals (MDGs). This is especially true since one of the priorities of the MDGs include the achievement of universal primary education.

In order to understand the need for an effective, efficient, economic, transparent and sustainable management of financial resources, it is of primary importance to provide a brief definition of these concepts.

Moeti et al (2007:8) defines efficiency as producing the maximum amount of output for a given and fixed amount of input. Hanekom et al (2001:212) concur with the definition by adding that efficiency indicates how a particular function or activity is carried out. Schwella et al (2001:17) share the same opinion by stating that efficiency is measured by the ratio of input to output, therefore, they suggest that cost-benefit analysis and elimination of wasteful expenditure are means of strengthening efficiency.

Moeti et al (2007:8) is of the view that effectiveness is measured by the extent to which the objectives of a given function are met, which will serve as a means of measuring efficiency for an assigned activity. Hanekom et al (2001:212) strengthen this view by suggesting that

effectiveness signifies the successful result of the given function. Schwella et al (2001:16) uphold this view by suggesting that managers should strive towards the realization of objectives as derived from policies and later incorporated into the business programs. Hanekom et al (2001:213) place emphasis on the importance of complementing both concepts in the organizations as they are interrelated, that is, efficiency reinforces effectiveness in any organization and its functions.

According to Moeti et al (2007:8) economy refers to employing the least costly option when undertaking a particular function. Mikesell (2011:5) further maintains that economic efficiency (in a business sense) compels the need to ensure that the value of the resource when purchased does not exceed the cost of producing the purchased good. In organizations, it means that managers need to ensure that the value of the services they purchase should not to exceed nor outweigh the benefits that they will deliver, that is 'value for money'.

Grimmelikhuijsen (2012:53) defines transparency as the availability of information about the activities of an organization, which enables the monitoring of performance of those activities being undertaken within that particular organization. Transparency, therefore, encourages responsibility and accountability.

Schwella et al (2001:345) view sustainable management as the maximized development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

In view of the above discussion, the implication is, systems have to be in place, budgeting to be done properly followed by accurate and acceptable procurement procedures with meticulous reporting systems and procedures for any organization to realize its envisaged objectives. This also implies that there is need for several role players who will serve as custodians of the laws governing these systems. It is also of utmost importance to have specific institutions in place to ensure accountability is upheld.

2.7 GUIDELINES FOR PUBLIC FINANCIAL MANAGEMENT

As previously pointed out, financial management does not operate in a vacuum, it needs to be supported by sound principles, explicit systems and statutes that will provide background and direction to those tasked with the financial management function in the institutions or organizations. Furthermore, for improved efficiency and effectiveness to be realized, uniform systems of operations need to be in place. The following are the statutes and systems that guide public financial management in South African public administration.

2.7.1 THE CONSTITUTION

The Constitution (Act 108 of 1996) is regarded as the supreme law of the country. It forms the basis of operations for all functions and services rendered in the country. Section 7 (1) of the Constitution views the Bill of Rights as the cornerstone of democracy in South Africa, which enshrines and affirms the democratic values of human dignity, equality and freedom. Sections 9 (1-5), 10 and 29 (1 and 2) respectively uphold the rights to equality, human dignity and education which promote redress for the imbalances of the past.

Section 195 (1) deals with the basic values and principles that govern public administration, which are stated as follows:-

1. *Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:*
 - a. *A high standard of professional ethics must be promoted and maintained.*
 - b. *Efficient, economic and effective use of resources must be promoted.*
 - c. *Public administration must be development-oriented.*
 - d. *Services must be provided impartially, fairly, equitably and without bias.*
 - e. *People's needs must be responded to, and the public must be encouraged to participate in policy-making.*
 - f. *Public administration must be accountable.*

- g. Transparency must be fostered by providing the public with timely, accessible and accurate information.*
- h. Good human-resource management and career-development practices, to maximise human potential, must be cultivated.*
- i. Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.*

(Adapted from the Constitution of the Republic of South Africa, 1996)

Since all these values and principles are applicable to every sphere of government, organs of state and public enterprises, as stipulated in Section 195 (2), schools also need to operate within these values and principles as they are an important component of the DoE.

2.7.2 PUBLIC FINANCE MANAGEMENT ACT

The Public Finance Management Act (Act 1 of 1999), (hereafter PFMA) is intended to regulate financial management in the national government and provincial governments in order to ensure that all public revenue, expenditure, assets and liabilities of those governments are managed efficiently and effectively and also serves to provide for the responsibilities of those entrusted with the financial management function in those departments. The main objectives of the PFMA, as highlighted by the Department of National Treasury, include modernizing the financial management system in the public sector, enabling public sector managers to manage and be held more accountable, ensuring provision of quality information and to ensure that waste and corruption in the use of public assets is eliminated.

Schools have an obligation to manage finances within the confines of the PFMA so as to ensure effective and efficient management of financial resources. Although there is an extensive debate on the role played by the school principal as the Accounting Officer, the Principal remains accountable for the professional management of the school under the authority of the Head of Department (HoD) as laid down in Section 16 of SASA. Mestry (2004:127) highlighted the overlapping of duties between management and governance of the school since the Principal has

some degree of responsibility on financial management of the school and also as a member of the SGB. Clark (2007:280) also cited the principal's responsibility on financial management of the school's expenditure and assets according to the school's budget provisions. Clark (2007:3-5) further strengthens this discourse by highlighting the management responsibilities which include strategies for operational effectiveness such as planning and budgeting; organizing and staffing; controlling and problem solving and also predictability and order. It therefore, means that the school Principal has to play an accountability role in terms of financial management, especially since accountability is always the responsibility of the one in authority.

2.7.3 THE TREASURY REGULATIONS

Section 216 (1) of the Constitution (Act 108 of 1996) requires national legislation to establish a national treasury and prescribes measures to ensure transparency and expenditure control in each sphere of government. This could be achieved by introducing:

- a. generally recognized accounting practice; (GRAP)
- b. uniform expenditure classifications; and
- c. uniform treasury norms and standards.

To ensure that the above measures are carried out, the National Treasury has been tasked with the financial oversight role over the organs of state in all spheres of government so as to promote sustainable financial management that will promote economic development, good governance and a rising standard of living for all South Africans. The National Treasury also needs to support the optimal allocation and utilization of financial resources in all spheres of government so as ensure that poverty and vulnerability among the marginalized South Africans is lessened.

To encourage or maintain the optimal allocation and utilization of resources in all spheres of government, the National Treasury has established the Treasury Regulations, which outline the uniform norms and standards for financial management in the public institutions. The Treasury Regulations include the management arrangements; planning and budgeting; revenue and expenditure management; asset and liability management; frameworks for cash management,

public-private partnerships and supply chain management and the accounting and reporting requirements. This implies that all institutions, in exercising the financial function, need to ensure that their performance is compatible with the framework provided by the Treasury Regulations, which in turn, will foster effective, efficient and economic management of financial resources, whilst promoting accountability.

2.8 THE ENVIRONMENT OF PUBLIC FINANCIAL MANAGEMENT

In the democratic South Africa, public finance management needs to operate in an environment that guarantees to uphold the constitutional values and principles, especially if attempting to address the imbalances of the past era. Gildenhuis (1997:54) and Schwella et al (2001:15-16) delineate democratic values which serve as basic principles in public financial management that facilitate the alleviation of conflict and competition among different stakeholders on financial matters, especially the limited financial resources.

2.8.1 A reasonable and equitable allocation of resources, coupled with effective and efficient application strategies enhances decision making, thus enabling the satisfaction of the collective needs of the public.

2.8.2 An optimal utilization of financial resources to ensure maximum satisfaction of the public needs of the collective.

2.8.3 In a participatory democracy, direct or indirect public participation by consumers and beneficiaries of public services is essential in the financial decision-making process.

2.8.4 Responsibility and accountability of those tasked with the financial management function is crucial for effective and efficient management. These are promoted through publicizing the actions of the organizations to encourage debate and criticism; therefore, public institutions are compelled to justify their actions.

2.8.5 Sensitivity and responsiveness of office bearers towards the needs of the public collective through regular interactions between managers and members of the public.

2.8.6 Efficient and effective program execution in an open democratic system is the key towards the satisfaction of the needs of the public, which includes value for money for the services rendered.

2.8.7 Social equity or representation, which ensures that the interests of all groups are taken into consideration, without advancing the interests of a particular group to the detriment of the others.

2.8.8 Transparency ensures that all matters pertaining to financial management are conducted in an open manner. This makes the actions of public sector institutions and managers to be open to public scrutiny, which eventually promotes accountability.

Organizations need to ensure that they operate within the democratic values, principles, laws and regulations to promote an effective and efficient delivery of services, especially in the public sector. These values constitute the characteristics of good governance that ensure sound and responsible management and above all, the acknowledgement of the rule of law which is aimed at minimizing corrupt practices.

2.9 COMPONENTS OF PUBLIC FINANCIAL MANAGEMENT

Visser & Erasmus (2002: 9-12) highlighted several components of public financial management, which they believe exist as a separate function within financing but need to work collectively in order to complete the framework of the financing function. These components need to take into consideration the laws and regulations that govern public administration and public financial management.

2.9.1 BUDGETING

For proper planning and control of funds, financial budgeting is of utmost importance as it creates harmony between management activities and goals to be achieved, which eventually contributes to the success or failure of the envisaged outcomes of a particular institution. Budgeting is also widely viewed as the first step towards financial planning. National Treasury (2000:7) defines financial planning as a cycle that is derived from policies which determines priorities of a particular institution when planning for the delivery of services whilst reflecting

financial allocations to the visualized strategic plans and also assists towards the monitoring of results. At schools, Clarke (2007:293) believes that the school's vision and mission should guide the budget, together with a realistic risk assessment. In support of the statement, Gildenhuis (2007:396) views a budget as a policy statement that declares goals and objectives that the expenditure wishes to achieve. Thus a policy expressed in monetary terms. Financial planning implies that the budget process starts with planning before money is spent. Schools have to follow a specific budget cycle which indicates when to plan a specific budget activity as set out in the NNSSF. PDEs outline the budget cycle as follows:-

- ❖ January – March: Presentation of annual financial statements
- ❖ April – June: Presentation of audited financial statements
- ❖ July – September: Preparation and ratification of the first budget for presentation at the Annual General Meeting (AGM)
- ❖ October – December: Presentation of the proposed budget for the adoption at the AGM

According to Moeti et al (2007:83) a budget is a plan that is expressed in monetary terms which serves as a source of information on anticipated income and expenditure over a specified period and can also serve as an evaluation mechanism to establish whether expenditures have been made and revenue collected as anticipated and mandated. Visser & Erasmus (2002:80) enhance the idea by citing that it is a document that identifies and states particular objectives, whilst linking expenditure to the objectives. Clarke (2009:116) regards budget as a plan that controls finances, whilst assisting to ascertain the availability of funds to meet the financial commitments to acquire the predicted objectives. The budget process must also be done in accordance with the requirements as laid down in Section 38 of SASA (1996) which stipulates that all public schools are expected to prepare an annual budget, to be approved by the SGB, at the end of the third term of the preceding year. The budget process of any institution must be in line with the treasury regulations which serve as a framework for financial controls and accountability.

2.9.1.1 FUNCTIONS OF A BUDGET

Various authors have cited different reasons for the importance of budgeting which include the following:-

- ❖ **The need to ensure control:** Cameron & Stone (1995:56) believe a budget is the most important step towards guarding against overspending as it controls the overall spending of an institution. Visser & Erasmus (2002:81) assert that the budget provides the framework against which performance evaluation and financial management are determined. Gildenhuis (1997:411) emphasizes that the control process determines whether the programs of the institution are executed according to the prescribed norms, standards and specifications which therefore focuses on the operational effectiveness and efficiency.
- ❖ **A way of promoting accountability:** Schwella et al (2001:127) and Cameron & Stone (1995:56) believe that accountability is the main purpose of the budget. It serves as a means of promoting accountability of the elected officials to the public and the managers to the legislature on their financial spending. Budgets therefore, need to reflect the needs of the people.
- ❖ **A means of balancing revenue and expenditure:** Schwella et al (2001:127) and Cameron & Stone (1995:56) concur on the idea of a budget being a meaningful way of balancing revenue and expenditure in order for governments to avoid being in public debt. Institutions also need to ensure that the budget assists in ensuring that expenditure is within their financial constraints to avoid overspending or under spending as that would impact negatively on the realization of the delivery envisaged objectives.
- ❖ **An operating program:** According to Gildenhuis (1997:404-405) a budget is a macro operating plan which forms the basis of administrative operational plans for the effective and efficient realization of goals and objectives that needs operational programming. Development of an operational program requires the identification of primary and secondary objectives, subdivision of the program into tasks and scheduling of tasks in terms of work to be performed together with the resources required for the execution of

tasks. Schwella et al (2001:127) view the budget as a good management instrument since it includes use of workload statistics, performance standards and accounting to ensure that resources are used effectively.

- ❖ **A source of information:** Since Visser & Erasmus (2002:80) initially cited the budget as a document that identifies and states objectives whilst linking the objectives to the expenditure. The budget, therefore, serves as a source of information that describes the policy objectives, monetary implications associated with objectives and taxation measures linked to the financial implications. In strengthening this view, Gildenhuis (1997:408) asserts that the budget is one of the most important decision-making instruments as it reflects on the choices to be made between aims and objectives, setting the priorities, availability of resources, the means of establishing finances and the consideration of the effects of budget on the economy. This needs to be done within the framework of acceptable norms and standards of prescribed regulations. This is also in line with section 215 of the Constitution (Act 108, 1996) which requires the budgetary process to promote transparency, accountability and effective financial management of the economy.
- ❖ **An integrating and coordinating instrument:** Coordination, as defined by Gildenhuis (1997:409) and supported by Visser & Erasmus (2002:90), is a function that synchronizes all public activities allowing for the departments to become effective and efficient. This assists in the alignment of activities within a particular institution so that functions run smoothly towards the realization of the common objectives.
- ❖ **An instrument for planning:** Schwella et al (2001:128) believe that a good budget system requires the projection of costs and program levels for several years ahead, which will enable the cost-benefit analysis and the exploration of alternative routes should there be a need for diversion from the current program.

The above-stated functions of budgeting necessitate institutions to ensure they are well conversant with the different reasons for budgeting so that they can be able to undertake the budgeting process in a responsible, effective and efficient manner.

2.9.1.2 TYPES OF BUDGETING

Since the introduction of the PFMA (Act 1 of 1999) which aimed at modernizing financial management and enhancing accountability, the South African government saw the need to embark on budget reforms which aspired to deepen the budget process whilst seeking a better alignment of policies, planning and budgeting. This led to the adoption of various approaches to the budget process.

- ❖ **Line-item Budgeting:** This is a form of budgeting which according to Cameron & Stone (1995:58) involves traditional listing of every item of expenditure in the departmental structure. It mainly focuses on the importance of the service and weighing it against its cost to the institution, without taking into consideration the institution's main goals and objectives which may sometimes render the budget exercise ineffective and inefficient. On the other hand it can promote accountability, in terms of tracking and controlling costs.
- ❖ **Performance Budgeting:** Gildenhuis (1997:526) claims that performance budgeting endeavours to achieve the most economical, efficient and effective utilization of financial resources, emphasizing performance targets and costs of the activities. It focuses on the supply of funds for performance of activities and establishment of performance standards for each activity in monetary terms. Moeti et al (2007:88) affirms the view that performance budgeting involves the clarification and quantification of activities to be completed so as to meet the institution's objectives, which then provides the basis for budgeting, thus promoting management by objectives. Although performance budgeting promotes an effective and efficient evaluation of activities against the institution's objectives, it does not assess whether these objectives are still worth pursuing.
- ❖ **Multi-Year Program Budgeting:** Gildenhuis (1997:519-520) believes that program budgeting encourages budgets to be compiled with the aim of achieving predetermined objectives, which therefore, needs a careful and correct definition of programs, whilst taking the performance budgeting a step further by analyzing and evaluating the best way of achieving the intended objectives in an effective and efficient manner. Although

program budgeting seeks to improve on the effectiveness of the objectives and value for money, challenges might be experienced if the institution contributes to numerous objectives, as always expected by the government (Schwella et al 2001:131).

- ❖ **Zero-Base Budgeting:** According to Cameron & Stone (1995:58-59) this form of budgeting involves a complete re-evaluation of every item in a proposed budget, that is, starting from a zero-base each year, which assists institutions to focus more attention on their purposes and goals each year, including the cost-benefit analysis of the programs. Since more attention is paid on goals each year, Visser & Erasmus (2002:14) argue that this requires identification of a new set of objectives every year, which necessitates reprioritization and calculation of estimates up to the budget approval stage. This might be a time consuming process and the establishment of new objectives annually might not yield realistic results since the time frame might not suit other activities and projects.

In view of the discussion above, the implication is that schools need to ensure they undertake the budget process in an effective and efficient manner so as to be able to meet their envisaged objectives, whilst taking into consideration that no single budget approach is perfect. Schools also need to ensure that due consideration is taken to apply the Treasury Regulations on Planning and Budgeting, which make provisions for the Accounting Officers to prepare and submit strategic plans to relevant authorities, which will eventually form the basis for their annual reporting. The situations and circumstances vary from school to school; therefore, different approaches will apply to different scenarios. According to the Western Cape Department of Education (2006:11) a school budgetary process consists of the following four steps:-

The first step is budget preparation which involves input from various internal departments for submission to the finance committee, which then draws a draft budget for submission to the SGB, based on the identified needs of the school. The second step is submission of the budget to the parents. The budget meeting notice is sent out to parents, that is a thirty day's notice. The draft budget must be given to parents fourteen days prior the meeting to allow for thorough examination of its contents before they can approve. The third step is budget acceptance which needs the previous year's budget meeting minutes to be read before parents vote and approve the

budget. The approved budget will then form the basis of operations for all expenditure effected over the budget year. The final step is the monitoring of the budget whereby the finance committee manages the budget in consultation with the SGB. Any deviations from the budget need to be approved by the SGB.

Clark (2009:117) cites the need for the school budgeting process to be done in a manner that ensures an identification and prioritization of the programs that require funding based on the school's vision and long term goals, resources needed for achieving the goals, costing of these activities, approval of the budget by the SGB and finally presented to the parents for approval in an Annual General Meeting as set out in Section 38 of SASA (1996). All this needs to be done within a specified timeframe.

2.9.2 CASH MANAGEMENT/ EXPENDITURE MANAGEMENT

Visser & Erasmus (2002:10) view expenditure management as relating to the standard daily operational processes that are linked to the execution of policy objectives as stated in the budget during the budget preparation stage. This simply means the spending of money as set out in the budget which needs to be managed effectively, efficiently and economically. The implication, therefore, is for Accounting Officers to ensure that they keep the management of finances in balance by managing their spending to the full extent of the budget allocation whilst employing cost saving techniques. This will further encourage a sustainable use of the scarce financial resources to the maximum benefit of the public beneficiaries. In support of the argument above, Gildenhuis (1997:545) and Mikesell (2011:667) define cash management as a function that deals with the flow of cash and the investment of surplus funds, which also includes collections and expenditure of public money in a manner that is consistent with the public interest. Visser & Erasmus (2010:127) stress the importance of fund management when dealing with public finances as they believe it relates to all the aspects that relate to daily or monthly expenditures, funding requests, monitoring of expenditure against the budget whilst taking into account possible budget variances and ways of circumventing overspending and fruitless expenditure, with strict adherence to accounting and reporting procedures. The primary aims for cash management include ensuring the safety of public resources, increase of funds for investment and attainment of highest realistic profit on public funds. The key aspects of cash management

are cash collection and cash expenditure which need to be managed and controlled within the parameters of the prescribed regulations. Gildenhuis (1997:560) identified three requirements for effective cash management, that is,

- (a) immediate collection and banking of all taxes and revenue;
- (b) cash to be deposited in a centralized bank account with payments being done from the expenditure bank account and
- (c) use of effective control measures for expenditure.

All these require a cash flow program which determines the amount of money available and its availability period and interest rates for investments. Although the state is obliged to provide funding to schools, the SGBs through SASA (1996) (36) have an obligation to ensure they take all reasonable measures to supplement the resources supplied by the state. SASA (1996) (37) (1, 2 &3) mandates SGBs to establish and administer a school fund, where all monies received will be paid and to ensure that they open and maintain a bank account. The PFMA (1999) (7) requires the National Treasury to prescribe a framework within which cash management must be conducted and also authorizes departments to open a bank account in terms of the prescribed framework. The Treasury Regulations give the accounting officer of an institution powers to efficiently and effectively manage revenue by developing and implementing appropriate procedures that provide for the identification, collection, recording, reconciliation and safeguarding information about revenue. This implies that the HoDs of PEDs must ensure that processes are in place to ensure that schools manage their funds effectively, efficiently and economically. The Treasury Regulations further mandate the Accounting Officer of an institution to ensure that internal procedures and control measures are in place for approval and processing of payment which should eventually serve as an assurance that all expenditure is necessary, appropriate, paid promptly and adequately recorded and reported. In terms of frameworks on banking and cash management, the Treasury Regulations give the Accounting Officer the responsibility to establish systems, procedures, processes and training-awareness programs to ensure efficient and effective banking and cash management. The HoD must, therefore, ensure that schools are provided with the necessary support for the effective and efficient use of

financial resources. This includes revenue collection and prompt banking, making payments with due regard for efficient, effective and economical program delivery, avoiding payment advances and granting of credit for payments due. Schools need to ensure that their operations are compatible with the prescribed cash and expenditure management procedures since they acquire funds from the public revenue. Although their major source of income is the provincial allocation through NNSF, some may collect school fees and may also employ fund-raising strategies. For schools to be able to manage their cash flow effectively, they need to take into consideration their provincial funding dates, as they are given in three tranches, so that their expenditure is consistent with the provincial fund allocation, thus further assisting in the prioritization of expenditure. For the fee paying schools, fee collection strategies need to be in place so as to provide parents with available options which include a single payment or a quarterly payment and a monthly payment. All of these can either be managed through payments by cash, cheque, debit order or electronic transfer. Fund management should, according to Clarke (2009:314), include managing fee-defaulters, which requires recovery systems to be in place to ensure that schools do not experience challenges of insufficient funds on their accounts. The best possible option to manage fee-defaulters is to ensure that parents sign an acknowledgement that they are liable for the payment of fees or have an option to apply for fee remission. Parents need to be made aware of the policy concerning fee collection and management of defaulters, especially since it eventually leads to legal costs incurred for bad debts.

Schools, therefore, need to develop a cash flow forecast which, according to Gildenhuis' view (1997:557) is a program that links the term-availability of unspent money to the available terms of investment in the investment market. This is necessary to ensure that unspent cash is invested so that it can earn interest, which Moeti et al (2007:60) views as a vital exercise to ensure that idle cash needs to be put to use to generate additional funds. It is highly critical for schools to maintain a cash flow forecast so as to predict and manage flow of income, since income varies from month to month. Schools spend a big portion of their budget in January for the purchase of stationery, which needs to be provided for, especially since the income at the beginning of the year is low. The last tranche from the provincial allocation through NNSF is in the middle of the last term, which means a provision needs to be made to ensure that proper forecasting and short-

term investment is managed effectively so as to cope with the demands of the beginning of the first term.

2.9.3 PROCUREMENT

The Business Dictionary (n.d.¶ 1) defines procurement as an act of obtaining or buying goods and services, which includes preparation and processing of a demand as well as the end receipt and approval of payment. The procurement process is often part of an institution's strategy as it highlights the institution's ability to purchase goods and services, which determines the continuity of business operations, especially since the price of procurement should exceed the profit on selling or benefits on acquisition. Public procurement, as viewed by Moeti et al (2007:123) is the purchasing of goods and services by government from the private sector, which needs to be done in a manner that is fair, equitable, transparent, competitive and cost effective, as outlined in section 217 of the Constitution (Act 108 of 1996). To ensure application, the National Treasury has been mandated, through section 76 (4) (c) of the PFMA (1997), to make regulations or issue instructions to all institutions concerning the determination of a framework for appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective. The Treasury Regulations stipulate that procurement of goods and services can be done by way of quotations or through a bidding process, but must be within the threshold values as determined by the National Treasury. The decision to procure goods by way of quotation or through the bidding process depends on the price of the goods to be purchased, as laid down in the Treasury Regulations. The National Treasury, through the General Procurement Guidelines, has laid down the five pillars of procurement which include the following:-

Value for Money: The best available outcome when all costs and benefits over the procurement cycle are considered, with necessary measures taken to avoid unnecessary costs and delays, monitoring the supply arrangements and reconsider them if they cease to provide the desired benefits and ensuring continuous improvement in the efficiency of internal processes and systems.

Open and Effective Competition: Development of a framework of procurement laws, policies, practices and procedures that promote open, transparent and accessible process which encourages effective competition through methods that remain within the scope of the prescribed laws and regulations.

Ethics and Fair Dealing: All parties need to comply with ethical standards so that they can deal with each other with mutual trust and respect whilst conducting their business in a manner that is reasonable and fair. This will serve as a means of eliminating fraud and corruption.

Accountability and Reporting: Ensuring that individuals are responsible for their plans, actions and outcomes, which in turn promotes openness and transparency, viewed as the essential elements of accountability.

Equity: The application and observance of government policies which are designed to advance previously disadvantaged people. Equity ensures that government is committed to economic growth by instituting measures to support the growth of Small, Medium and Macro Enterprises (SMMEs), hence the Black Economic Empowerment Act and the Preferential Procurement Policy Framework Act.

These are regarded as the basic values that govern the procurement process. The key to successful procurement, as cited by Visser & Erasmus (2002:163) is to ensure that purchases are limited to essential goods and services, items have been budgeted for and funds are available to finance the expenditure, which need to be borne in mind by those responsible for procurement in an institution, that is, the procurement committee in the case of schools.

To keep up with international best practice, National Treasury implemented a system of supply chain management, which according to Moeti et al (2007:129) is concerned with maximizing affordability and value for money in the process of procurement. This system integrates the management of demand, acquisition, logistics, disposal up to supply chain performance evaluation and control. In this system, procurement should begin with forecasting the needs or demands of the institution and synchronizing them with its purchasing capabilities, whilst linking the demand to the objectives of the institution. This stage is followed by the decision making process on the management of the actual acquisition of goods from the open market, whereby an

institution needs to select business partners who are adequate enough to fill long-term business needs in a manner that upholds the five pillars of procurement discussed above. Following is the management of the ordering, provisioning and inventory processes and ultimately the disposal of assets that are deemed obsolete at a fair market value. The most crucial phase is the performance evaluation and control which ensures compliance with the norms and standards of the National Treasury and the assessment of the achievement of the objectives of the institution.

Since S21 schools have been given powers to deal directly with suppliers when procuring for their budgeted items, they need to perform their functions within the prescribed procurement procedures identified above. In schools, Clarke (2009:332) provided guidelines for the management and control of purchasing, which must take into account not only price but also quality and service. The SGB must provide approval for any expenditure. Three written quotations should be obtained for expenditure above a pre-determined limit set by the SGB as per Treasury Regulations, that is, if procurement is by way of quotation within the stipulated threshold value. If a decision to take a quotation other than the lowest, it must be approved and recorded. Purchases exceeding a certain amount should be put out to tender with contract specifications defining the nature, quality, standards, information and monitoring requirements. The official pre-numbered orders, that must be used for school orders only, must be signed by a staff member approved by the SGB, which before signing, must ensure that the goods ordered are appropriate and needed and so have been budgeted for and eventually placing the estimated cost against the appropriate budget allocation. Goods must be checked on receipt to ensure that they match the order and if satisfied, payment should be made when the invoice has been received, checked and certified for payment by a staff member approved by the SGB, preferably not the one who ordered the goods. Paid invoices must be marked with the cheque number and securely stored in numerical order. All this will make accounting and reporting to be easily managed.

2.9.4 REPORTING AND CONTROL

Financial reporting, according to Gildenhuis (1997:145), comprises a progress report that compares actual spending against the estimates provided for in the approved budget together with a comparison between physical results against the budget objectives. It is a complete report

that compares the standards in terms of cost, time, quality and acceptability of results with the objectives and expectations as envisaged in the budget documents. In terms of Treasury Regulation 8.4 of the regulations promulgated in terms of PFMA (1999), all institutions are expected to submit a quarterly income and expenditure report to their relevant reporting structures. A report must also identify deviations and discrepancies and also provide reasons as well as recommendations to put the financial program back on track. The SGB, therefore, has a responsibility, as cited by Clarke (2009:146) over all financial matters including oversight of transactions and ensuring that financial systems and policies are in place for efficient and effective management of school finances. This needs to be coupled with the policies aimed at ensuring that systemic monitoring and reporting takes place effectively. The financial systems include cash receipt and cash payment journals, distribution register, receipt book, bank deposit book and petty cash register. In addition, the SGB has a responsibility of making sure that financial statements are presented to the parents in an Annual General Meeting and later subject all financial records for auditing purposes to a registered firm of auditors. The audited reports must be submitted to the HoD within six months after the end of every financial year.

Gildenhuis (1997:171) argues that adequate and satisfactory financial control systems need to be in place to ensure that account of all receipts and payments can be given since management of financial resources is controlled by regulations. Effective controls also reduce the risk of asset loss whilst ensuring complete, accurate and reliable financial statements that comply with laws and regulations, which in turn limits fraud and corruption. This is the stage that links internal controls, auditing and accountability. As a means of internal control, internal auditing provides for internal measurement, evaluation and reporting on the effectiveness of the financial systems of a particular institution. After the finance committee is satisfied that all systems are intact, the financial statements are sent to the external auditors for verification. This in turn promotes accountability, in terms of reporting, to those tasked with the financial management function of an institution. SGBs, as suggested by Clarke (2009:150) need to ensure that schools have proper financial controls policy which tables down how transactions need to be processed, with internal checks in place and the delegation of responsibility for processing and recording of financial transactions. Section 43 of SASA (1996) established prescriptions for the auditing of school's financial records, which states that SGBs need to appoint a registered accountant and auditor in

terms of the Public Accounts and Auditors Act (Act 80 of 1991). The SGB is required to present the audited financial statements to the parents for approval before submitting it to the HoD within a stipulated period. This helps towards ensuring that the SGB is managing the parents' money using sound financial procedures. This is one of the ways in which public accountability is fostered.

2.9.5 ACCOUNTABILITY

As previously highlighted by Gildenhuis (1997:55-60), accountability and responsibility are one of the democratic principles which serve as guidelines for public financial management. This implies that each public official should give account of his designated activities in public, whilst developing a sense of responsibility when performing their official duties. This often paves a way to the concept of public accountability, which means that political representatives and public officials need to give account to the taxpayers on the manner in which funds are managed, especially since public institutions are financed from the public funds. Accountability can be viewed as a responsibility, a cause and an obligation.

2.9.5.1 ACCOUNTABILITY AS A RESPONSIBILITY

Public institutions and personnel responsible for management of public funds need to account to the immediate superior and to the taxpayers for the efficient and effective execution of their duties. This gives rise to objective responsibility, which means the formal responsibility of one person or institution to another person or institution and subjective responsibility, which refers to the sense of responsibility for one's assignment. This, according to Schwella et al (2001:165) includes effective, effective and responsible financial management in terms of collection, banking and spending of funds. Responsibility, as viewed by Hanekom et al (2001:175-177) includes moral, political, legal and administrative responsibility.

2.9.5.1.1 MORAL RESPONSIBILITY

Since the South African government advocates for the protection of human rights and equity, in terms of services rendered by the government, Hanekom et al (2001:175) suggest that each individual has a moral obligation to ensure that the government mandate is carried. This is in line

with the s195 of the Constitution (Act 108 of 1996) on basic values and principles of public administration.

2.9.5.1.2 POLITICAL RESPONSIBILITY

Political responsibility, as viewed by Hanekom et al (2001:176) involves the right use of power, which implies that public servants need to be custodians of the country's democratic principles by ensuring sensitivity towards the needs of the citizens, through exercising good governance. This is what Schwella et al (2001:166) view as the ultimate value of public accountability, which requires elected representatives and public officials to conduct public dialogue on the intended government activities.

2.9.5.1.3 LEGAL RESPONSIBILITY

The South African government has a legislative responsibility of ensuring that policies are in place so that public servants can be guided and bound by legislation on the implementation of the policies as suggested by Hanekom et al (2001:176).

2.9.5.1.4 ADMINISTRATIVE RESPONSIBILITY

Hanekom et al (2001:176) believe administrative responsibility involves balancing authority and responsibility, which helps in the creation of opportunities that limit abuse of power and corruption. This implies that when authority is delegated, it must be coupled with the duties and responsibilities attached to the tasks to be performed.

2.9.5.2 ACCOUNTABILITY AS THE CAUSE

According to Schwella et al (2001:165) accountability sometimes refers to the cause of a specific event, therefore, a person may be held responsible for the cause of a certain event. In some instances a person might be held accountable for an event by virtue of the terms of his responsibility, even though such a person has not been the cause of such an event. Public financial management requires the accounting officer to be responsible for the effective and efficient management of the institution and should, therefore be held accountable.

2.9.5.3 ACCOUNTABILITY AS AN OBLIGATION

Since the Accounting Officer is required to be responsible for the efficient and effective management of finances in his institution, the implication is that he has an obligation to ensure that his department's management of finances is effective and efficient, especially with the Accounting Officer's obligation to account to the authorities.

2.10 ROLES OF KEY STAKEHOLDERS

One of the key factors to effective and efficient management of funds is the identification of roles and responsibilities, which allows for one's commitment and accountability for the designated functions. The following are some of the roles and responsibilities of key role players in school financial management.

2.10.1 THE ROLE OF THE PRINCIPAL

Mestry (2004:129) states that the school principal must work collaboratively with the SGB, facilitating and assisting the SGB in executing its statutory financial management functions. Although financial management is the responsibility of the SGB, Clarke (2009:288-289) believes that the daily operational financial management task is usually delegated to the Principal. The major responsibilities of the school principal include ensuring that the SGB manages finances as per provisions of SASA (1996) and PFMA (1999), adherence to policies and procedures, monitoring the school's financial position in terms of cash flow, monitoring the maintenance and security of school's assets and to act as a link between the SGB and the PDE.

2.10.2 THE ROLE OF THE SGB

In addition to the allocated functions of S21 schools stipulated in s21 of SASA (1996), Clarke (2009:281) highlighted the following functions of the SGB:

- (a) preparing a budget,
- (b) presenting the budget to parents for approval,
- (c) determining and charging school fees,

- (d) enforcing the payment of fees,
- (e) keeping records of the funds received and spent,
- (f) drawing up an annual financial statement and
- (g) the appointing a registered auditor to audit financial records.

2.10.3 THE ROLE OF THE TREASURER

The Western Cape Department of Education (2006:5) cited the responsibilities of the Treasurer as follows:

- (a) serving as a member or chairperson of the finance committee,
- (b) oversees all financial functions of the school,
- (c) monitors funds transactions, petty cash and donations on a monthly basis,
- (d) provides financial reports on a quarterly basis and
- (e) monitors income and expenditure against the approved budget.

2.10.4 THE ROLE OF THE SCHOOL FINANCE COMMITTEE

The following are some of the responsibilities of the Finance Committee (FinCom) as suggested by the Western Cape Department of Education (2006:5):

- (a) supporting the Treasurer in administering his duties including drafting the budget,
- (b) providing advice on fundraising,
- (c) investing surplus money and amount of fees to be charged,
- (d) assisting the Finance Officer in drawing up financial statements and
- (e) suggesting who should be appointed as an auditor.

2.10.5 THE ROLE OF THE FINANCE OFFICER

The following are the roles of the finance officer as provided by Western Cape Department of Education (2006:6):

- (a) keeping records of all financial transactions in order to keep Principal, Treasurer and the FinCom well informed,
- (b) receipting income,
- (c) maintaining cash book,
- (d) doing monthly bank reconciliation statement,
- (e) ensuring completion of monthly and quarterly reports,
- (f) monitoring the budget against actual income and expenses and
- (g) compiling the annual financial statements.

2.10.6 THE ROLE OF THE EXTERNAL AUDITOR

The major role of the external auditor is to examine and report on financial documents of the schools for submission to the PED.

2.10.7 THE ROLE OF THE EDUCATION DEVELOPMENT OFFICER

Since Section 83 of SASA (1996) requires the SGB to submit a copy of its audited financial statement to the PED, the DoE through the Education Development Officer (EDO) has a responsibility to ensure that SGBs are able to perform the allocated financial function to the best of their ability. This gives the EDO a duty to ensure that training and support systems are in place for effective and efficient finance management.

2.11 CONCLUSION

Deducing from the discussion above, financial management needs to be executed within the prescribed laws and regulations as laid down by the DoE and National Treasury, especially since it is an area that might be subjected to some elements of fraud and corruption. Internal policies

need to be in place to guide the effective and efficient management of finances, with proper reporting procedures that will allow for greater transparency and accountability. It means, therefore, that all those entrusted with the financial function in their institution must uphold a high level of professionalism, trust and efficiency in executing their duties, whilst at the same time displaying a proficiency in their delegated responsibilities. This will in turn promote accountability, as viewed from its different dimensions, an ultimate principle of good governance.

The following chapter will focus on the methods to be used for collecting and analysing data.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The previous chapter involved an in-depth study of literature related to public financial management which serves as a theoretical basis for this chapter, as it seeks to measure the practical applications of the available literature. This chapter focuses on the research design and the methods to be undertaken when conducting the research. A mixed method approach will be employed; both qualitative and quantitative research methods. This will include the characteristics, advantages and disadvantages of each method whilst highlighting the rationale for choosing both methods. The main focus will be on the target population and the selected sampling design so as to make meaningful evaluations relevant to the sample. Various data collection methods will be identified in order to ensure that reliable and valid data is collected with suitable data collection instruments, which will in turn provide for the accurate analysis and findings.

3.2 RESEARCH DESIGN

Struwig & Stead (2001:9) and Yin (2009:26) define the research design as the strategies with a logical sequence that can be used by a researcher to connect empirical data to the research questions and conclusions. The main aims of developing a research design, as highlighted by Blaikie (2009:13), are to ensure that decisions are explicit, justified, and consistent with each other whilst allowing for critical evaluation.

Simply put, it is a work plan detailing what has to be done to complete a research project, which enables the researcher to ensure that the data obtained brings answers to the initial research questions in unambiguous terms.

3.2.1 QUALITATIVE RESEARCH

Qualitative research, as defined by Maree (2007:51), is concerned with processes and contexts that underlie various behavioural patterns whilst at the same time exploring the reasoning behind the behaviour. Struwig & Stead (2001: 12) and Maree (2007:51) concur on the importance of the

analysis of the participant's natural environment so as to focus their meaning and interpretation. Struwig & Stead (2001:12) believe that the use of process research as a design, allows for the examination of interrelated events along a developmental continuum so as to understand how prior events play a role in influencing the participant's thoughts and behaviours.

According to Struwig & Stead (2001:12-13) some of the characteristics of this approach include the following:-

- ❖ Understanding the issues being researched from the research participant's viewpoint and perspective.
- ❖ A comprehensive description and analysis of the research participant's social context.
- ❖ An examination of interrelated events along a developmental continuum in order to establish the link between the role played by prior events and the individual's thoughts and behaviours.
- ❖ Flexibility in the use of theories since the research starts in an open and unstructured manner to encourage sensitivity towards unexpected events that may influence the understanding and interpretation of events.

For the purpose of the study, qualitative research will assist in exploring S21 schools' ability to manage public finances whilst conducting an analysis of the environment they operate on so as to make meaningful deductions, especially since they operate from different socio-economic backgrounds. This is one of the reasons for the exploration of the views and perceptions of key stakeholders in public financial management.

Although the use of the qualitative approach has its benefits, Cohen et al have highlighted some challenges which include the following:-

- ❖ Participants may deliberately distort and falsify information.
- ❖ The researcher might be influenced by the participants, whilst the presence of the researcher might intimidate or influence participant's behaviour and attitudes.

Leedy (1989:141) has also cited a few disadvantages of this approach which include the following:-

- ❖ The interpretative character of the approach which allows the researcher only to account for what has been accounted by others.
- ❖ The researcher reports on the data based on participant's feelings, thinking and behaviour without making assumptions beyond the specific group of participants.

Public financial management and accountability are crucial and sensitive issues, therefore, the key stakeholders might be intimidated and not be at ease to discuss and disclose their current practices, especially if the financial practices are not in line with the legislation. The researcher might pose a threat to the participants which might cause them to falsify information. This will lead the researcher to account only for what has been accounted by the stakeholders or participants in the S21 schools, which might in some instances not be the accurate and actual account of prevailing situation. The study has opted for the use of a case study which, according to Maree (2007:75), strives towards a holistic understanding of the manner in which participants relate and interact in a specific situation in order to make meaning of the problem being studied.

3.2.2 QUANTITATIVE RESEARCH

Quantitative research, as viewed by Struwig & Stead (2001:4), is a research approach that involves relatively large samples and structured data collection procedures, whose primary role is to test hypothesis, a statement regarding the relationship between two or more variables. Maree (2007:145) defines quantitative research as a systematic and objective process that makes use of numerical data from a selected subgroup of a population to generalize the findings to the entire population being studied. Leedy & Ormrod (2010:94) cite the importance of employing carefully designed measures in the form of questionnaires, tests and rating scales when attempting to measure the variables.

Struwig & Stead (2001:4-5) cite the following characteristics of the approach:-

- ❖ The examination of variables is based on the hypothesis as derived from theoretical scheme, therefore, the variables under investigation need to be measured through the use of questionnaires and structured observations.
- ❖ The establishment of casual relationships between the variables which usually determines the cause and effect relationship, which assists in explaining why phenomena are the way they are by specifying causes.
- ❖ The generalizations of results extend beyond the confines of the research sample since the sample is fairly representative of a fairly large or wide population.
- ❖ The individual is viewed as the source of data hence the focus of the research. The individual responses are collected to form general measures for the sample.

The use of quantitative approach is beneficial to the study since data will be collected through structured checklists to measure the adherence to prescribed regulatory framework that governs public financial management in S21 schools. The checklist will attempt to establish the existence of internal policies that drive the financial management function of the school. The use of the approach will also help to focus the study on the relationships between dependent and independent variables and generalizations. Casualty will be established by determining whether the financial function at sampled S21schools is compatible with the skills that are needed to carry it out. The results will be ultimately generalized beyond the confines of the research sample population since schools of the same quintile level operate in similar circumstances and environments.

3.3 POPULATION AND SAMPLE

According to Welman & Kruger (1999:18) and Huysamen (1994:8), population refers to the entire collection of units about which the researcher wishes to make conclusions. Struwig & Stead (2001:41) believe that the population being studied should be accurately described and should also be representative of the entire population. The most important steps in sampling

procedure, as cited by Struwig & Stead (2001:110) involve the definition of the population and specifying the sampling frame and unit.

The study focuses on S21 schools in Circuit 13 in the King William's Town district. The circuit is made up of seventeen schools in rural, urban and sub-urban areas with schools spread between quintiles one to five. The schools share different socio economic background and as a result different literacy levels among the different school communities. Out of the entire population, a sample of three schools has been used. The sample will include school Principals, members of the SGB, Bursar or School Finance Officer, the EDO and the designated accounting firm.

3.4 SAMPLING METHOD

Another important step in sampling, as identified by Struwig & Stead (2001:110) involves mentioning the operational procedure for selecting the sampling unit. The study has utilized a probability sampling technique which is viewed by Struwig & Stead (2001:112) as the sampling where every element in the population has a known non-zero probability of selection, which means that each element has a known probability of being included in the sample. To be more specific, stratified purposive sampling will be utilized. Maree (2007:79) defined stratified purposive sampling as the selection of participants using predetermined criteria that is relevant to a particular research question.

The study purposefully selected the sample by focusing on the location of the S21schools, their socio economic backgrounds which eventually influence their quintile status. Participants were selected in terms of their roles and responsibilities as prescribed by the relevant policies and legislation.

3.5 DATA COLLECTION METHODS

To ensure that the study obtains and gathers information from the participants to draw inferences from the data, the following instruments were used:-

The case study, according to Maree (2007:75) strives towards a holistic understanding of the manner in which participants relate and interact in a specific situation so as to make meaning of the problem being studied. Denscombe (2007:37 & 45) identifies the use of various sources, data

and methods as one of the strengths of the case study approach, which will help in capturing the complex reality of the problem being studied. Struwig & Stead (2001:8-9) view it as an intensive study of relatively small number of situations by comparing similarities in individual cases. In this research, an in-depth case study of three schools will be conducted, one school from the rural area, one school from a suburban area and one school from an urban area, so as to make comparisons of the manner in which they exercise the financial management and control function.

Interviews, according to Denscombe (2007:173) are meetings that are aimed at producing material for the purposes of research that the interviewee needs to agree to it. An application letter for conducting the research will serve as means of ensuring that the participants have given consent to be interviewed, which also needs to ascertain the interviewees of high level of professional ethics. In this research, both semi-structured and unstructured interviews will be conducted so that answers can be open-ended so as to generate more ideas for discussion to address the research question. The interviews will be guided by the use of questionnaires so as to focus the discussion. These are open-ended questions whereby the participants will be probed until a suitable level of understanding of the question is reached for adequate answers to the questions. The questions generated for the interviews will be structured according to the different roles, responsibilities and regulatory framework for each of the relevant stakeholders. The interview questions constitute Annexure C and are broken down into different categories according to the different components of financial management.

Questionnaires will be used to collect quantitative data on assessing how Principals, SGBs and School Finance Officers understand, interpret and execute financial management policies and procedures, whilst at the same time collecting data to establish the role of the EDO in equipping and supporting s21 schools towards efficient and effective financial management to ensure accountability and auditors' role to uphold high accounting and reporting standards. A checklist of the required records for effective financial management and general background information will form part of the structured questionnaire with detailed instructions on the procedure the participants need to follow when interacting with the questions, enclosed as Annexure B.

Focus groups will also be used, whereby a small group of people will be interviewed together, for the exploration of attitudes, perceptions and ideas, as suggested by Denscombe (2007:178). The Principal, members of the School Governing Body and the School Finance Officer will make a focus group that will help in the exploration of attitudes, perceptions and ideas. Open ended questions will guide the exploration of the attitudes and perceptions.

Source or document analysis in the form of government publications, official statistics, newspapers, website pages and internet will be conducted. These documents will form the theoretical basis of the research and will guide the researcher towards drafting relevant questions for the interviews. These sources, according to Denscombe (2007:227-228) are authoritative, objective, factual and so they tend to have credibility and are regarded as impartial. Newspapers, on the contrary, should be used sparingly as they can sometimes be subjective and fail to give the real account of events. For the purpose of this study they will be used with supporting official documents to highlight the depth of the problem being studied. Training and induction manuals for SGBs, School Management Team (SMT) handbooks and school financial planning guidelines are the documents and sources of information that have been consulted for the purpose of generating relevant questions that will provide answers to the research questions.

The relevant questions and checklists will be attached as annexure documents in the study.

3.6 DATA ANALYSIS

After collecting data, it is of utmost importance to interpret and analyse data so as to add meaning to the research and provide relevant answers to the research questions. Leedy & Ormrod (2010:218) support the idea by adding that data is of little or no value if the basic principles of data collection and analysis are not adhered to, whilst stressing the importance of extracting meaning from the data to arrive at valid and reliable findings. The implication is that extraction of meaning from the data should go concurrently with the data collection phase to enable the researcher to sift relevant information from the acquired data. The following chapter will explore the various data analysis procedures and the actual interpretation of the analysed data.

3.7 CONCLUSION

Deducing from the discussion above, the methods, techniques and designs to be followed when conducting a research are a crucial element of a research project. These are instruments and tools that the researcher needs to employ when addressing the research questions. The identification and selection of the relevant population sample needs to be compatible with the data collection methods in order for the researcher to arrive at reliable and valid findings.

The collected data will be broken down, sequenced and analysed in the next chapter. The data analysis process will enable the researcher to arrive at informed conclusions that promise to be without any form of bias.

CHAPTER FOUR

RESEARCH FINDINGS AND DATA ANALYSIS

4.1 INTRODUCTION

The previous chapter focused on the methods that the researcher employed to carry out the research process. The primary purpose of this chapter is the presentation of the research findings from the data collected from the participants for analysis. The main aim of presenting data as cited by Welman & Kruger (2001:201) is to allow for the provision of feedback and research findings to provide for answers to the research questions.

The interview questions were generated from the review of existing literature which serves as a guide towards successful implementation of laws, regulations and guidelines of public financial management. Since money is one of the scarce resources that need to be managed in an effective, efficient and economic manner, schools need to ensure that they conduct their financial management practices in a manner that promises to uphold responsibility and accountability. To ensure that schools are responsible and accountable, they need to have all systems in place to facilitate their activities and to possess the knowledge necessary for efficient management and governance.

The findings are meant to provide answers to the research questions outlined in chapter one which include determining whether key stakeholders possess the knowledge and skills for efficient financial management, determining the roles played by the DoE and audit firms in strengthening financial management and reports compilation respectively. The findings from the sample schools are therefore categorized according to the main elements of public financial management, as stated in the data collection questionnaires and interview guide.

4.2 SETTING FOR THE INTERVIEWS

For the schools, interviews were conducted at the three different schools. These were focus group interviews consisting of the School Principal, SGB Chairperson, Secretary, Treasurer and the Finance Officer. They are the key members of the School Finance Committee who are involved in the daily management and governance of school finances.

The interviews with the EDO and the designated auditor were conducted in their private offices and were presented with all the necessary documents to ensure that confidentiality and a high level of professional ethics will be upheld.

Since the interviews were conducted at schools, permission was acquired from the District Director (Annexure G) and the participants were made aware of the choices they possess in terms of participating or not participating in the research process, that is, voluntary. The researcher also highlighted ethical considerations that include confidentiality and respect for the participant's views.

All participants were available for the interviews, which means, a hundred percent response from the selected sample. Since some of the respondents were not quite able to provide responses in English, the interviews had to be conducted in both isiXhosa and English, which then called for translation during the presentation process, whilst ensuring that the information was not distorted in the process of translation. For confidentiality, the schools are identified as School A, B and C.

4.3 FINDINGS

4.3.1 THE GENERAL BACKGROUND AND INFORMATION ON THE THREE SCHOOLS

The following is a table that provides an overall background of the school and the educational levels of the key stakeholders at school based on a questionnaire given to the participants.

Table 1: GENERAL BACKGROUND AND INFORMATION

	School A	School B	School C
Location	Urban	Suburban	Rural
Enrolment	Above 1000	Between 501 and 800	Below 200
Poverty Ranking	Quintile 5	Quintile 3	Quintile 1
Fee Structure	Above R1000	Between R101 and R300	Below R100
Educational Levels			
Principal	Post Matric	Post Matric	Post Matric
Chairperson	Post Matric	Matric	Primary
Secretary	Post Matric	Secondary	Primary
Treasurer	Post Matric	Matric	Matric
Finance Officer	Post Matric	Post Matric	Matric
Status			
Principal	SMT	SMT	SMT
Chairperson	Parent	Parent	Parent
Secretary	Parent	Parent	Parent
Treasurer	Parent	Parent	Parent
Finance Officer	Admin Officer	Educator	Admin Officer

Table 1 above serves as an indication of the environment on which the three different schools exist, which in turn is a contributing factor towards school governance and overall school financial management.

School A is located in an urban area, with a high enrolment and ranks the highest in the poverty ranking, which gives an indication of the economic background of the community and parents serving the school. The fact that the fees charged at the school exceed R1000.00 indicates that

the parent body comes from middle to high income society. The levels of qualifications of the key stakeholders, which will be further discussed later during the interview process, also indicate the literacy levels that exist among the parent body of the school, especially those entrusted with the governance function of the school.

School B is located in a sub-urban area with medium enrolment, also ranking medium in the poverty ranks, which indicates that the school serves a community that ranges from middle to low income class. A further indication is the fact that the school charges fees of less than R300.00, although categorized as no fee schools. The key stakeholder's literacy levels display the capacity at which they are able to exercise their governance and financial management function. Only the Principal and the School Finance Officer possess post matric educational qualifications above matric and both are members of the school teaching staff.

School C is located in a rural area, with relatively low enrolment. The school ranks the lowest in the poverty ranking, which serves as an indication that the school exists in a low income community. Another indication of the economic status of the school community is the amount of fees charged per learner, that is, less than R100.00, although also being categorized as a no fee school. The low levels of qualifications except for the school Principal who possesses a post matric qualification also serves as an indication of the literacy levels of the entire SGB.

The background information is meant to indicate the economic conditions that exist within the various school communities whilst at the same time highlighting the literacy levels of the different communities, which will have an impact on the capabilities of the various SGB's entire governance of the school together with the effective and efficient management and utilization of financial resources. Clark (2009:14) emphasized the importance of SGBs ability to exert their governance oversight authority in a manner that promises to ensure an efficient, effective and economic use of resources. If, however, those entrusted with such a responsibility do not possess the necessary skills and qualifications to perform their duties, problems might arise, which according to Clark (2009:15) include a situation whereby the principal and the School Management Team (SMT) become responsible for the school management and governance functions. This will eventually lead to a situation whereby the principal and the SMT provide

oversight of their own performance, a situation that is highly unlikely to produce effective management and provide for good governance.

4.3.2 THE RECORDS REQUIRED FOR EFFECTIVE FINANCIAL MANAGEMENT

In seeking to establish the availability of the records required for effective financial management, the participants were asked to respond to the questionnaire below. The participants were asked to indicate with a tick (✓) at the applicable column.

Table 2: FINANCIAL MANAGERMENTS RECORDS

ITEM	SCHOOL A		SCHOOL B		SCHOOL C	
	YES	NO	YES	NO	YES	NO
Receipt books	✓		✓		✓	
Registers of payments received	✓		✓			✓
Cash analysis book	✓			✓		✓
Bank book	✓		✓		✓	
Bank deposit slips	✓		✓			✓
Bank statements	✓		✓		✓	
Journal of daily transactions	✓			✓		✓
Ledger or registers of debtors and creditors	✓			✓		✓
Quotations	✓		✓			✓
Asset registers	✓		✓		✓	
Requisition voucher file	✓		✓		✓	
Order books	✓			✓		✓
Expenditure approval forms	✓			✓	✓	
Receipt voucher file	✓		✓		✓	
Cash payment voucher file	✓		✓			✓
Inventories and stock lists	✓		✓		✓	
Issue registers	✓		✓			✓
Registers for telephone, fax etc.	✓		✓		✓	
Invoices	✓		✓		✓	
Receipts for payments	✓		✓		✓	
Minutes of finance committee meetings	✓		✓		✓	
School annual budget	✓		✓		✓	
Audited financial statements	✓		✓		✓	
Exemption of school fees register	✓			✓		✓

Table 2 above depicts the availability of the documents necessary for each school to exercise efficient and effective financial management. School A has all the necessary documents required

for effective management of financial resources as they are making use of the accounting package that enables quick accounting solutions using computer based systems. The accounting package allows for easy analysis and reconciliation of financial records which further enables the monitoring of all matters related to the school financial status. Both Schools B and C do not have all the necessary documents to enable efficient and effective financial management, which implies that if some documents are not available or not maintained, there are some processes of financial management that are not performed. If some functions are not performed, using the relevant documentation, effective financial management would not take place. The importance of the relevant documents will be discussed during the various phases of interviews that follow.

For Schools A and B, the checklist was filled by the Finance Officers whereas in school C, it was filled by the School Principal. Keeping and maintenance of financial records is one of the delegated functions of the School Finance Officer whilst the role of the Principal is to provide monitoring of the overall school's financial position and maintenance of the school's assets. The role played by the Principal of School C in terms of understanding and keeping of financial records serves as an indication that most financial duties are performed by the Principal. This notion further strengthens Clark's (2009:14) idea that it is impossible for the SMT to perform the function and then later play an oversight function. This is especially true since all the members of School C's SGB have low levels of educational qualifications.

4.3.3 INTERVIEW QUESTIONS FOR FINANCIAL MANAGEMENT BASICS

Interview questions started off by searching for the experience and skills that the participants possessed in terms of financial management and were later categorized according to the different elements or components of financial management with the aim of establishing the views, perceptions and knowledge of the key stakeholders on public financial management.

4.3.3.1 **Background knowledge on financial management**

The participants were asked to specify their existing knowledge and skills acquired on financial management through formal training. The table below illustrates their levels of qualifications related to financial management.

Table 3: EDUCATIONAL QUALIFICATIONS OF THE SGBs

Position	School A	School B	School C
Principal	MEd Adv Cert (Fin Man)	B.A. (History & Xhosa)	B.A. (History & English)
Chairperson	LLB	Matric	Grade 7
Secretary	MBA	Grade 10	Grade 7
Treasurer	M Com Acc & Fin	Matric	Matric
Finance Officer	Adv Dip in Fin Acc	Adv Cert Educ. (Mathematical Literacy)	Matric

All participants in School A possess knowledge and skills related to financial management with the treasurer being a qualified accountant. The school displays its potential on recruiting personnel and governing representatives that are skilled and have the necessary expertise to exercise the financial function. They have also indicated it is their belief that sound financial skills and knowledge guarantee effective and efficient financial management, especially since the school operates at a fairly large budget that exceeds one R1million.

In School B, although it is only the Principal and the Finance Officer that possess post matric qualifications, they do not have any qualification that relates to financial management. The other participants also do not have any knowledge and skills on financial management even from their matric subjects. This indicates that the school lacks in attracting members that are in possession of the required financial skills which might pose a challenge in their endeavour to effectively and efficiently manage school finances.

The principal of School C is the only participant with the post matric qualification but also lacks formal qualification on financial management. Although the Treasurer and the Finance Officer are in possession of a senior certificate, their school subjects do not have any connection with financial management. This could probably be the reason why the Principal of this school appears to be more involved in financial management function rather than playing an oversight role on the day to day functioning. This might also pose a challenge in the entire financial management function of the school as the principal seems to be the only person with knowledge; hence filling in the record forms in Table 2 above was done by the Principal instead of the

Finance Officer. The school's inability to attract the skilled members in the community could be the result of their poverty ranking since the school ranks the lowest in the quintile levels. This is an indication that the school serves an impoverished and largely illiterate community, which might make it possible to attract people with the relevant expertise.

4.3.3.2 The capability to manage financial resources

The participants were asked whether they believed they are equipped to manage financial resources. The question was aligned to the availability of skills and knowledge of financial management. All schools responded positive by indicating that they are confident of their ability to manage public finances. School A indicated that they have the necessary skills and knowledge through the formal qualifications that they possess. School B claimed that the workshops offered by the DoE on financial management on a quarterly basis are adequate to provide for the basic knowledge needed for effective financial management. School C gauged their capabilities from the audit reports after submission of financial statements which they claim are always positive reports.

4.3.3.4 Challenging aspects of financial management

School A was quite confident on their execution of the financial function and listed no areas of challenge. The participants pointed out their different levels of qualifications and expertise on which they complement each other for effective and efficient financial management.

Although School B believed they were capable of managing finances, financial reporting poses a challenge since they are unable to compile detailed financial statements due to their lack of understanding. Financial reporting is one of the critical components of financial management as it constitutes the provision of evidence of all the financial undertakings of the school. The response from School B contradicts with the claim that they are capable of managing finances effectively if they lack on the important aspect of reporting.

School C has identified various challenges such as the scarcity of finance meetings at school level, non existence of the proper procedures and lack of cooperation from the parent body. The challenge of non existence of proper procedures for effective financial management indicates that the school operates on its own understanding of the financial function, which is contrary to

their belief that they are entirely equipped to effectively manage financial resources. Although the other challenges are indirectly linked to financial management, they are crucial in the financial planning phase which also implies that the SGB does not act on the mandate of the entire parent body.

4.3.3.5 Ways of addressing identified challenges

Since the participants from School A did not highlight any challenges, they were not expected to respond to the question. To address challenges, School B seeks advice from the various surrounding school's Finance Committees and also utilizes the skills and expertise of the Economic Management Sciences (EMS) educators available at school. In addressing the challenges, School C discusses issues at broader SGB meetings and always strives to adhere to the existing policies. By broader SGB meetings, the school meant the entire SGB which constitutes of the deputy chairperson, two additional members and a learner representative, all of whom are not in possession of post matric qualifications. This might provide a huge difference in terms of skills and knowledge required for effective financial management.

4.3.3.6 Support from the DoE

School A claimed there was no form of support offered by the DoE to strengthen their finance management capabilities. The school acquires formal trainings through their own initiatives and also utilizes the platforms provided by FEDSAS (Federation of School Governing Bodies). Both Schools B and C receive support from the DoE whereby the Principal and the Chairperson attend workshops on a quarterly basis. For School B much support is offered on report compilation and the report forms. School C believes the support from the DoE is inadequate since the Finance Committee Meetings (FinCom) are not convened on a monthly basis and the knowledge gain is limited. Deducing from the varying responses, the DoE needs to improve the manner in which the FinComs are conducted so as to strengthen the school support.

4.3.4 INTERVIEW GUIDE FOR SCHOOL PARTICIPANTS

The following guide serves as the second phase of the interviews, whereby the participants were asked to respond to questions based on their current financial management practices. The

questionnaire was broken down according to the different components of financial management that are applicable at schools.

4.3.4.1 BUDGETING

4.3.4.1.1 **Who compiles the budget?**

At School A the budget is compiled by the Budget Committee which comprises the Principal, SGB and the Finance Committee. For school B it is compiled by the SGB and the Finance Committee. For School C it is compiled by the Finance Committee only. Deducing from the participant's responses, the Finance Committee is the key in the budget compilation process

4.3.4.1.2 **Aspects considered in the budget compilation process**

School A gives teachers a task of compiling their "wish lists" for the following year. The "wish lists" contain all the needs of each individual teacher. These lists are forwarded to the Finance Committee together with the School Finance Officer. The Budget Committee sits as a panel to conduct discussions on the lists and later prioritize the contents of the lists against the projected amount of money from the expected revenue to be collected. The panel finally makes recommendations and suggestions after which these are tabled to the SGB for perusal, discussion and approval.

School B seeks input from the educators which is then channelled through the various departments at school to be later tabled to the Finance Committee and the SGB. The school focuses on the priority areas and then allocates funds according to the needs of each department.

At School C the Finance Committee looks at both the usual expenditure for the current year and the input from the entire staff after which funds are allocated according to the paper budget.

It can be deduced that it is important to involve the teaching staff in the budget compilation process since teaching and learning is the core business of the school.

4.3.4.1.3 **How parents are included in the budget compilation process**

At School A, after the SGB has approved the budget, it is given to the parents to interact with the proposed budget after which a general meeting is convened for approval and adoption. Schools B

and C simply present the proposed budget to the parents in a meeting. For the two schools, parents are not given the opportunity to interact with the proposed budget before the meeting.

4.3.4.1.4 Relevant timeframes for the budgetary process

For school A, the budgetary process should be done before the last day of September of the current year for the following year. The school staff is given a month to compile the “wish lists” after which the proposed budget is compiled. After compilation, copies are printed out for parents to interact with the budget for which they are given a period of thirty days before convening a meeting for approval and adoption. The budget is later submitted to the DoE for final approval within a period of fourteen days. This is done after the budget has been approved by the parents.

School B receives input from various committees before the end of September for the following year thereafter the SGB and the Finance Committee compile the proposed budget. The school convenes a meeting whereby parents are expected to interact and approve the budget. Submission to the DoE is on the last day of school of the current year.

For School C there are no stipulated timeframes. The entire process takes only one week and the parents are made aware of the proposed budget in an annual general meeting, which is always scheduled for the last day of school on collection of progress reports.

Both Schools B and C seem not to be aware of any relevant timeframes for the entire budgetary process although the DoE has stipulated timeframes up to the final submission and approval so that each school may be given the paper budget for the following year.

4.3.4.1.5 Budget type in use

School A uses both incremental and multi-year budgeting because the projections are made from the budgets of the two previous years whilst at the same time due consideration is being taken to ensure the achievement of the school’s predetermined objectives.

School B and C only focus on the budget for a single year. School B’s budget is influenced by the different existing circumstances prevailing each year. School C depends on the actual school allocation to be received in order to make a budget.

The deduction made from the above responses is that schools budgets are influenced by different circumstances; therefore no uniform pattern is followed. Although School A places emphasis on the expenditure incurred during the two previous years coupled with the school's long-term objectives, Schools B and C do not have any informed basis for their individual school's budgetary process.

4.3.4.1.6 Budget adjustments

School A does not make any adjustments once the budget is approved; all operations are managed according to the approved budget, especially since the school also makes projections for the donations and sponsors. School B makes adjustments to the budget which are managed by the SGB and the Finance Committee and later communicated to the school staff. School C also makes adjustments to the budget but the process is managed by the SGB alone.

Since Schools B and C's budgets depend on the prevailing conditions, they feel the need to adjust their budgets. Both school's adjustment process does not include the parents who are supposed to approve the budgetary process since it involves the activities and functions taking place at the school.

4.3.4.2 FUNDS AND INCOME

4.3.4.2.1 Who administers the school funds account?

The funds for School A are administered by the Finance Officer, Treasurer and the Finance Committee. For School B it is administered by the SGB and the Finance Committee whilst at School C it is the SGB. Schools B and C agree on the SGB's responsibility to administer the schools funds whilst in School A, it is the responsibility of the Treasurer from the SGB.

4.3.4.2.2 Number of signatories in the account and their responsibilities

School A has two signatories, that is, SGB Chairperson and Treasurer, who believe they know their responsibilities and regulations regarding the management of public funds. Schools B and C have three signatories constituting of the SGB Chairperson, Treasurer and Secretary. The signatories from both schools have pointed out that they do not know their responsibilities in

terms of account management. They simply sign a cheque as per instructions without any discussions involved around the issue for which the cheque is signed.

Deducing from the responses above, the SGB from School A has full control over the management of the school fund account whilst SGBs from Schools B and C do not have total control over the funds account.

4.3.4.2.3 Management of the cheque book

The use of the cheque book is limited to minor payments since the school mostly utilizes the electronic funds transfer (EFT) system in order to eliminate delays and loss whilst reducing costs. School A believes that the cheque book is the property of the school; therefore it is kept safe at school. School B's cheque book is kept by the Treasurer although the Finance Officer pointed out that, the act is discouraged by staff. The SGB claims safety as the reason for the decision to let the Treasurer keep it privately. School C also holds the belief that the cheque book is school property, therefore must be kept at school. The Finance Officer pointed out that sometimes a blank cheque is signed when the need arises, especially when an urgent matter needs to be addressed. Signing of a blank cheque is prohibited from Schools A and B, citing it as a fraudulent activity.

School A's use of EFT system is a result of the large budget that the school operates. Schools B and C do not seem to understand their responsibilities on the management of the cheque book.

4.3.4.2.4 Reconciliation of the cheque book and cash book

School A manages reconciliation through the accounting package for balancing purposes; therefore it is managed electronically on a monthly basis. School B's reconciliation is also done on a monthly basis but could not supply the manner in which it is done. For School C it is done by the signatories and the Principal discussions.

Although School A seems to understand the concept of reconciliation, the deduction made out of the participant's responses from Schools B and C is that both schools are do not have any idea what reconciliation means.

4.3.4.2.5 Utilization of the school allocation from NSSF

School A adheres to the allocated funding although the Principal voiced a complaint of funds not being available on time and sometimes only half of the allocated funds reach the school from the DoE, citing 2010 and 2013 as examples of the years in which the entire school allocation has not been received. School B makes some deviations from the school allocation, even for items that are not stipulated in the paper budget that the school feels a need to be included. School C also makes some deviations from the allocation but only after seeking written permission to do so from the DoE. Both schools cite shortages that they experience in terms of funds to manage the various functions of the school as the reasons for deviation.

The participants agree that the limited budget the schools receive from the school allocation is insufficient to effectively manage the overall functioning of the schools.

4.3.4.2.6 Accessing additional funds

School A accesses additional funds through school fees, donations and sponsors. Both schools B and C access funds through donations and sponsors, although for school C the exercise poses a challenge since most parents refuse to cooperate.

Since School A falls on quintile five, it is regarded as a fee paying school. Therefore the SGB has an added responsibility of setting and managing school fees as a means of adding funds to the school allocation. Both Schools B and C are regarded as no-fee schools since they fall on quintile three and one respectively. The challenge faced by School C might be directly linked to the school poverty ranking since the community served by the school is poor and illiterate.

4.3.4.2.7 Procedure on receipt of money

In School A funds are received in two ways, that is, through direct deposits and cash transactions. A receipt is issued from a pre-numbered receipt book whilst direct deposits are managed through a ledger account for income and payments. All available cash is deposited into the school account for efficient and transparent accounting purposes.

School B records all collected funds in the receipt book, utilizes it and keeps the receipts and invoices for reporting. Not all money from donations is deposited into the school account. If it is

collected for a specific project, it is kept in the school safe and only receipts are kept as proof of payment. School C follows the same procedure as school B.

School A sees the need to record and deposit any amount of money available at the school for effective financial management. The situation at schools B and C is different since they believe a receipt serves as enough proof of income.

4.3.4.3 EXPENDITURE

4.3.4.3.1 **Procedures when dealing with external suppliers**

School A requests quotations from three different suppliers for all purchases to be made except in cases of small, single item purchases whereby petty cash is used. A reasonable quote is chosen based on the quality offered and the track record of the supplier is taken into consideration in terms of reliability. Orders are placed and the supplier is paid through the EFT system. For minor payments, other than the petty cash payments, a cheque is signed by two signatories after approval by the SGB and the Finance Committee. Both Schools B and C also request for three quotes whereby the cheapest is chosen.

In response to the question, School A seems to be taking all the necessary steps to ensure value for money. Schools B and C's response was only limited to the three quotes even when poked for further elaboration the process.

4.3.4.3.2 **Awareness about the regulatory procurement framework**

School A is aware of the preferential procurement framework which allows for quotations, the tender and the bidding processes although the school's procurement system is based on quotations and petty cash payments only. The budget and the activities of the school do not exceed to the tenders and bids. School B responded by indicating that the Procurement Committee is in place which comprises of the Principal and the SMT. School C simply responded that they do consider the procurement framework.

Although both Schools B and C claim to be aware of the existing procurement framework, they could not provide any responses indicating the manner in which the framework is incorporated in the school's procurement policies and activities.

4.3.4.3.3 Requirements for approval of purchases

For School A all requests for purchase are sent to the Finance Officer, Finance Committee and the SGB through a requisition form for discussion. Authorization for purchase is weighed against the available funds, the need and the benefits that will be gained from the purchase. If the request meets the set criteria, the purchase is approved. Schools B and C also consider the budget and the need for the purchase. The responsibility for the purchase in school B rests with the Principal and the Finance Officer whilst in school C it is the responsibility of the principal who gives an instruction to the SGB Chairperson and Treasurer when an item needs to be purchased.

The responses from all three schools seem to highlight the importance of cost benefit analysis when undertaking the approval of purchases. Although School A involves the SGB through discussions when items need to be purchased, School B does not involve the SGB whilst School C simply sends instructions to certain members of the SGB, who are the signatories.

4.3.4.3.4 Management of the authorization of payments

In School A authorization of payment is managed by the Finance Officer and Finance Committee after approval by the SGB after which the finance officer signs a requisition form. In School B authorization of payments is managed by the Finance Officer and the Principal as they are the signatories in a requisition form. In School C the authorization of payments is managed by the Treasurer alone.

Although all three schools seem to utilize the requisition form, there seem to be differences in terms of the people expected to sign the forms. With Schools B and C there is no indication of any discussions conducted during the authorization process.

4.3.4.3.5 Receipt of purchased goods

On receiving goods, School A requests the person responsible for the order to sign the invoice and check it against the delivery note and the original order to verify and ascertain whether the

goods are the correct goods as per original order. The school ensures that the receiving person was not involved in the approval of purchase and authorization of payment processes. Once the procurement officer is satisfied of the condition, quality and quantity of the goods, they sign the invoice which is later sent to the Finance Officer for filing. The signed invoice will serve as proof of payment whilst assisting in reconciliation.

For School B the goods are received by the School Administration Clerk, who signs the invoice and files it. The Administration Clerk reports the delivery to the Finance Committee and the procurement officer. Verification of the correctness of the received goods does not always take place. Goods are simply returned to the supplier if they are not the specified goods, a process which the school claims it takes time to rectify.

School C has allocated one of the staff members the duty of receiving purchased goods. On receipt of goods, the allocated person signs the delivery note and the invoice, which is later sent to the Finance Officer for filing. The school also encounters instances when the goods delivered are not the goods that the school placed an order for.

The verification process conducted in School A ensures that the school only pays for what is ordered whilst the absence of the verification process in both Schools B and C means that at times they do not receive the goods that the school desired.

4.3.4.4 FINANCIAL CONTROL

4.3.4.4.1 **Management and maintenance of financial records**

Financial records in School A are managed and maintained by the Finance Officer and the Finance Committee. In School B it is the responsibility of the Treasurer and a teacher who is deemed capable of managing and maintaining financial records. When asked to explain further about the capable teacher, the Finance Officer responded that any EMS teacher is asked to assist in the process since both the Finance Officer and the school Principal do not possess the necessary skills to manage and maintain financial records. For School C the responsibility lies with the Finance Officer.

The absence of skills at School B makes it impossible for the Principal and the Finance Officer to exercise the function, hence resorting to any EMS teacher available.

4.3.4.4.2 Procedures for controlling finances

In School A the SGB and Finance Committee convene monthly meetings for financial reports, whilst quarterly financial reports are given to parents quarterly. A trial balance which provides a summary of ledger accounts and a balance sheet to determine the financial position of the school at a particular time are discussed in the SGB and Finance Committee meeting. Both Schools B and C make use of requisitions and receipts to ensure proper control of school finances.

Participants from Schools B and C seem to limit financial reporting to requisitions and receipts since there is no indication of parents meeting to give full financial reports.

4.3.4.4.3 Auditing

Before the financial records are taken to the external auditors, School A conducts internal auditing, a function that is performed by those with expertise in financial accounting in the SGB, Finance Committee and the entire staff. This is meant to be a safety measure to avoid the embarrassment of a negative audit report whilst the involvement of the staff members serves as a means of promoting transparency. For both Schools B and C, no internal auditing is done. The financial records are only taken to the external auditors at the end of the year.

Participants from Schools B and C did not seem to understand the importance of the audit exercise except to view it as a measure that the schools need to comply with in order to access funds for the following year since the release of funds from the school allocation depends on the availability of an audit report.

4.3.4.4.4. Discussion of the audit report

The SGB of School A holds discussions based on the audit report and forwards instructions and findings to the Finance Committee and the School Finance Officer. The discussions are meant to strengthen the school's financial management function and to improve on areas highlighted in the audit report, if any. A copy of the audit report is sent to the DoE. Both Schools B and C do not hold any discussions on the audit report but simply file it and send a copy to the DoE.

Schools B and C seemed not to be aware of the importance of having discussions on the audit report except as a means of accessing more funds. Both Principals expressed confusion when probed further on conducting discussions on audit reports.

4.3.4.5 ACCOUNTABILITY

The Chairperson of School A agreed that management of public resources requires accountability and responsibility through adhering to the moral values, legal framework and administrative justice. In ensuring that all these are in place, the school adheres to the following procedures:-

- ❖ Following the prescribed rules, regulations and procedures governing public financial management so that the environment on which the school operates upholds the principles of democracy.
- ❖ Identification and assigning of roles and responsibilities to the delegated individuals to promote effective and efficient execution of duties.
- ❖ Adherence to timeframes as applicable to the norms and standards set by the DoE.
- ❖ Empowerment of key stakeholders through formal and informal trainings on financial management since they believe that skills and knowledge promote effective and efficient management.

The principal from School B responded by indicating that the key to an accountable financial management system lies with the performance record of the Finance Officer who has to be a person upholding a high level of professional ethics and moral values.

The Principal from School C indicated that due consideration is given to conducting a needs analysis when signing the requisition forms whilst proper filling and categorizing payments in the expenditure authorization form were also important.

All the participants from School A seemed able to understand the importance of accountability coupled with responsibility as they all offered responses although some appeared to be echoing similar facts. The only input received from School B pointed out to moral responsibility whilst

School C believed that availability of the required documents was the key to effective and efficient financial management.

4.3.5 INTERVIEW GUIDE FOR THE EDO

The third phase of the interviews was conducted with the EDO assisting in the Institutional Development, Management Support and Governance (IDMS&G) section at the district office. The reason for interviewing an assisting EDO is because at the district office there is no EDO responsible for the section although there is supposed to be one. The district office is undergoing a process of employing such an EDO. The aim of the interview is to establish the level of school support offered by the DoE in terms of financial management.

4.3.5.1 **Availability of trainings offered**

The response to the question was yes.

4.3.5.2 **Form of training offered**

Trainings offered to school Principals run concurrently with those offered to the newly elected SGBs citing the compatibility and the complementary role that needs to be shared between the Principal and the SGB as the rationale. The school Principals are therefore always included in the SGB induction workshops which are explained in detail in paragraph 4.3.5.4 below. In addition to the induction workshop, Principals and SGB Chairpersons are invited to a quarterly District Finance Committee workshop whereby schools share best practices and also where various challenges encountered by different schools are addressed.

4.3.5.3 **Ensuring effective and efficient management**

Since the response to the question on the availability of trainings was positive, the EDO was not asked to respond to this question.

4.3.5.4 **Equipping incoming SGB**

Trainings commence even before the election process starts. The most crucial stage is the advocacy before elections so that schools ensure they attract governing body representatives with knowledge, skills and expertise during the nomination process.

All SGBs are summoned to a three day induction workshop after elections. The workshop includes different modules such as unpacking Chapter Two of the Constitution (1996), SASA (1996) and PFMA (1999). The workshops are provided in a simplified manner using both English and Xhosa as a medium of instruction so as to cater even for those with low literacy levels. The workshops also focus on planning, budgeting, income and expenditure management, financial reporting and general finance issues. Other important aspects covered include the identification of roles and responsibilities and policies that need to be in place for effective and efficient financial management.

Deducing from the responses offered by the EDO, the DoE is employing various strategies to ensure that all those entrusted with the financial functions at schools are well equipped.

4.3.5.5 Evaluating effectiveness of existing empowerment strategies

Although the DoE is employing strategies to ensure effective financial management, the EDO responded by highlighting challenges facing schools in the execution of their financial responsibilities, citing identification of irregularities and discrepancies, especially on the management of the School Nutrition Programme (SNP), budget systems, deviation from the paper budget and overall procurement. With the SNP, the EDO has identified that both the SGB and staff have vested interests in the utilization of funds as there are constant conflicts between the two on the nutrition process. Various schools provide improper budgets that do not indicate any alignment with the long term strategic goals of the school.

The EDO also highlighted the literacy levels of parents, mostly in the rural areas as another challenge since there is a degree of influence of staff on matters related to school governance instead of focusing on school management.

Another challenge seemed to be the understaffing that the district office experiences since there are no specialised personnel responsible for effective support and continuous monitoring of the school financial activities.

4.3.5.6 On-going school support

The quarterly District Finance Committee meetings serve as a means of supporting schools since best practices are shared and challenges are addressed. The EDO believes that with specialist personnel in place, the schools would have access to ‘on-going on-site’ support in the form of mentoring rather than the department officials going to schools with a mission to find faults. To improve on the lack of skills, schools are continuously advised to co-opt members from the communities who possess the necessary skills and expertise to assist in finance management.

4.3.5.7 Strategies to ensure schools are held accountable

The EDO highlighted that the office encounters a variety of irregularities from the reports submitted by schools. Depending on the level and severity of the irregularity, different measures apply. A minor irregularity, that is in cases where the district office has established that the irregularity was committed due to lack of knowledge and awareness, calls for counselling. A major irregularity that is viewed as a result of ignorance or purposeful transgression, calls for a disciplinary measure. The district office holds Principals accountable for financial management at schools since they sign an agreement to that effect on appointment.

4.3.6 INTERVIEW GUIDE FOR THE AUDITOR

The final phase of the interview process was with the auditor who conducts external auditing function for different schools. The auditor conducts an assessment of the schools’ financial statements and provides feedback to schools and the DoE.

5.3.6.1 Number of schools being audited

On average, the auditor claimed to be conducting the auditing function for more than fifty schools from urban, sub-urban and rural areas.

5.3.6.2 Compliance of schools with regulatory framework

Not all schools comply with the rules and regulations. The situation is noticeable mostly on the schools that have been recently promoted from the Section 20 to the Section 21 status and those in deep rural areas who seem to be struggling to get to grips with the financial management

processes. The auditor further indicated that they also provide support by supplying schools with the correct tools for recording information, whilst also mentoring some schools on the reporting procedures so as to ensure that schools acquire growth in their financial management so as to decrease the burden that is associated with financial reporting.

5.3.6.3 Common discrepancies identified

There are various cases where challenges and discrepancies are evident but the auditor identified a few that seem to be common in financial reporting amongst the various schools as outlined below:-

- ❖ Some schools do not make full utilization of the allocated funds which constitutes under expenditure whilst some schools spend more than the allocated funds, that is over expenditure. The latter creates a situation whereby schools are run through debt and under credit.
- ❖ Most schools do not provide reasonable explanation for petty cash payments which is needed as evidence of expenditure. This eventually creates a “loophole” for unspecified expenditure since it also becomes difficult to account for the expenditure in the cash book.
- ❖ Some schools do not have the necessary supporting documents for a cheque issued, whilst other schools are issuing cash cheques which is prohibited. A cheque needs to specify the name of the person receiving payment. Cheque requisitions, in some instances, are neither signed nor available from some schools which should serve as proof of authorization of payments.
- ❖ The cash book becomes a too advanced exercise for some schools. As a result they are not done correctly. The cash book does not reflect all cheque payments and deposits which are made into the school account for reconciliation.
- ❖ For any purchase, invoices and receipts need to be supplied for proper allocation and copies made for the auditor and the DoE, a procedure that some schools do not adhere to.

- ❖ Many schools do not have a proper filing system in place. As a result some documents are missing which creates a challenge for effective financial reporting.
- ❖ Transport costs seem to be the major problem for most schools. Each school charges a different rate from the others. The DoE does not supply schools with a rate per kilometre for transport claims. This creates a loophole for redirection of any funds that the school cannot account for to be channelled to the transport costs.

5.3.6.4 Cases of financial misconduct encountered

The auditor claimed that they do not view the challenges as cases of financial misconduct since it is the duty of the DoE to classify them as such; instead they view these as unspecified expenditure. Some of the challenges cited above often lead to cases of unspecified expenditure. The role of the auditors is to manage the control function of the financial statements and give an opinion based on the evidence provided by each school, whereafter it is the responsibility of the DoE to deal with the outcomes of the audit report.

5.3.7 CONCLUSION

The main aim of the chapter was the presentation and analysis of the collected data so as to allow the researcher to make meaningful deductions out of the data. The deductions made will pave a way for reliable and valid conclusions which will later allow for the provision of recommendations as per Chapter 5.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The preceding chapter focused on findings generated out of the interview process conducted by the researcher with the various key stakeholders who have a crucial role to play in the financial management of schools. The interviews were meant to establish whether the stakeholders are in possession of the necessary skills and knowledge to manage public finances whilst at the same time trying to establish whether the DoE is employing strategies to empower the school principals, SGBs and finance officers. The conclusions drawn will be based on the following:-

- ❖ Availability of skills and knowledge required to exercise effective financial management
- ❖ The strategies employed by the DoE to offer support to schools
- ❖ Auditor's role in the assessment of school financial records

5.2 AVAILABILITY OF SKILLS AND KNOWLEDGE FOR EFFECTIVE FINANCIAL MANAGEMENT

Skills and knowledge are the most important factors necessary for effective and efficient execution of delegated functions. Public financial management is a complicated process if one does not possess the relevant skills and so the researcher saw the need to determine the availability of the required skills and knowledge from the key stakeholders entrusted with the financial management function at schools.

The researcher noticed that all the stakeholders from School A, situated in an urban area possessed a high level of professional skills and knowledge necessary for effective and efficient financial management. The school exercised its financial function in a responsible manner. The SGB exercises its governance functions since it is their responsibility to manage funds whilst the school Principal effectively managed to provide the oversight function on the daily activities related to the school financial management. The school ensures responsibility and accountability

by continuously empowering the key stakeholders so that they can be kept well informed on any emerging trends and patterns that seek to improve the financial management function. The manner in which the school conducted the budgetary process, fund and income management, expenditure and financial control upholds transparency and accountability which are viewed as some of the key elements of good governance.

Interviews with the sub-urban and rural schools revealed that both schools lack the necessary skills and knowledge that is required for effective and efficient financial management. The lack of skill was ascribed to the poverty ranking of the schools since they are both located in not so affluent and poor communities. This is evident in the low literacy levels that the SGB displayed.

The lack of knowledge and skills is evident in the manner in which both schools displayed challenges in terms of managing the budgetary process, whereby due consideration is not taken to involve the parents, nor adhering to the framework and timeframes stipulated by the department to ensure the process upholds broad representation, inclusivity and transparency. The schools portrayed that the budget is only a compliance tool that will ensure the availability of funds for the following year. Both schools do not view the budget as a planning tool for the execution of the school's financial function as they simply use funds as they are available, depending on the prevailing circumstances at a particular time. Some contradictions have also been identified whereby the rural school claims to be looking at the previous years' budget when compiling the current budget but later claim that all financial activities depend on the prevailing conditions.

Some challenges were also cited in terms of the management of funds and income. Both schools displayed differing versions and confusion in terms of fund and income management. The SGBs of both schools do not seem to be actively involved in the management of funds since both principals are in charge of school finances. The SGBs simply take instructions from the principals and their main responsibility is appending a signature on a cheque. Both schools seem to be confused by the notion of reconciliation, which is a necessary tool for reporting; hence they experience most challenges in terms of financial reporting. The schools also deviate from the functions specified in the school allocation, which implies that some activities do not receive the amount of money allocated. Both schools even go to the extent of performing illegal activities

such as the rural school's promotion of signing a blank cheque and both not depositing all money received through donations; an action that is prohibited in terms of laws regulating financial management.

Both schools do not adhere to the stipulated procurement processes, and displayed lack of knowledge on the available procurement framework. Both schools have displayed positive knowledge on the importance of the requisition forms, although clarification needs to be made on the signatories of the requisitions. The SGB is left out in the approval of the purchase process and seems to be only invited to sign the cheque without any discussions. On receipt of goods, the inability of both schools to verify the correctness of the delivered goods proves to be costly since it takes time to rectify the mistake.

The researcher has also identified another challenge facing the sub-urban school, the blur created by the differentiation of functions between the School Finance Officer and the Administrative Clerk. Keeping financial records is one of the roles and responsibilities of the Finance Officer yet at this school it is done by the Administrative Clerk; a situation that might pose a challenge in financial reporting, hence the school highlighted financial reporting as one of its major challenges.

On financial reporting, both schools seem unable to understand the importance of auditing, both internal and external. An audit report is supposed to be a tool for conducting the SWOT analysis for evaluating and improving on their current practices. For these schools, an audit report is another compliance tool to access funds for the following year.

On accountability, both schools do not seem obligated to be responsible and account effectively on the manner in which they conduct the finance management function. Compliance, for these schools, seems to be the only way of displaying and ensuring accountability.

5.3 STRATEGIES EMPLOYED BY THE DoE TO SUPPORT SCHOOLS

The DoE offers various forms of support to ensure effective and efficient financial management at schools. The process starts with advocacy even before nominations and elections begin. This is aimed at ensuring that schools attract people with skills, knowledge and expertise to serve as members in the governing bodies so as to improve the school governance function.

After elections, a three day workshop is conducted to ensure that the newly elected SGBs have the required skills and knowledge to exercise their governance function. The workshop focuses on critical areas of school governance such as unpacking the Constitution (1996), SASA (1996) and PFMA (1999). Basic financial management skills are also shared to help facilitate the management of school funds. The manner in which the induction workshops are conducted appears to be highly informative. The workshops also seem to be providing easier access for those who are challenged in terms of the English language acquisition since the delivery method allows for code switching.

Quarterly District Finance Committee meetings are convened whereby the Principal and the SGB Chairpersons to further strengthen the financial capabilities of the schools. The meetings provide a platform for sharing of best practices, clarification of challenges and simplification of process that appear to be challenging and complicated. This is a required platform especially since a number of challenges such as budgeting problems, utilization of SNP funds and school allocation deviations have been highlighted.

The EDO also highlighted shortage of personnel to offer on-going on-site support to schools, a problem that the district office is in the process of rectifying. The fact that the school Principals are held accountable for financial activities at school indicates that the DoE is trying all in its power to ensure that the Principals play their oversight function effectively and efficiently.

5.4 AUDITOR'S ROLE IN THE ASSESSMENT OF SCHOOL FINANCIAL RECORDS

The interview with the auditor provided the researcher with an insight on the severity of the challenges facing most of the rural schools in terms of financial reporting. The auditor claimed that out of the schools that the firm conducts audits for, it is mostly the rural schools that encounter serious problems especially those that have been recently awarded the Section 21 status and those who have been only acquainted with the Section 20 functions. The urban schools seemed to be performing better when compared to the rural schools. This observation made by the auditor stretches beyond Circuit 13 since their services are offered to other circuits and districts.

Many schools submit incomplete documents due to lack of understanding of the proper procedures and processes when exercising their financial function at schools which makes it impossible to conduct the auditing process. This is ascribed to poor filing methods, which eventually makes the financial reporting process a heavy burden. This also contributes to various schools' inability to manage cash analysis that is essential for reconciliation; hence they are unable to reconcile the cash book with the financial statements. The missing documents include invoices, receipts and returned cheques from the bank.

Unspecified expenditure is common in most schools due to their inability to account properly for petty cash. There is a general trend of schools not providing enough documentation in support of petty cash payments, which need to be backed up by a reasonable explanation. A loophole for misuse of funds is created in the process.

A few schools do not fully utilize the school allocation whilst other schools make financial commitments that exceed their available funds. This leads to underspending and overspending both of which constitute financial mismanagement.

The lack of uniform standards in terms of rates charged by schools on transport claims creates a situation whereby schools simply channel any funds that are unaccounted for to the transport claim's section. In some instances the claims appear to be abnormal.

The auditors have an added responsibility of ensuring that schools have the correct tools and adequate information for effective financial management through offering support and mentoring so as to assist the schools to manage the daunting financial reporting process.

5.5 RECOMMENDATIONS

The conclusions drawn from the study allowed the researcher to make the following recommendations:-

- ❖ The DoE needs to ensure that the current school Principals are fully empowered with the skills and knowledge required for effective financial management whilst ensuring that basic financial management skills for aspiring principals is the prerequisite for competence.

- ❖ The duration of the induction workshops should be increased so as to ensure that all required knowledge is imparted whilst at the same time ensuring that lessons are learnt so that the workshops are not viewed as a routine exercise that is less productive.
- ❖ Utmost consideration should also be given to the existing knowledge and skills already acquired by the incoming SGBs so that the workshop can be separated into two categories:
 - those without basic financial skills and
 - with existing skills. This will assist in the proper dissemination of information using suitable communication levels and tools.
- ❖ The on-going support offered by the DoE should not be limited to Principals and SGB Chairpersons only, but should on a continuous basis involve all stakeholders involved in school financial management, including the School Finance Officer and the SMTs.

The study has discovered that sub-urban and rural schools in Circuit 13 are not skilled and knowledgeable enough to effectively manage public financial resources so as to be able to account effectively.

As a recommendation for further studies there is a need for evaluating the existing strategies aimed at empowering these schools on financial management so as to suggest new ways that will improve overall performance.

5.6 CONCLUSION

The central statement of this research was to assess the effectiveness of Section 21 schools in public financial management by examining whether they are well skilled and knowledgeable to be able to account on school finances. The researcher concluded that sub-urban and rural schools do not have the necessary skills and knowledge required for effective financial management. A high level of professional skills is a prerequisite for effective and efficient public financial management, coupled with ‘on-going on-site’ support so that financial reporting can yield the desired level of proficiency. The challenges highlighted earlier in the study on poor procurement

of LTSM prove to be a direct result of lack of skills and knowledge to manage the function effectively, hence the DoE decided to withdraw the function from schools, disadvantaging the schools capable of managing the function.

The fact that an identification of various challenges has been done, such challenges as deviations from the school allocation, mismanagement of funds from the SNP and inconsistencies in the budgetary process, implies that the DOE is on the correct path of addressing such challenges through information-sharing.

Auditors also play a crucial oversight role in terms of assessing the manner in which schools manage finances which assists the DoE to acquire feedback on the disbursed funds, whilst at the same time assisting in the identification of common challenges for proper and immediate remediation. With all these in place, there is hope for the financial underperforming schools to effectively and efficiently self managing public funds.

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ANNEXURES

ANNEXURE A

GENERAL BACKGROUND INFORMATION (Supply a tick (✓) in the appropriate column)

1. LOCATION

Rural	
Sub-urban	
Urban	

2. ENROLLMENT

Below 200	
201 -500	
501 – 800	
801 – 1000	
Above 1000	

3. POVERTY RANKING

Quintile 1	
Quintile 2	
Quintile 3	
Quintile 4	
Quintile 5	

4. FEE STRUCTURE

Below R100	
R101 - R300	
R301 – R600	
R601 – R1000	
Above R1000	

5. KEY STAKEHOLDERS' EDUCATIONAL QUALIFICATION LEVEL

Position	Status	Below Primary	Primary	Secondary	Matric	Post Matric
Principal						
Chairperson						
Secretary						
Treasurer						
Finance Officer						

ANNEXURE B

CHECKLIST OF REQUIRED RECORDS

The following is a list of financial records that need to be kept at schools. Please indicate with a tick (✓) in an applicable column

ITEM	YES	NO
Receipt books		
Registers of payments received		
Cash analysis book		
Bank book		
Bank deposit slips		
Bank statements		
Journal of daily transactions		
Ledger or registers of debtors and creditors		
Quotations		
Asset registers		
Requisition voucher file		
Order books		
Expenditure approval forms		
Receipt voucher file		
Cash payment voucher file		
Inventories and stock lists		
Issue registers		
Registers for telephone, fax etc.		
Invoices		
Receipts for payments		
Minutes of finance committee meetings		
School annual budget		
Audited financial statements		
Exemption of school fees register		

ANNEXURE C

INTERVIEW QUESTIONS

The following questions need to be answered by all stakeholders in order to determine whether they have the required skills and the relevant background on aspects of financial management which will eventually determine the level of effectiveness and efficiency and for accountability purposes.

1. Do you have any formal training related to financial management? This includes simple and basic financial and accounting practices. Specify.
2. Do you believe you are entirely equipped to manage public financial resources? Expatiate.
3. Are there any areas or aspects of financial management that you feel pose a challenge to you when executing your duties?
4. If you answered yes to question 3 above, how do you address the challenges?
5. Has the Department of Education offered any support in terms of formal or informal training? If so, was the training adequate?

ANNEXURE D

INTERVIEW GUIDE

The questions are broken down into different aspects of financial management and need to be answered by the relevant stakeholders

1. BUDGETING

1.1 Who compiles the school budget?

1.2 What aspects are considered when compiling a budget?

1.3 How is the entire parent body included in the budgetary process?

1.4 What are the relevant timeframes necessary for the compilation, approval, adoption and submission of the budget?

1.5 What type of budgeting does the school use? What informs the budgeting type in use?

1.6 Are there any adjustments effected on the approved budget? How are they managed?

2. FUNDS AND INCOME

2.1 Who administers an account for schools funds?

2.2 How many signatories does the school account have? Do they know of their responsibilities in terms of account management?

2.3 How do you manage the cheque book?

2.4 How is the reconciliation of the cheque book and cash book with the monthly bank statement done? How often is it done?

2.5 Is the school allocation from the Norms and Standards for School Funding utilized according to the set requirements as set out in the paper budget?

2.6 How does the school access and manage funds for activities and functions outside the school allocation?

2.7 What procedures are followed when receiving money?

3. EXPENDITURE

3.1 What procedures does the school follow when dealing with suppliers?

3.2 How does the school incorporate the regulatory framework in terms of the monetary value of the goods to be purchased?

3.3 What are the set requirements for the approval of purchases?

3.4 Who manages the authorization of payments and how is it managed?

3.5 How is the receipt of purchased goods handled on arrival?

4. FINANCIAL CONTROL

4.1 Who is responsible for the management and maintenance of financial records?

4.2 What procedures are followed in controlling finances?

4.3 How is auditing performed? How often is it done?

4.4 Does the school make provision for the discussion of the audit report? If yes, who constitutes the discussion panel?

5. ACCOUNTABILITY

What strategies are in place to ensure that the school upholds accountability as a

- ❖ Moral responsibility
- ❖ Legal responsibility and
- ❖ Administrative responsibility?

ANNEXURE E

GUIDE FOR THE EDO

The following is a list of questions that need to be answered by the EDO in terms of ensuring adequate training and support for those entrusted with the financial management function.

1. Is there any form of training that is given to principals who do not have a sound financial management background?
2. If yes, what form does it take?
3. If no, how do you ensure that they exercise their responsibilities in an effective and efficient manner?
4. SGBs are changed after every three year cycle, how do you ensure that they incoming SGB is equipped with financial management skills?
5. Do you think the strategies are effective, taking into consideration the different socio-economic backgrounds of the communities that the schools serve?
6. If you believe the strategies fall short of addressing their financial obligations, what on-going support is given to those SGBs?
7. How does the DoE ensure that the schools are held accountable for their financial practices?

ANNEXURE F

GUIDE FOR THE AUDITOR

The following questions need to be answered by the appointed auditors for the schools based on the financial statements.

1. On average, how many schools do you undertake auditing functions for in a period of one year?
2. Do all schools comply with the rules and regulations governing public financial management?
3. Are there any discrepancies that are normally identified in the school's financial management and reporting procedures? Explain.
4. Are there any incidents of financial misconduct in the form of mismanagement, fraud and corruption that are occasionally identified from the reports? If so, how are they dealt with?

ANNEXURE G

48 Pellem Street
Ginsburg
King William's Town
5600
22 November 2013

The District Director
Department of Education
Private Bag X0055
King William's Town
5600

Dear Sir

APPLICATION FOR PERMISSION TO CONDUCT RESEARCH IN KING WILLIAM'S TOWN DISTRICT

As a Master's student at the University of Fort Hare, I wish to be granted permission to conduct research on three schools in the district. The research project aims at assessing the efficiency of Section 21 schools in public financial management. The main focus lies with the views and perceptions of relevant stakeholders on the different components of financial management. I therefore, wish to be permitted access to three schools, in quintile 1, 3 and 5.

I promise to maintain strict confidentiality and a high level of professional ethics.

Thanking you in advance for your attention.

Yours sincerely
Ms Vuyokazi Mnwana