

UNIVERSITY OF KWAZULU-NATAL

TITLE:

Financial management by public school principals in Nkangala district of Mpumalanga province of South Africa

By

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Declaration

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Abstract

The South African Schools Act of 1996 makes provision for school governing bodies (SGBs) of public schools to become progressively more responsible for managing aspects of their schools' regular expenditure. Experience has taught us that school principals are often at the forefront when there are financial irregularities, and they become liable for any mismanagement of school funds. One of the biggest changes that has taken place in educational management since 1994 is the local management of school funds by the SGBs, financial committees and the school principals. The purpose of this study was therefore to investigate financial management by school principals in Nkangala district of Mpumalanga province in South Africa. A cross-sectional descriptive study was conducted among 245 school principals and acting principals using a self-administered anonymous questionnaire. The study revealed that there were differences between the application of financial policies and financial management practices in most schools. Most principals were battling to implement effective and efficient financial management systems in their public schools. In order to amend financial management in schools it is necessary for the school principals to enhance their knowledge and skills by enrolling for short courses on financial management, or attending tailor-made financial administration workshops organised by the Department of Basic Education in collaboration with non-governmental organisations or institutions of higher learning.

Keywords: petty-cash management, budget system, commitment register, procurement, training, internal control

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List of abbreviations/acronyms

DBE	Department of Basic Education
DBE	Department of Education
Fincom	Finance Committee
HoD	Head of Department
LTSM	Learning and Teaching Support Material
MEC	Member of Executive Council
NNSSF	National Norms and Standards for School Funding
OCI	Other Comprehensive
PAM	Personnel Administrative Measures
PFMA	Public Finance Management Act
SGB	School Governing Body
SASA	South African Schools Act

CHAPTER 1 : Background of the study

1.1 Introduction

Blank, Jacobson and Melaville (2011) argue that finance is the most important resource in driving the broader vision of the school. Although the South African Schools Act of 1996 makes provision for school governing bodies (SGBs) of public schools to become progressively more responsible for managing aspects of regular expenditure, experience has taught us that school principals are often at the forefront and hence become liable for any mismanagement of school funds. Ntseto (2009) asserts that one of the biggest changes that has taken place in educational management since 1994 is the local management of school funds, for example by the SGB, financial committee (fincom) and the school principal. In order for schools to become successful and cope in this turbulent environment, it is necessary to ensure that the principals are well versed in managing school finances.

The focus of this study revolves around the recommendation that a successful school must plan what it intends to achieve and outline a strategy for achieving those goals (Swartz, 2010). This study endeavours to determine financial management by public school principals in Nkangala district of Mpumalanga province of South Africa.

1.2 Problem statement

Blank, Jacobson and Melaville (2011) argue that finance is an important resource in driving the broader vision of a school. The South African Schools Act of 1996 makes provision for SGBs at public schools to become progressively more responsible for management of regular expenditure. However, experience has taught us that school principals are often at the forefront when there are financial irregularities, and become liable for any mismanagement of school funds. As Ntseto (2009) asserts, one of the biggest changes that has taken place in educational management since 1994 is the local management of school funds, for example by the SGB, fincom and the school principal. In order for schools to become successful and cope in this turbulent environment it is necessary to ensure that principals are well versed in managing school finances.

1.3 Research questions

The guiding research question is: Are school principals conversant with the essential requirements of financial management in their schools? This question will be unpacked by asking the following specific research questions to guide the study:

- 1) Are financial management systems in place in schools?
- 2) Are funds used appropriately in schools?
- 3) Are principals conversant with the processes, policies and procedures necessary to manage school funds effectively?
- 4) What recommended actions would address the predicaments experienced by the school principals?

1.4 Research objectives

The following specific research objectives arose out of the guiding research question:

- 1) To verify whether financial management systems are in place in schools. This calls for gathering information about whether the school principals have access to policy documents and keep financial records, as well as their general skills in handling financial duties.
- 2) To find out how finances are being used in schools. This calls for gathering information about budget allocation, matching of financial responsibilities to human resources, and transparency.
- 3) To identify whether principals are conversant with the processes, policies and procedures necessary to manage school funds effectively. This calls for gathering data about access to policy documents such as the Public Finance Management Act (PFMA), South African Schools Act (SASA), knowledge of auditing, fundraising, bookkeeping, fiscal reporting, asset management, control and monitoring of the school budget, and so forth, as delegation of fiscal obligation.
- 4) To assess the appropriateness of the existing support, training and developmental programmes to address the predicaments experienced by

school principals. This calls for gathering data about qualifications in finance, training in the budget process, compiling financial records, petty cash management, fiscal control, asset management and any other finance-related matters.

1.5 Motivation of the study

The SASA, Section 34 (1) states that the Government should make funds available to public schools in order to secure the proper practice of the rights of learners to education and redress the asymmetries of the past in education provision (*Government Gazette* No. 17579, 1996, p.24). The source of these funds is public revenue. The Act further makes a provision for SGBs of public schools to become progressively more responsible for managing aspects of recurrent spending. Control procedures and management of school finances have been challenging dating back to 1990; however, there have since been interesting developments to date (Ainley & McKenzie, 2000). This is supported by Ntseto (2009), who claimed that one of the greatest changes that has transpired in educational management since 1994 is the local management of school funds, for instance by the SGB, fincom and the school principal.

In order for schools to become successful and cope in this turbulent environment, it is necessary to see to it that the school principals are well versed in managing school funds. Blank et al. (2010) elaborate that the exchange of knowledge in the field together with the best practices provides an efficient mode to assist public schools in further developing and fleshing out its operating capacity. The outcomes of this study would provide principals and other school management teams with valuable data on the skills needed for effective financial management in public schools. It will also assist principals to update their financial management skills and enhance their financial administration competence, which could reduce the incidence of maladministration of school funds. The findings of the study will also make the Department of Basic Education (DBE) aware of the need to delegate school principals strictly on the premise of their financial management competence or to provide necessary training in this respect (Oluwadare, 2011).

1.6 Focus of the study

The purpose of this study was to examine financial management by school principals in Nkangala district of Mpumalanga province, South Africa. This study is significant in the sense that it endeavours to indicate how South African schools have moved towards international trends in terms of being self-reliant, and the impact that this has had in terms of the financial management of these schools. Self-reliant schools have been vested with powers by the SASA to manage and control their funding. This research focuses on the more prominent financial responsibility that is placed upon the contemporary school principal in public schools. This research is aimed at highlighting the need for school principals to equip themselves with the necessary financial and managerial skills to empower them to convey quality education to all learners.

1.7 Chapter summary

This chapter outlined in depth and provided insights as to the motivation of the study, focus of the study, problem statement, research questions and objectives. This study of financial management by school principals in Nkangala district attempts to contribute constructively to existing knowledge and provide new insights and understanding of key components that must be considered to deal with school finances effectively.

The following chapter (literature review) investigates the move towards decentralisation and the changing role of principals, as outlined in the legislative framework and policy documents.

CHAPTER 2 : Literature review

2.1 Introduction

The broad purpose of this chapter is to examine and analyse the relevant legislation, policies and theoretical framework that inform financial management systems in schools. According to Clarke (2008) the management of school finances can be one of the most challenging of the principal's responsibilities, because for many it is an area in which they have little or no training or expertise. Moreover, it is highly probable that the elected members of the SGB may be equally ill-equipped for the task. Mestry (2013) concurs when he states that there are many school principals who lack the necessary financial knowledge and skills. Dimmock (2013, p.4) suggests that "improvement in learner achievement are most likely to be gained in schools which are relatively autonomous, possess capacity to resolve their own problems, and in which strong leadership, particularly by school principal is a characteristic".

Control procedures and management of school finances have been challenging since 1990, however, there were interesting developments in the twentieth century (Ainley & McKenzie, 2000). Ntseto (2009) claimed that one of the greatest changes that has transpired in educational management since 1994 is the local management of school funds, for instance by the SGB, fincom and the school principal. In order for schools to become successful and cope in this turbulent environment, it is necessary to see to it that the principals are well versed in managing school funds. The focus of this work will revolve around the recommendation that a successful school must plan what it intends to achieve and outline a strategy for reaching those goals (Swartz, 2010). Blank et al. (2010) claimed that exchange of knowledge in the field and best practices provide an efficient way to assist public schools in further developing and fleshing out their operating capacity. This study seeks to investigate whether financial management systems are in place in schools and whether the principals in public schools have the capacity to handle financial issues in their organisations. Furthermore the study will attempt to identify gaps, look into the causes of these and suggest possible interventions to remedy the situation.

2.2 Schools as financial organisations

According to Ntseto (2009) financial organisation includes: (1) the development of the school building; and (2) delegating and coordinating the actions of the school budget. Section 15 of the SASA regards schools as a “juristic person”, meaning that they are viewed as a legal entity. The ability to determine the school policies and rules by which your organisation will be controlled and organised is referred to as school governance (Western Cape DoE, 2012). Likewise, public schools as financial organisations are required to adopt standardised processes when it comes to management of school funds. All the powers are vested in the hands of the principal, school fincom and the SGB.

In contrast, in corporations the financial manager has two main roles: accounting functions – usually under the supervision of the financial controller, and corporate finance – usually under the guidance of the treasurer. Accounting is concerned with the supply of information and description of economic decision making, while corporate finance deals with sources of financial backing and the capital structure of the firm (Woods & Burger, 2010).

2.3 International trends in school financial management

To meet the challenges of the rapidly changing environment in the past and the current century many educational reforms and restructuring operations have been implemented to pursue educational effectiveness and school development, not only in Canada, the United States of America and the United Kingdom in the West, but also in the Asia-Pacific region, including Australia, New Zealand, China, Singapore, Malaysia and Hong Kong (Volansky & Friedman, 2003).

Efforts towards educational reform, according to Volansky & Friedman (2003), revolve around the shift to school-based management, effective schools, financial management, development and planning in schools, and assurance in educational quality. Among all of the reforms, school financial management and school-based management are the main international trends which aim to promote effective

decisions and improve internal processes that are pertinent in teaching and learning in order to attain educational goals.

This modification in relation to devolution in many cases has resulted in a restructuring involving comprehensive changes that involve the distribution of forces and duties between groups with vested interests in schools, districts and central (or provincial) offices. Cheng & Chan (2000) proclaimed that the big question since the implementation of school-based management has always been how to improve or even re-engineer the internal school processes. The solution to this problem necessitates a new knowledge base regarding internal school processes, suggesting how a school can maximise utilisation of its internal resources to achieve optimal conditions for performance and continuous development in management, teaching and learning within the turbulent environment of the 21st century. This knowledge of internal school control is summarised in Table 2.1 (Cheng , 2000).

Table 2.1: A knowledge framework of internal school process for school-based management

Attributes	The new knowledge framework of internal school processes	Key elements to be achieved in school re-engineering
1. <i>Principles of school-based management</i>	<ul style="list-style-type: none"> • Principle of Equality • Principle of Decentralisation • Principle of Self-managing system • Principle of Human initiative 	School autonomy and self-initiative
2. <i>Knowledge of healthy school profile</i>	<ul style="list-style-type: none"> • A Positive profile on: <ul style="list-style-type: none"> ✓ school mission ✓ nature of school activities ✓ management strategies ✓ use of resources ✓ roles ✓ human relations ✓ quality of administrator ✓ evaluation of effectiveness • Monitoring educational quality in school 	Healthy and smooth school functioning
3. <i>Knowledge of strategic management</i>	<ul style="list-style-type: none"> • Including critical components: <ul style="list-style-type: none"> ✓ Environmental analysis ✓ Planning and structuring ✓ Staffing and directing ✓ Implementing ✓ Monitoring and evaluating ✓ Participation and leadership 	Continuous organisational learning and school development

	<ul style="list-style-type: none"> • A cyclical process of continuous learning, action, and development 	
4. <i>Knowledge of multi-level self-management</i>	<ul style="list-style-type: none"> • School self-management • Group self-management • Individual self-management • Self-learning and development of individuals and groups • Mutual influence and support among individuals, groups, and the school 	Human initiative of individuals, groups, and the school
5. <i>Knowledge of a dynamic process for multiple school effectiveness</i>	<ul style="list-style-type: none"> • Awareness of unbalanced situation • Adaptability and flexibility to set up priority • Maximising long-term effectiveness of multiple functions 	Multiple effectiveness of five school functions
6. <i>Knowledge of layer management</i>	<ul style="list-style-type: none"> • Matrix of school process • Layers: administrator, teacher and pupil • Layer as comprehensive unit • Management, teaching, and learning as holistic processes • Development cycles on layers 	Holistic school education and maximum opportunity for teaching and learning
7. <i>Knowledge of congruence in school process</i>	<ul style="list-style-type: none"> • Congruence in school process: <ul style="list-style-type: none"> ✓ Across actors, domains, and levels ✓ Between layer ✓ Within layer • Congruence in technology: <ul style="list-style-type: none"> ✓ Between types ✓ Within type • Congruence in culture: <ul style="list-style-type: none"> ✓ Between types ✓ Within type 	Reducing internal wastage, increasing synergy and maximising effectiveness
8. <i>Knowledge of home-school cooperation and community support</i>	<ul style="list-style-type: none"> • Total parental involvement in school education • Total family education as a strong partner • Community support 	Provision of necessary resources, ideas, and legitimacy in education and management
9. <i>Knowledge of transformational leadership</i>	<ul style="list-style-type: none"> • Shift to transformational leadership • Shift to multi-dimensions of leadership: structural, human, political, cultural, educational 	Driving force for developing members and re-engineering school

Adapted from Cheng, Y. C. (2003). New vision of school-based management: Globalization, localization and individualization. In A. Volansky & I. A. Friedman

(Eds.), *School-based management: An international perspectives* (pp. 31-56). Jerusalem: Publication Department, Ministry of Education.

2.4 Legislative rules and regulatory framework for school financial management

Government education reforms since 1994 have focused on correcting the historical imbalances and achieving equity in education efforts in South Africa (Mestry, 2013). The operations of all financial management schemes in schools do not function in silos. Makrweide (2012, p. 12) emphasised that “all financial systems are informed, influenced and directed by a series of legislative framework upon which all procedures and process are founded”. Furthermore all of the role-players within and outside the school environment should be aware of the legislation framework with regard to school finances (Western Cape DoE, 2012). The SASA, PFMA, Employment of Educators Act and Education Laws Amendment Act will be explored to answer whether the principal and / or the SGB is accountable for overseeing the school's funds (Mestry, 2013).

2.4.1 The SASA

The SASA Act No. 84 of 1996 prescribes how a school should manage its funds. It also offers guidelines for the SGB and the principals on their roles and responsibilities in handling the finances of the school. According to Makrweide (2012) the SASA is an Act that specifies a uniform arrangement for the governance, constitution and funding of schools. The Act offers a uniform system which is an organised national structure for all public schools in the Republic of South Africa.

Mngoma (2009), Motsamai et al. (2011) and McKenzie (2000) share the same sentiment that the SASA imposes responsibilities on the South African Government with respect to how the allocation of financial resources must be carried out, as well

as the responsibilities of the schools in the deployment and utilization of those funds. The SASA preamble (p.1) states as follows:

“Our country requires a new national system for schools which will redress past injustices in educational provision, provide an education of progressively high quality for all learners and in so doing lay a strong foundation for the development of all our people’s talents and capabilities”. Like the Constitution of 1996, the SASA stresses the equitable distribution of public revenue to provinces. However, the SASA also advocates a partnership funding approach to address disparities inherited by the apartheid system; partnership would help South Africa meet the following four objectives: equity, advancing quality, redressing imbalances, and improving efficiency (Jones and George, 2011; Motsamai et al., 2011).

Section 16 (1) and (3) of the SASA state that the principal is responsible for the professional management of a school, while the governance of the school vests in the SGB. The Act provides that the DBE’s management function is restricted to the professional management of the school through the principal, as the employee of the DBE, whilst the financial management component is vested in the hands on the SGB. According to Mngoma (2009) financial management can best be described as the execution of financial management activities of schools with the primary objective of achieving effective education in South Africa.

The SASA gives roles in financial management to the SGBs as well as the principals. The SGB has an obligatory role in terms of Section 20 schools, where they are responsible for establishing school funds, preparing the annual budget, keeping financial records, appointing auditors and appending the school's resources. Other responsibilities of the SGBs include: the removal and control of schools’ equipment, managing and maintaining school buildings and grounds, developing a school code of conduct, as well as permitting reasonable use of school facilities by the community (Mestry, 2006).

The Act makes provisions for the SGB to apply for additional functions in terms of Section 21, amongst others overseeing and improving school property, making sure

that extramural activities are in place, ordering and purchasing of textbooks, teaching aids or equipment, and making payments for services to the schools (Makrweide, 2012). With regard to the above, the financial roles of the SGB and the principal are illustrated in Table 2.2 below.

Table 2.2 Duties of SGM and the school principal

Governing body	Principal
Start and administer a school fund (s 37(1) of SASA)	Assist SGB with their functions in terms of SASA (chapter A 4.2 (e) (v) of Personnel Administrative Measures (PAM))
Open and maintain one banking account (Section 37(3) of SASA)	Support and guide expenditure in consultation with the SGB (chapter A 4.2 (e) (v) of PAM)
Keep the financial records of the school (s42 (a) of SASA)	Assist SGB with keeping proper record of school accounts (chapter A 4.2 (e) (i) of PAM)
Prepare an annual budget and submit to parents for approval (s38 of SASA)	Administer the process of budgeting for cost and manage the budget (chapter C 3.3 (1.21) of PAM if delegated to him/her by SGB)
Draw up and submit audited annual financial statements to the provincial office (s42 (b) and s43 (5) of SASA)	Manage the drawing up and finalisation of the annual financial statements (chapter A 4.2 (e) (v) of PAM) if delegated by SGB
Buy textbooks, educational material or equipment for the school (s20 and s21 of SASA)	Advise on textbooks, educational material and equipment to be bought by the SGB
Supplement the funds supplied by the DBE to improve the quality of education in the school (s36 of SASA)	Support the SGB with their functions in terms of SASA (chapter A 4.2 (e) (v) of PAM)
Ensure that school fees are collected according to decisions made by the SGB (s39-41 of SASA)	Ensure controls are in place and operating for cash collection
Decide on applications for exemption from school fees	Monitor compliance

Adapted from Western Cape Education Department, 2010. Basic financial system for schools. Cape Town: Western Cape Education Department. p.9.

2.4.2 The PFMA

According to the SASA, schools are bound to spend State funds for resources, services and repairs and maintenance of schools. Although the PFMA DBEs not charge principals with responsibilities on how to manage funds per se, forces are invested in the provincial Heads of Department (HoDs) as accounting officers of the State. The PFMA (Act 1 of 1999 as amended) DBEs not explicitly stipulate that schools should have an accounting officer. However, Section 36 (c) (1) makes a provision that all constitutional institutions and departments must have an accounting officer. The principals and SGBs get instructions from the HoDs in the form of circulars, workshops, meetings, etc., on how resource allocation for schools should be expended (Mestry, 2013).

Hansraj (2010) and Makrwede (2012) shared the same sentiment that funds allocated to schools should be used only for a particular purpose. For instance, 50% of the budget should be allocated to learning and teaching support materials (LTSM), and 50% for services rendered, repairs and upkeep of the schools. Mestry (2013) emphasised that in the event of a school having not elected an SGB, the HoD has the ability to nominate a person to act as SGB, and that person, *ipso facto*, becomes the accounting authority on behalf of the school. Schedules 2 and 3 of the PMFA describe the school as falling under the ambit of the SASA; as a consequence, the PMFA has no direct applicability to schools.

2.4.3 The Education Laws Amendment Act

The Education Laws Amendment Act 31 of 2007 amends Section 16 of the SASA to clearly outline the additional functions and duties of principals in public schools. The Act indicates that the school principal represents the HoD in the SGB when acting in an endorsed capability.

The Act also makes provision that the school principal should:

- a) "Prepare and submit to the HoD an annual report in respect of:
 - 1 the academic performance of that school in relation to minimum outcomes and standards and procedures for assessment determined by the Minister of Education; and
 - 2 the effective use of available resources.
- b) undertake the professional management of a public school and carry out the following duties, which include the implementation of all educational programmes and curriculum activities, the management of the use of learning support material and other equipment, the safekeeping of all school records, the implementation of policy and legislation, and the performance of functions delegated to him/her by the HoD. In addition, the principal should attend and participate in all SGB meetings, inform the SGB about policy and legislation, and provide accurate information to the HoD when requested to do so.
- c) assist the SGB in the performance of its functions and responsibilities, but that such assistance must not be in conflict with instructions of the HoD, legislation or policy, an obligation towards the HoD or the MEC, or a provision of the EEA, and the PAM" (Republic of South Africa, 2007,p.5).

These amendments basically imply that the principal is held responsible to the HoD for ensuring the efficient utilisation of usable resources, overseeing the use of educational activity and reading support materials, safekeeping of all school records, informing the SGB on policy and statute law and implementing it accordingly, offering precise data when requested by the HoD, and assisting the SGB in the carrying out of its roles and duties (Mestry, 2013). Woods and Burger (2010) and Hansraj (2010) also share the same sentiment that in order to assure that school funds are managed effectively and efficiently, it is necessary for principals and SGBs to guarantee the existence and effective execution of a sound, indisputable financial policy and operations. This calls for the HoDs to make regular checks and counter-checks to ensure that mismanagement of funds by whatever individual or groups DBEs not take place.

Ainley and McKenzie (2000), Makrweide (2012), Motsamai et al. (2011) and Ntseto (2009) hold the same view that most SGB parent members have experienced problems in satisfying their obligations of governance, due to their busy schedules, commitments, and lack of expertise in carrying out their financial responsibilities.

Section 16 (3) of SASA, emphasise that SGB and the principal must support each other in the running of the fiscal obligations of the school.

2.5 Section 20 vs Section 21 schools

Section 20 and 21 descriptors refer simply to SASA categories describing the various functions exercised by the SGB in the public schools at which they have been elected to serve (Clive, 2010). Mngoma (2009) attests that all public schools are section 20 schools and all the SGB roles are incorporated in this section of the Act. Mestry (2013) holds the same view and affirms that the section 20 of the SASA provides the SGB with the power to administer and control school property and buildings and resources occupied by the school.

On the other hand, section 21 descriptors encompass the additional roles that may be delegated to the SGBs by the HoD. This view is supported by Mestry (2013), who argues that the school is allocated Section 21 by the HoD provided that the school has displayed and highly demonstrated the capacity to manage school finances efficiently and effectively. The HoD can only grant Section 21 status provided that he/she has ascertained that the school has done well in managing its funds and submitted a clean audit (Swartz, 2010). Contrary to popular public belief, it is necessary to emphasise that most of these extra roles are actually additional financial responsibilities, and do not add significantly to the powers of SGBs (Clive, 2010). Mestry (2013) further revealed that in most cases SGBs find themselves delegating their financial obligations to the school principal. Some of the reasons for delegation of tasks include: (1) lack of acceptance by some members of the SGB, (2) SGB members having less or limited time to carry out their duties, and (3) SGB members living far away from the school where most meetings are usually hosted.

A comparative study by Makrwede (2012) found that in many cases SGBs, due to insufficient knowledge, ended up assigning their financial responsibilities to the school principal. A problem arises when the delegated body starts to abuse the powers invested in him/her by the governing body of the school. Although it is reasonable for the SGB to delegate their financial responsibilities to the principal, who happens to have better insight into the tasks, a problem arises when the principal pursues his or her own objectives at the expense of the school. In his study Ntseto (2009) claimed that the principal is in the position of wielding power and authority when the members of the SGB are either ignorant or have little knowledge when dealing with school financial matters.

2.6 Training of the principals and SGBs

Section 19 of the SASA stipulates that the HoD ought to impart basic training to the SGBs and the principals in order to empower them to execute their financial roles with ease (Mestry, 2004). Hansraj (2010) and Makrwede (2012) further suggested that the SGB and principal should be provided with continuous training to promote effective carrying out of their affairs or to enable them to execute school financial duties. The *Government Gazette* (2012) verified that the training as reflected in Section 19 (4) of SASA should be designated to enhance the mental ability of governing bodies and principals to carry out their statutory roles as established by Sections 20 and 21 of the SASA. Such training should aim at the improvement of knowledge, skills and/or position of the governing body members and principals.

2.7 Schools' funding and allocation

Clive (2010) affirms that it is the responsibility of the Government to fund public schools from public revenue on an equitable basis in order to assure proper practice of the rights of learners to education and redressing of past inequalities in education provision. The SASA further enforces a reasonable obligation on the SGBs to take all reasonable measures within its intent to supplement the assets provided by the DBE to enhance quality of teaching and learning by schools for all their learners. Here is an outline of the assets which are contributed by the State:

1. The procurement of State-paid teaching posts concurs with a model built with respect to learners' enrolment, school phases and educational module decisions. This includes application of contemplation of value through a methodology of top-cutting of the aggregate number of posts and distribution of additional posts within schools in need. By and large, schools of the same sort with comparable learner numbers and comparative educational programme decisions get the same staff distributions.
2. The dissemination of a value driven by every learner subsidy to every State-funded school. Schools are partitioned into five equivalent categories (also called national quintiles), taking into account financial considerations and the number of learners in schools serving the poorest of groups. The poorest group receive a yearly subsidy six times that paid to learners in schools serving the better off groups. Table 2.3 shows the per capita subsidies as dictated by the Minister of Basic Education for the last five years.

Paragraph 110 of the amended National Norms and Standards for School Funding (NSSF) outlines the national target amount per learner allocation in public schools (DBE, 2013).

Table 2.3 Target table of per capita subsidies

	2010	2011	2012	2013	2014	2015*
NQ 1	855	901	943	1010	1059	1108
NQ 2	784	826	865	1010	1059	1108
NQ 3	641	675	707	1010	1059	1108
NQ 4	428	451	472	505	530	554
NQ 5	147	155	162	174	183	191

*Indicative - CPI inflation rate adjusted [2015 figures inflation adjusted, CPI inflation -National Treasury Budget Review].

Adapted from NNSFF, 2014. Amended National norms and standard for school funding. *Government Gazette, No. 36222, 8 March , 573(36222), pp. 1-4.*

Given that teachers have a sensible premise and as such can be ousted from the numerical formula when separating schools, in real terms there are different schools whose operational budget is way off the actual budget in terms of the per learner subsidy provided by the DBE (Clive, 2010). For example, in 2015 a national quintile 5 school with 650 learners will receive R124 150; most schools in this category have an operational plan amounting to R5 million every year. Certainly there is a shortfall, which means the schools need to explore other mechanisms to raise funds, such as charging school fees, fundraising, renting out areas, etc.

2.8 Financial planning and budgeting in public schools

Jordan, Ross, and Westerfield (2010. p89) refer to financial planning as “the task of determining how a business will afford to achieve its strategic goals and objectives”. Normally a company creates a Financial Plan immediately after the vision and targets have been put in place. Public schools are therefore expected to engage in financial planning processes in order to achieve their strategic goal and targets. Financial planning therefore postulates the crafting of objectives, evaluating the

resources at your disposition, predicting what the future needs of the establishment will be, and developing plans to achieve those fiscal and monetary goals (Makrweide, 2012). The Financial Plan shows each of the natural processes, resources and materials that are needed to achieve these goals. In addition, it is necessary to determine the related time frames (Jordan et al., 2010).

Furthermore, it is necessary for the financial manager to take into cognizance the following aspects when planning: (1) types of resources required, (2) quantify the measure of resources needed, (3) come up with the total cost to create a budget, and (4) consider the pros and cons for the line items to be included in the budget.

Why is it necessary for public schools to perform financial planning? Woods and Burger (2010) suggest that fiscal provision is essential to the success of any system as it furnishes information as to whether the set objectives are achievable from a financial point of view. Financial provision or planning is then followed by the budgeting procedure.

2.8.1 Financial or budgetary period of public schools in South Africa

According to Section 44 of the SASSA the budgetary year of all public schools begins on the first day of January and closes on the last day of December of every year. Schools are thus required to design and craft their budget annually.

2.8.2 Budget system

Noreen, Brewer and Garrison (2011) define a budget as a quantitative plan for obtaining and using resources over a defined time period. In the broadest sense, a budget is a portion of cash which is focused for some reason (Hope, et al., 2009). Graham-Blake (2012) reiterates that the school budget is an announcement of consumption and monetary recommendations for the resulting year, to be exhibited to the SGB for its approval.

Budgets are used everywhere; for example, Individuals sometimes create household budgets that balance their income and outlays for food, clothing, lodging, and so on, while providing for some savings (Noreen, Brewer & Garrison, 2011). Schools as public entities and companies use budgets in a standardised way, although the amount of work and underlying details far exceed a personal budget (Jordan, et al., 2010). In proclamation, to ensure that the budgeting process is being followed it necessary to compare the actual spending to the focused budget.

According to DBE (2013), budgets are utilised for two different purposes: planning and controlling. Planning includes creating objectives and preparing different budgets to accomplish those objectives. Control involves the trajectory of events taken by school principals to improve the probability that all parts of the organisation are cooperating to accomplish the objectives outlined at the planning phase. To be compelling, a decent budgeting framework must accommodate both planning and controlling; effective planning without compelling control is an exercise in futility and exertion (Noreen, et al., 2011).

The SASA Act No. 57 of 2001 (Section 38) emphasises that the SGB must prepare the budget yearly, according to recommendations determined by the Members of the Executive Council in a Provincial Gazette, which indicates the focused income and consumption of the school for the succeeding fiscal year. Prior to endorsement of the budget by the SGB a 30 days' notice parent meeting must be convened to permit members to inspect and approve the school budget. Parents will be afforded a chance to vote and majority rule will be applied where a decision to accept or reject the budget will be adopted.

2.8.3 Budget process

Effective preparation is the key to success of the budgeting procedure. According to the Western Cape Department of Education (DBE) (2010) budget planning and financial planning provide justification for the requested budget, and enables the organisation to operate within the limits of their budget as well as increasing the

likelihood of approval. Figure 2.1 shows a graphic representation of the budgeting process. The budget process commences with effective planning by the fincom, which obtains input from various departments. fincom then draws up a draft budget based on historical data and future school needs. Preparation of the budget is then accompanied by budget meeting where the draft budget is scrutinised. A notification must be sent to parents 30 days before the meeting to discuss the budget. Furthermore the draft budget must be available for examination by parents at least 14 days prior to the budget meeting. The tertiary phase of the budgeting process is adoption of the budget by the parents. The approved budget forms a framework within which all of the expenditure is effected over the financial period. Once the budget is approved the fincom begins to monitor the budget in consultation with the SGB.

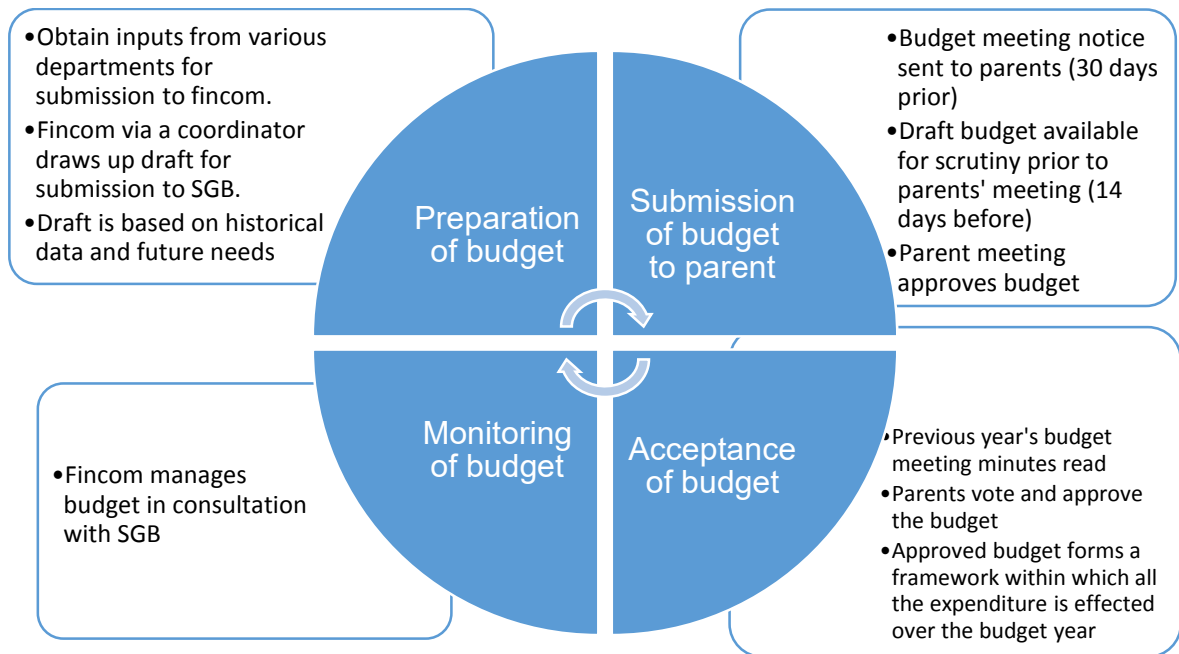


Figure 2.1: Graphic representation of budget process.

Adapted from WCED, 2010. *Basic financial system for schools*, Cape Town: Western Cape Education Department. p11.

2.8.4 Benefits of budgeting

Makrwede (2012) and the Western Cape DBE (2012) recognise the accompanying profits of planning:

- A budget can assist schools to meet sparing objectives;
- A budget serves as a control measure to monitor current consumption;
- Realistic budgets enhance money streams/cash flows;
- An effective budget get can help the whole staff to focus on an objective;
- Contingencies can be composed with the financial support to avoid startling liabilities; and
- Regular budget monitoring reveals areas of over- or under- expenditure.

2.8.5 Common items to be included in the school budget

Table 2.2 below shows the items that should be included in the school budget as either income or expenses. Section 38 of the SASA stipulates that the budget must balance (i.e. the total income must equal the total expenses). Furthermore, the SGB and fincom should not include surplus or deficit from previous years in the recent budget.

The following items should be included in the budget as income: school fees, fundraising or development, State allocation for Norms and Standards, State allocation for municipal expenses, State allocation for unscheduled maintenance, school allocation for safe schools, etc.

Possible expenses include: municipal services, textbooks, maintenance, personnel expenditure, travelling allowance, capital expenditure, telephone/internet.

Table 2.2: School budget template

Income:	R no.		
	_____	School fees	_____
	_____	Gross school fees	_____
	_____	Total Fund Raising/Development	_____
	_____	State allocation for safe schools	_____
	_____	State allocation for Norms and standards	_____
	_____	State allocation for unscheduled maintenance	_____
	_____	State allocations for municipal services	_____
	_____	State allocations for other expenses	_____
	_____	Exemptions with respect to school fees	_____
	_____	Bad debt in respect of school fees	_____
		TOTAL INCOME	_____
EXPENDITURES:			
	_____	Municipal services	_____
	_____	Textbooks	_____
	_____	Maintenance	_____
	_____	Personnel expenditure	_____
	_____	Traveling allowance	_____
	_____	Capital expenditure	_____
	_____	Telephone/internet	_____
	_____	Other	_____
		TOTAL EXPENDITURES	_____
		TOTAL SURPLUS/(DEFICIT)	_____

Designed by the researcher to illustrate the important line items to be included in the school budget.

2.9 Receipting income

Section 39-41 of the SASA outlines the procedure in schools for handling and receipting income. Most public schools generate their revenue from a variety of sources, *inter alia*: school fees, State allocation for municipal services, unscheduled maintenance, asset disposal, rentals, fundraising proceeds, cash donations, and the proceeds from tuck-shop sales (Western Cape DBE, 2012). The SASA requires schools to make a formal recognition, in the form of a receipt issued, of all income received. Such receipt must reflect the date, the name from whom the income is

received, nature of the income, amount received, unique number, and whether the income received in a form of a cheque or cash. All recording should be done in the cashbook and all the income received must be deposited in the school account immediately. In the case where income is received electronically it is not necessary for the schools to issue receipts, since such income will be reflected in the school account (Western Cape DBE, 2012).

2.10 Petty cash, procurement and other payments

Section 84 of the SASA sets out the framework for all procurement, payments and handling of petty cash by schools. The procurement cycle commences with the identification of needs according to the approved budget. Fincom and the SGB work together in sourcing at least three quotations from the qualified service providers or contractors. It is important that the order is placed according to the school financial policy and that all records are kept. This process is followed by the delivery of the service or order, where proper checking is made against the order and necessary signatures are attested. The last stages of the procurement cycle include payment and record-keeping. Payments are made through cheque requisition in accordance with the school financial policy. Financial records such as cheque requisition and invoices must be must recorded and filed at all times.

According to the Western Cape DBE (2012), the SGB must formally approve the establishment of petty cash, as well the reasonable funding level given the operational requirements of the school. This is followed by formal appointment of the petty cash officer in writing.

2.11 Internal control

Act 108 of the South African Constitution, Act 84 of the SASA, Act 1 of the PFMA and the South African Audit Standard outline the necessity of internal control in schools to curb fraud, and highlight fraudulent behaviour signals: "Fraud can be

defined as the intention to commit an illegal or irregular act or to attain a goal which is not in harmony with the law, public policy or the policy of the institution” (Western Cape DBE, 2012:50). The Western Cape DBE (2012, p.50) defines fraudulent acts as follows:

“Fraudulent acts include the following:

- Maladministration of financial misconduct in handling or reporting money, transaction or assets
- Irregular behaviour in the allocation of funds
- Disclosing confidential information
- Manipulative conduct in awarding contracts
- Invoicing for the work not done
- Theft of funds
- Personal use of assets, e.g. equipment of the institution
- Abuse of internet services of the institution
- Deliberately refusing to report or act upon dishonest or suspicious conduct
- Non completion of leave form and non submission of leave forms.”

2.12 Financial statements

According to Graham and Winfield (2010) financial statements divided into 3 categories, namely: (1) statements of financial position (also called balance sheet), (2) statement of comprehensive income, (3) statement of cash flow and (4) and statement of change in equity. Statement of financial position indicate the sources of funding and what use the funding has been allocated; statement of comprehensive income shows how the business has managed to turn its assets to make a profit while the statement of cash flow focuses only on the cash flows into or out of the business.

Makrweide (2012) and Western Cape DBE (2012) also articulated that financial statements provide guidance to the legislative requirements of Section 43 of the SASA and Section 38 of the PFMA. The Western Cape DBE (2012, p.59) claimed that “the annual financial statements must be prepared on the historical cost basis and accordance with Generally Accepted Accounting Practice (GAAP)”. Graham and Winfield (2010.p1) further attested that the “ purpose of financial statements is to enable the people who read them to evaluate the decisions and events that have affected a business in the past, and to determine whether the business has achieved its ultimate objectives, as well as to assess its potential for doing so in the future”.

2.13 Asset management

Assets are generally the items that a business or entity has control over. They can be tangible (meaning that they can be physical, like buildings or vehicles) or intangible (non-physical objects/things, like a trademark) (Graham & Winfield, 2010). The Generally Accepted Accounting Practice, Section 38 of the PMFA and Sections 20 and 37 of the SASA provide institutions (e.g. schools) with guidelines on how to manage assets effectively and efficiently.

The SGB has the authority to appoint in writing an asset officer who will be responsible for taking care of and protecting the school’s assets (Section 37 of the SASA). Other duties of the asset officer include ensuring that: (1) assets are marked with black ink, (2) they are only used for intended purposes, (3) they are physically secure to prevent theft or misuse, and (4) significant assets are insured. Furthermore the asset officer is required to provide the SGB with a quarterly comprehensive report about the acquisition, loss or disposal of assets. Figure 2.2 provides a graphic overview of asset management.

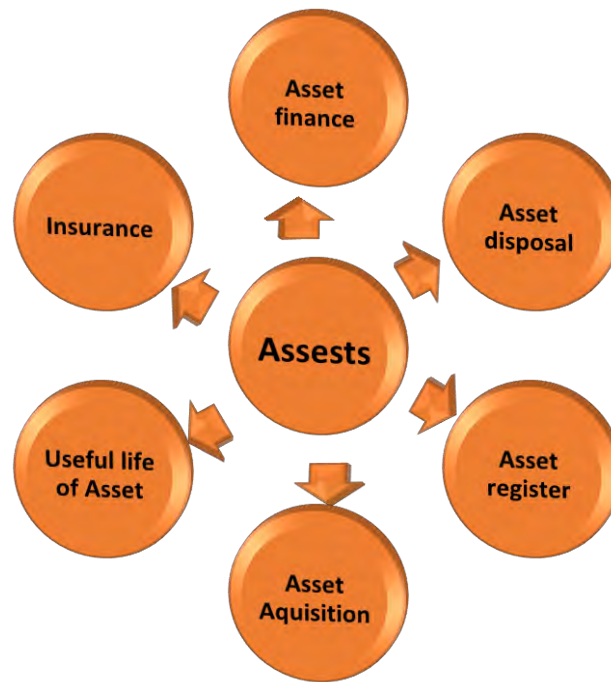


Figure 2.2 Diagrammatic representation of aspects of asset management.

Adapted from Western Cape DBE, 2010. *Basic financial system for schools*, Cape Town: Western Cape Education Department. p.61.

The major accounting effects related to type of assets are summarised in Table 2.4, which also simplifies the complexities which arise when one compiles financial statements (Graham and Winfield, 2010).

Table 2.3 Major accounting effects related to type of assets

Type	Definition	Measurement model	Effect on statement of comprehensive income
Property and plant equipment	Tangible, held for use in business, benefits expected to last for more than a period	Cost model or revaluation model	Depreciation possible impairment Depreciation possible impairment Adjusted to other comprehensive income

Investment property	Held to earn rentals and / or capital appreciation	Cost model or fair value model	Depreciation possible impairment No depreciation adjustment to profit or loss
Intangibles	Identifiable non-monetary asset without physical substance	Cost model or revaluation model	Amortisation possible impairment Indefinite life Intangibles not amortised, but subjected to annual impairment
Goodwill	Difference between cost and net asset value on acquisition of another business	Cost	No amortisation Annual impairment test
Inventory	Held for sale, in process of production or supplies	Lower cost or net realisable value	Cost of sale
Non-current assets held for sale	Non-current, intended to be sold during the next reporting period	Lower of carrying amount or fair value less cost of sale	No depreciation Possible impairment
Financial instruments	Includes cash, receivables, payables, share and derivatives	Amortised cost (for some) Fair value (for others)	Possible impairment Fair value adjustment to profit or loss or other comprehensive income depending on classification
Biological and agricultural assets	Living animals and plants, and the products harvested from them	Fair value	Fair value adjusted to profit or loss

Adapted from Graham, M. & Winfield, J., 2010. *Understanding financial statements*. 2nd ed. Cape Town: Cape Business Seminars. p.173

From Table 2.3 it is evident that the business can choose between the two models, namely the cost model or fair value model when disposing of or acquiring assets.

2.14 Accounting records

Accounting records are vital to any institution to ensure effective and efficient records on day-to-day transactions (Western Cape DBE, 2010). Such records include, *inter alia*, trial balance, South African Revenue Services records, financial statements, bank statements, bank reconciliation statements, petty cash journals, ledgers, payments cash books, and receipts. Section 42 of the SASA requires all of these records to be kept at school at all times.

2.15 Chapter Summary

Budgeting is executed for arranging and control purposes. It permits the managers, leaders and visionaries to distinguish and set business destinations and objectives. Schools are public entities and accordingly their administration is focused around authoritative procurements appropriate to open public institutions. As examined in this chapter, making sound money-related administration frameworks is the premise for development and advancement of any public institution. The effective financial administration of school accounts is conveyed as a result of applicable enactment and strategies. Regulating proper budgetary administration frameworks in schools is urgent in promoting responsibility and good governance.

From the hypothetical monetary administration system overviewed in this chapter it becomes obvious that proper financial planning is unmistakably an essential component in controlling and checking usage of trusts in schools. The principal as the accounting officer assumes a crucial part in arranging and putting in place budgetary administration structures that will be a main impetus towards maintaining

effectiveness and transparency in using school funds. Therefore for schools to meet their mandate of providing education for the benefit of learners there is a need for a fully coordinated and systematic approach to managing school funds. Likewise, for the principals to meet their mandatory role of providing better education for all learners, it is necessary to ensure that financial management systems are in place.

The research methodology used in this study will be discussed in the next chapter. Furthermore the geographical area where the study was conducted, the study design and the population and the sample will be described.

CHAPTER 3 : Research methodology

3.1 Introduction

This chapter describes the research method adopted in this study. It first discusses the location of the study; the data collection strategies adopted in this study; the research design; and methods of data collection and analysis.

3.2 Location of the study

According to Mpumalanga DBE (2012), Nkangala district comprises 20 circuits and 539 public schools. There are 315 primary schools, 131 secondary schools, 55 intermediate and 38 combined schools. The targeted circuits are shown in

Figure 3.1.

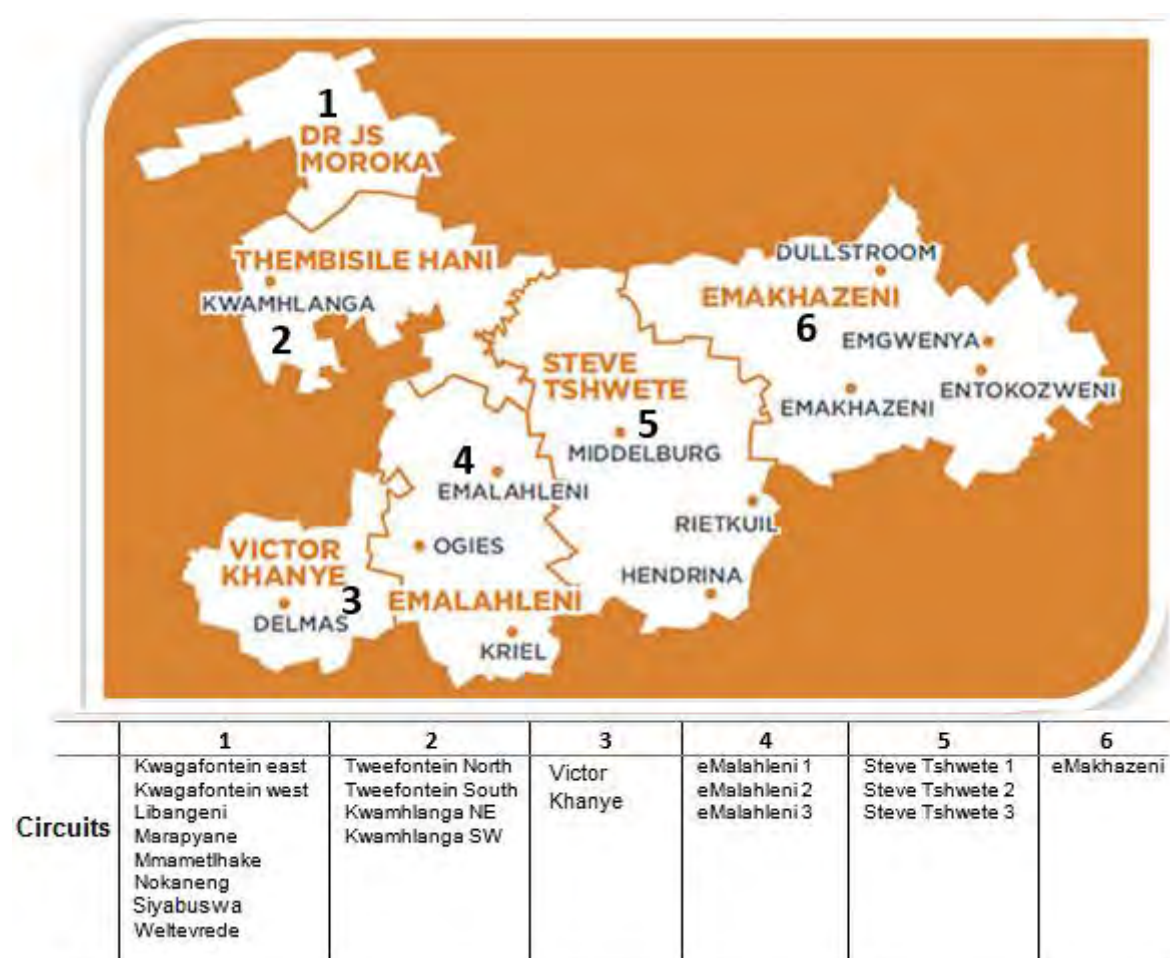


Figure 3.1 Nkangala district map showing the 20 circuits.

Adapted from: *The Local Government Handbook, 2012*. [Online] Available at: <http://www.localgovernment.co.za/districts/view/33/nkangala-district-municipality> [Accessed 12 October 2014].

3.3 Data collection strategies

A sample size spreadsheet which examines population sizes and recommends the appropriate sample size was consulted to estimate appropriate sample size for the study as shown in Figure 3.2 below (Research Advisor, 2006)

Required Sample Size[†]
from: **The Research Advisors**

Population Size	Confidence = 95.0%				Confidence = 99.0%			
	Degree of Accuracy/Margin of Error				Degree of Accuracy/Margin of Error			
	0.05	0.035	0.025	0.01	0.05	0.035	0.025	0.01
539	225	320	399	510	298	386	448	522

Figure 3.2 Figure 3.2 Estimating the required sample size

Adapted from Boyd, P., 2006. *The Research Advisor*. [Online] Available at: <http://www.research-advisors.com/tools/SampleSize.htm> [Accessed 01 June 2014].

The formula used for these calculations is shown below.

Equation 3-1 Formula for estimating sample size

$$n = \frac{N \times \chi^2 p(1-p)}{[ME^2(N-1)] + [\chi^2 p(1-p)]} \quad \dots(3.1)$$

where:

n = required sample size

χ^2 = Chi-square for the desired confidence level at 1 degree of freedom

N = population size

p = population proportion (equal to 0.50 for this table)

ME = desired margin of error (expressed as a proportion)

Adapted from Boyd, P., 2006. *The Research Advisor*. [Online] Available at: <http://www.research-advisors.com/tools/SampleSize.htm> [Accessed 01 June 2014].

Figure 3.2 suggests that the sample for the population of 539 schools at 95% confidence level and marginal of error of 5% is approximately equal to 225. In this study 245 questionnaires were returned to the researcher for analysis. All of the principals in the Nkangala district were given a questionnaire to complete. The questionnaires were distributed to the principals via the circuit office, where each public school had a pigeonhole (this is how the DBE communicates with the schools on a daily basis). Principals clear their pigeonhole at least twice a week.

The questions were structured and categorised in a manner that responded to the research questions. The questionnaire had a three-point Likert scale representing the responses of 'Yes', 'Not sure' and 'No'. The questionnaire was very suitable for the data collection because each respondent was required to reply to the same set of questions; it therefore offered an efficient means of collecting data from the population.

The questionnaire allowed the researcher to collect quantitative data from the respondents. According to Makrweide (2012) quantitative research is an objective and systematic process that is applied to obtain information in order to describe variables and their relationships. A quantitative approach was applied in this study

by collecting quantitative data through administration of anonymous questionnaires to which principals of schools in Nkangala district responded.

The information acquired from the questionnaire was tabled, checked, counted and reported as numerals to answer the research questions. Therefore each question was dissected and interpreted in terms of the recurrence of responses, followed by interpretation and elaboration. Graphic representation of responses and percentages of these were also used to outline the results.

3.4 Research design and methods

3.4.1 Descriptive cross-sectional study

According to Trochim (2006) a descriptive cross-sectional study is a type of observational study that includes the investigation of information gathered from a population, or a delegate subset, at one particular point in time (i.e. cross-sectional information). A descriptive cross-sectional study was conducted amongst all of the school principals in the Nkangala district of Mpumalanga province of South Africa, and no sampling was required.

3.4.2 Recruitment of study participants

Participants were enlisted from the pool of all Government-funded schools in Nkangala district in Mpumalanga. Pre-meetings were held with the district and circuit authorities to framework the reason for the study and how it will benefit the DBE. At this gathering it was suggested that circulation of the questionnaire ought to be through the circuit office, as opposed to on-site visits. The questionnaire was accompanied by an informed consent letter and a research motivation letter illustrating the motivation behind the research.

3.4.3 Construction of the instrument

The primary objective of the questionnaire survey was to test whether the school principals are conversant with the financial duties of their institutions. It also endeavoured to capture an overview of the current level of financial management in public schools. According to Hoe (2006), a survey is a quick and productive method for gathering data with respect to respondents' perceptions about a particular research question.

There are a few approaches to gathering information (Sekaran & Bougie, 2013). In the case of this study, these could incorporate individual meetings, school-based interviews, a postal survey and online survey. Individual meetings were not adopted on the grounds that this system was too time-intensive. Likewise it would be hard to complete school-based interviews as principals might be suspicious of a spectator. Postal and online surveys were avoided due to lack of internet access in most schools in the district.

The questionnaire contained 45 questions that were divided into two sections. Section A included information about the demographic profile of the respondents as well as their schools. Section B was subdivided into four subsections according to the research objectives. The first part outlined questions about the relevant financial legislation policies; the second part outlined questions that sought to understand how finance is used in schools; the third part contained questions about procedures for effective and efficient financial management systems; and the last part was about the existing support, training and developmental programmes to address the predicaments experienced by school principals.

3.4.4 Pretesting of the questionnaire

Mestry (2006) and Hansraj (2010) characterise pretesting as administration of the data gathering instrument to a small set of respondents from the larger population to be used for the full research study. There was a need for pretesting in this study as it enabled the researcher to evaluate whether the questionnaire was consistently

filled out appropriately, whether the questions were understandable, whether the questions were understood by respondents, and whether the questions were testing what they were supposed to be testing. Four principals, two from Libangeni circuit and the other two from Marapyane circuit, were asked to complete the questionnaire and to make comments about the questions they deemed ambiguous. The principals were able to complete the questionnaire within 25 minutes without asking for any guidance from the researcher. Therefore there was no need to rephrase any of the questions. Some minor spelling mistakes were corrected.

3.4.5 Pilot study

The aim of the pilot test was to refine the questions and to deal with any possible practical arrangements that might have a negative influence on the effectiveness of the research procedure. It also enabled assessment of issues of validity and reliability of the information that would be collected.

A pilot study was conducted through administering the questionnaire survey to 10 school principals in Libangeni circuit of Nkangala district in Mpumalanga province. Selection criteria were predicated on accessibility of the schools, convenience and cost efficacy. In essence, the researcher piloted his neighbouring public school. All principals were able to complete and return the questionnaire within the stipulated time frame. The researcher did expeditious analysis to ascertain whether the questionnaires were accumulating data that will provide insights to the research questions. The pilot study showed that the questionnaire was efficient in sourcing out the information from the respondents.

3.4.6 Administration of the questionnaire

The distribution and collection of questionnaires for this study took place in two stages. In the first the researcher distributed and collected the questionnaire from respondents at the principals' meetings called by the Members of the Executive

Committee. This strategy helped the researcher to diminish the likelihood of questionnaires being lost or not brought back by respondents. However, only 102 principals attended the meeting. In the second stage the researcher distributed (473) questionnaires to the public school principals via circuit offices. Prior to distribution of the questionnaire it was necessary for the researcher to set up meetings with the circuit managers to provide details about what the study entails. The meetings also strengthened the relationship and built trust between the researcher and the circuit managers, who in turn voluntarily motivated the principals to participate in the study.

The researcher adopted the communication system that the circuit offices use to share information with the schools. The communication system works on the premise that all schools within the circuits have a pigeonhole located at the circuit office. The schools collect their post at least twice a week. Therefore the second set of questionnaires was placed by the researcher in the schools' individual pigeonholes, accompanied by informed consent letters, and a research motivation letter. Only 143 questionnaires were completed and returned to the circuit office within the stipulated time frame.

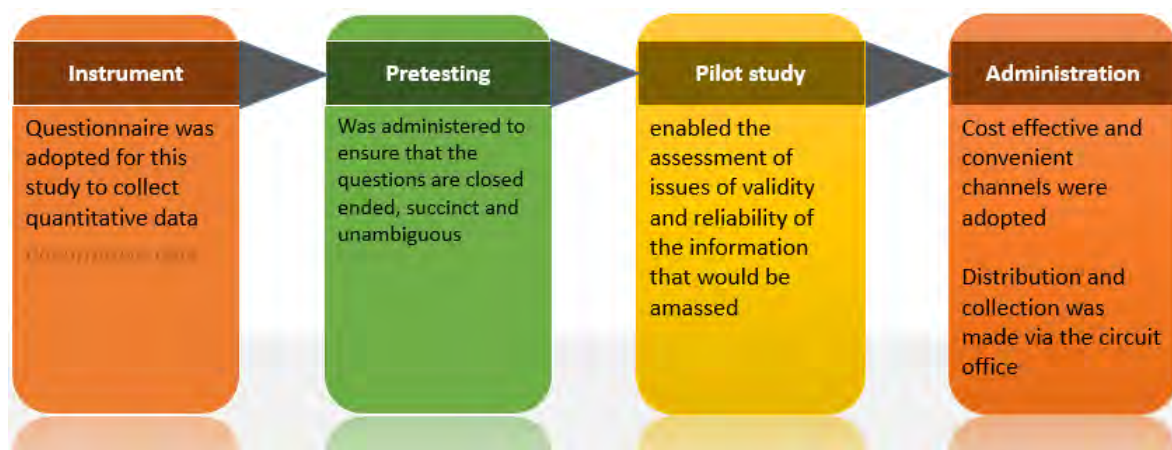


Figure 3.3 Actual Interrelated data collection tool adopted in this study.

Adapted from Erasmus, L., 2008. Assessing financial performance in the South African Public Service. *Journal of public administration*, Volume 8, pp. 57-66.

3.5 Analysis of data

The information acquired from the questionnaires was tabled, checked, counted and reported to answer the research questions. Descriptive statistics were calculated for numerical variables and frequency distribution was used for categorical variables. According to Keller (2012) the Chi-square test is used to determine whether there is an association between two categorical variables (e.g. Likert options vs gender). The Chi-square test was used in this study, and P-values of less than 0.05 were considered statistically significant.

3.6 Chapter Summary

The institutionalisation of school funds is moderately new in South African schools. This new method of dealing with schools' funds led to the researcher's decision to investigate the proficiency of financial management by school principals in Nkangala district, Mpumalanga, South Africa. This chapter dealt with the methodology used and process conducted by the researcher in order to gather and organise the data from the sampled principals in Nkangala district. The findings and discussions that were derived from the above process will be explored in the Chapter 4 (analysis and interpretation of the results and findings).

CHAPTER 4 : Results and discussion

4.1 Introduction

In this chapter the results of the empirical research study will be revealed, investigated and discussed. In-depth interpretation will be executed to provide more meaning in terms of the research outcomes. The data collected were influenced by the literature review, in that management of school finances can be one of the most challenging of the principal's responsibilities. This chapter is dedicated to the detailing and discussion of the quantitative data collected through administration of an anonymous questionnaire to the school principals. The focus here was to develop a picture of how savvy or otherwise the principals were as school accounting officers – and whether they had insight into and could effectively apply legislation and policy documents to develop effective and efficient financial management systems in their schools.

4.2 Response rate

A total of 245 principals (102 from the first stage and 143 from the second, see 3.4.6) responded to the questionnaire survey from the total population of 539, resulting in a 45% response rate. According to Wyse (2012) the survey response rate needed for a 95% confidence level with a 5% margin of error ranges between 45% and 55%. Anseel *et al.* (2010) also propound the view that survey researchers should be aware that they may obtain lower/higher response rates depending on the respondent type surveyed, and that some response-enhancing techniques may be less/more effective in specific samples. There is ample evidence from the previous chapter to show that the response rate and the sample size for this study were reasonable, and that the outcomes provide an accurate representation of the population under study.

4.3 Gender distribution

More than half of the respondents were male (56%), while 44% were female. This gender distribution concurs with Moorosi (2007), who argues that while 70% of teachers are females, less than 30% are in senior positions.

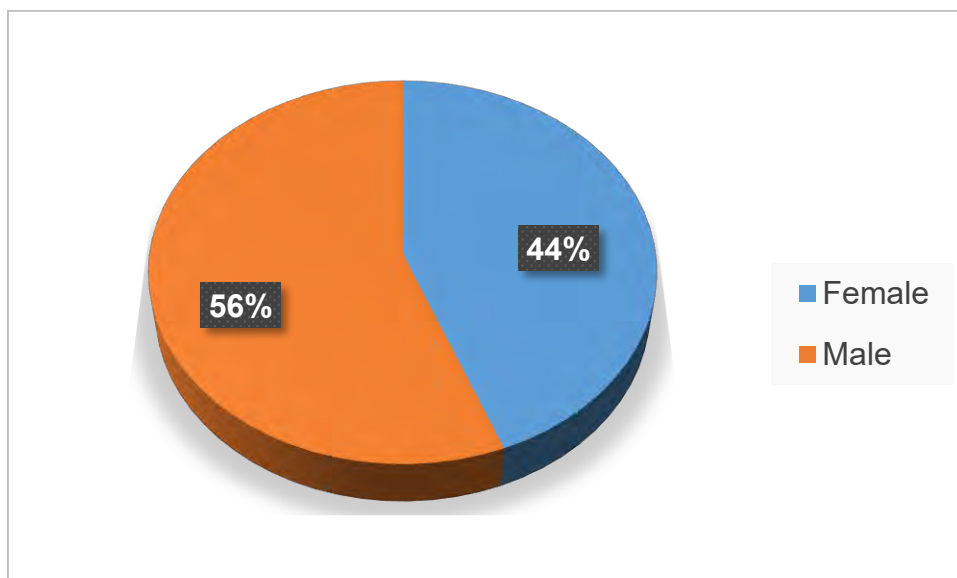


Figure 4.1 Proportion of males to female respondents

4.4 Schools' demarcation into quintiles

Grant (2013,p.1) asserts that “all South African public schools are categorised into five groups, called quintiles, largely for purposes of the allocation of financial resources”. Along similar lines the DBE (2011) outlines that the quintile of a school decides the aggregated assets designated to the school. Moreover, the quintile of a school is dictated by the territory of the school: schools in rural areas fall into quintiles 1 and 2; those that are on the edge of town are in quintile 3; and schools that are in urban regions are in quintiles 4 and 5. Figure 4.1 illustrates that the overwhelming majority (96%) of respondents originated from profoundly rural schools (i.e. in quintiles 1, 2 and 3). These school are “no-fee schools” and rely solely on the Government subsidy and fundraising activities for their income (Makrweide, 2012).

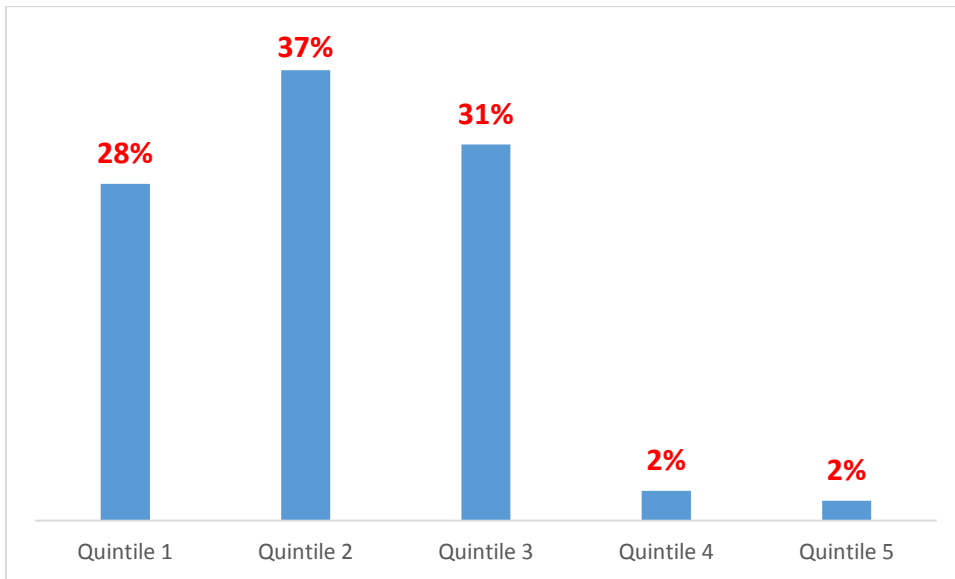


Figure 4.2 Nkangala schools' demarcation into quintiles.

4.5 School status

Of the principals, 85% were from Section 21 and the rest from Section 20 schools (Figure 4.2). According to the Mpumalanga Department of Finance (2012) there are 88% Section 21 schools in Nkangala district. Therefore the data gathered in the study best represent the schools' population. It should be noted that Section 20 and 21 descriptors refer simply to SASA categories describing the various functions exercised by the SGB in the public schools they have been elected to serve (Clive, 2010). Furthermore, Section 20 of the SASA provides the SGB with the power to administer and control school property and buildings and resources occupied by the school. On the other hand, Section 21 encompasses additional roles that may be delegated to the SGBs by the HoD. This view is supported by Mestry (2013), who argued that a school is allocated to Section 21 by the HoD if it has displayed and highly demonstrated capacity to manage school finances efficiently and effectively. Swartz (2010) concurs that an HoD can only grant Section 21 status if he/she has ascertained that the school has done well in managing its funds and submitted a clean audit.

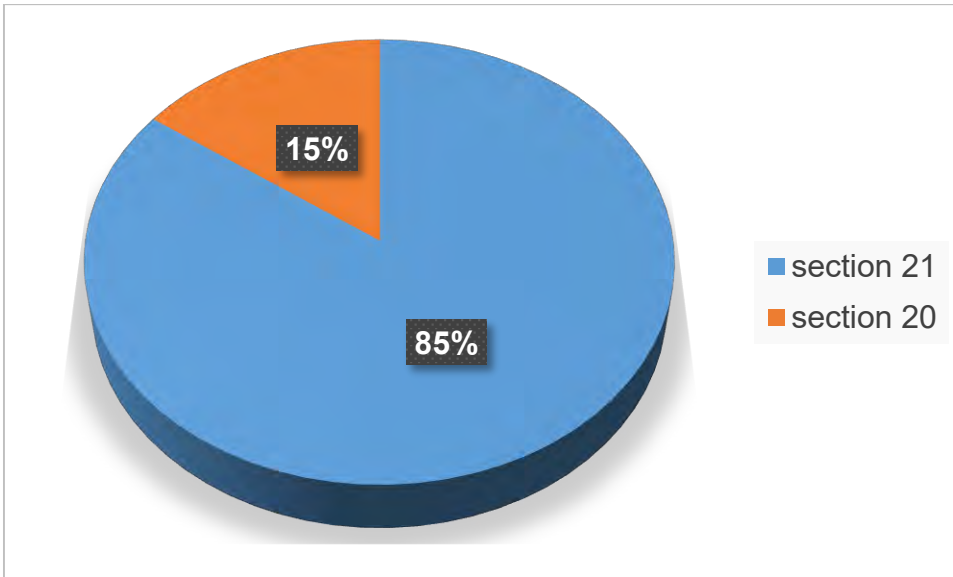


Figure 4.3: Status of schools in this survey.

4.6 Responses to the research questions

4.6.1 Handling of financial matters

When the participants were asked about whether they as principals are satisfactorily able to handle monetary commitments in their institutions, the majority (79%) felt had the capacity to handle financial matters in their school (Figure 4.3). These findings are consistent with the assertions of Hansraj (2010), Makrwede (2012), Mestry (2013) and Ntseto (2009) that the greatest change that has taken place in educational management since 1994 is the local management of the school funds by the SGB, fincom and the school principal.

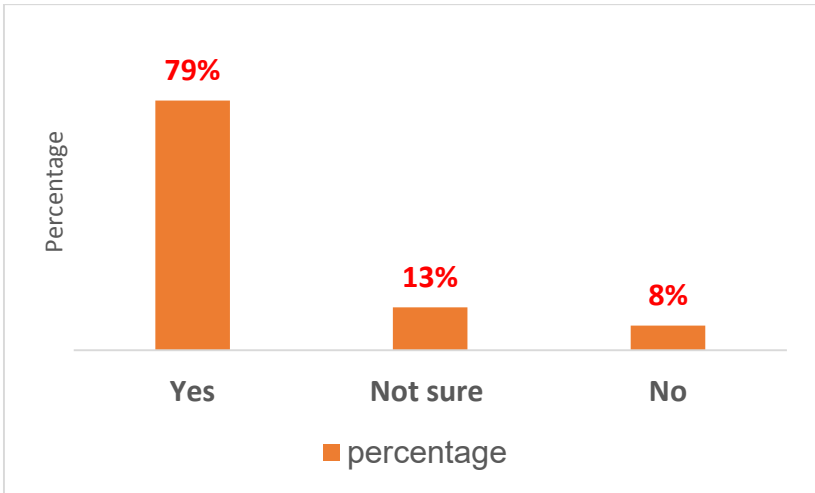


Figure 4.4 Frequency distribution of responses regarding ability to handle financial obligations.

4.6.2 Trial balance and transaction list

The findings showed that 20% of the respondents do not keep all of the accounts and balances in the general ledger (Figure 4.4). According to Makrwede (2012) a trial balance is an internal report that should remain in the accounting department. The trial balance and transactional list are important as they enable the financial officers to display the debit and credit balances in the separate columns. Each column is then totalled to prove that the total of the debit balances is equal to the total of the credit balances (Western Cape DoE, 2012).

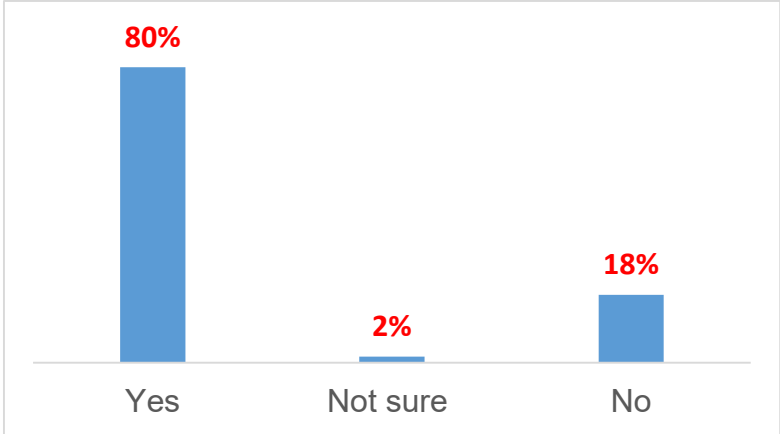


Figure 4.5 Frequency distribution of keeping trial balance and transactional lists.

4.6.3 School principal as an accounting officer

The data gathered in the survey suggest that the majority (86%) of the principals seem to understand their role authority as the accounting officer set out in the PFMA, as shown in Figure 4.5. These findings are consistent with those of Hansraj (2010) and Makrweide (2012).

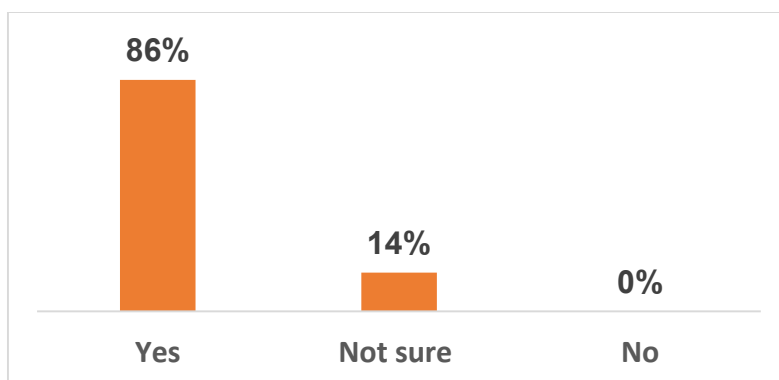


Figure 4.6 Principals' understanding of their role as accounting officers.

4.6.4 Financial policies in schools

Figure 4.7 shows the responses of the participants to the question about development of effective financial policies. It is interesting to note that some of the principals (14%) had not established financial policies in their schools. Hansraj (2010) and Ntseto (2009) elaborate that the characteristics of effective financial policies includes effective internal controls, regulatory requirements, effective budget controls, an efficient accounting system, and clearly written policies and procedures. The available evidence seems to suggest that financial policies in some schools are deemed to be ineffective and are accompanied by inefficient processes (Mestry, 2004).

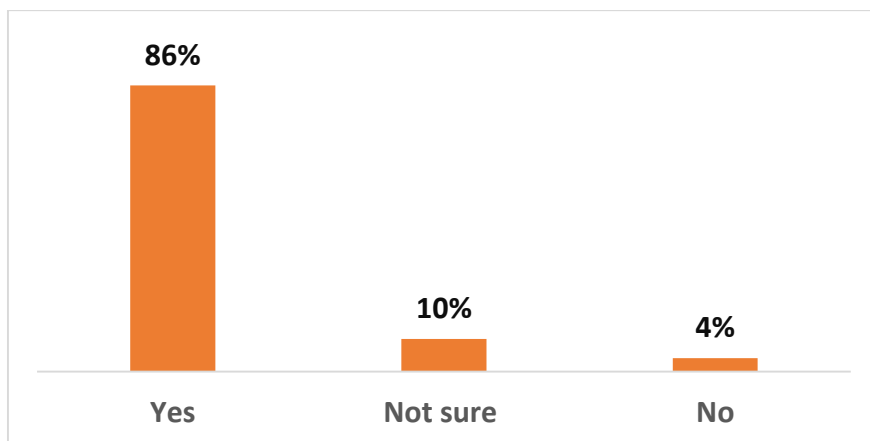


Figure 4.7 Presence of effective financial policies in the schools.

4.7 Compliance with financial legislation and policies

Figure 4.8 shows the percentages of responses to the questions about compliance with the financial legislative framework and policies by the school principals. The respondents' evaluations of their systems of procurement compliance seem to be positive. This is reflected by their responses, which indicate that 67% the principals deem their procurement system to be compliant with the PFMA and the SASA. However, when analysing the data further there is an indication that there is a big difference between theory and practice (Makrweide, 2012).

The respondents' evaluation of whether the SGB has capacity to perform an oversight function on the management and administration of school finances was favourable. Their responses indicated that 62% of the principals perceived the SGB had the capacity to perform an oversight function on the management and administration of school finances. While that is the case, deeper analysis showed that most principals deemed the SGB as lacking capacity. Current research seems to validate the view that SGBs possess limited knowledge and skills when it comes to school finances (Mngoma, 2009; Mestry, 2013; Swartz, 2010).

Most (84%) of the respondents seem to follow budgeting processes as outlined in the SASA. However, when exploring the data further it is clear that a couple of principals lack capacity, skills and knowledge for managing their school finances effectively and efficiently. Thenga (2012) propounds the view that financial

management remains a challenge in numerous schools, in light of the fact that most principals lack proper training. Thenga’s view is in line with that of Mestry (2006), who indicated that usage and control of the budget and assessment remains problematic in schools. Although most principals indicated that they seem to be clued up with the budgeting process, the current literature showed no consensus with this finding.

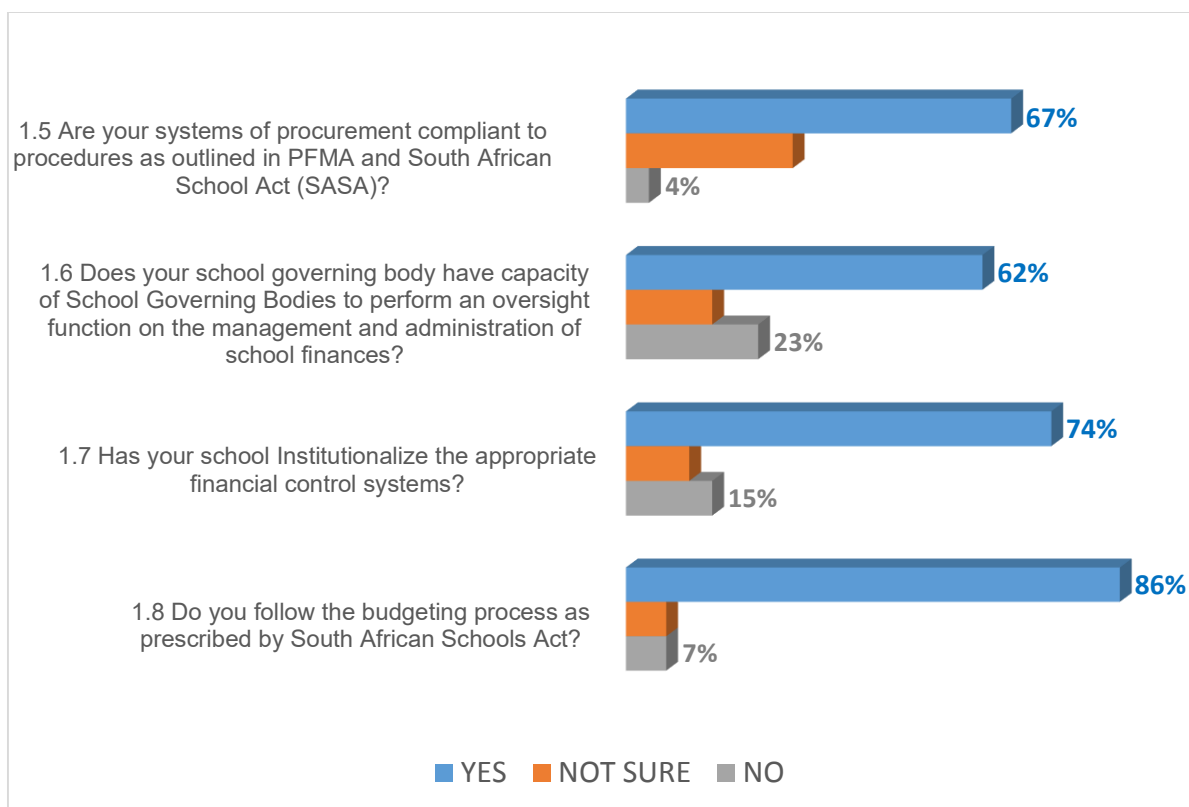


Figure 4.1 Responses to questions on compliance with financial legislation and policies.

4.8 Access to the SASA and the PFMA

Figure 4.9 below shows that there are a few schools (22%) that are operating without financial legislations and policies, particularly PFMA. Since the SASA and the PFMA are directing documents in the administration of school finances, and a decisive source of reference in institutionalising financial management systems, it is necessary for the DBE to provide the schools with such documents in order to minimise financial management inefficiencies (Mestry, 2013).

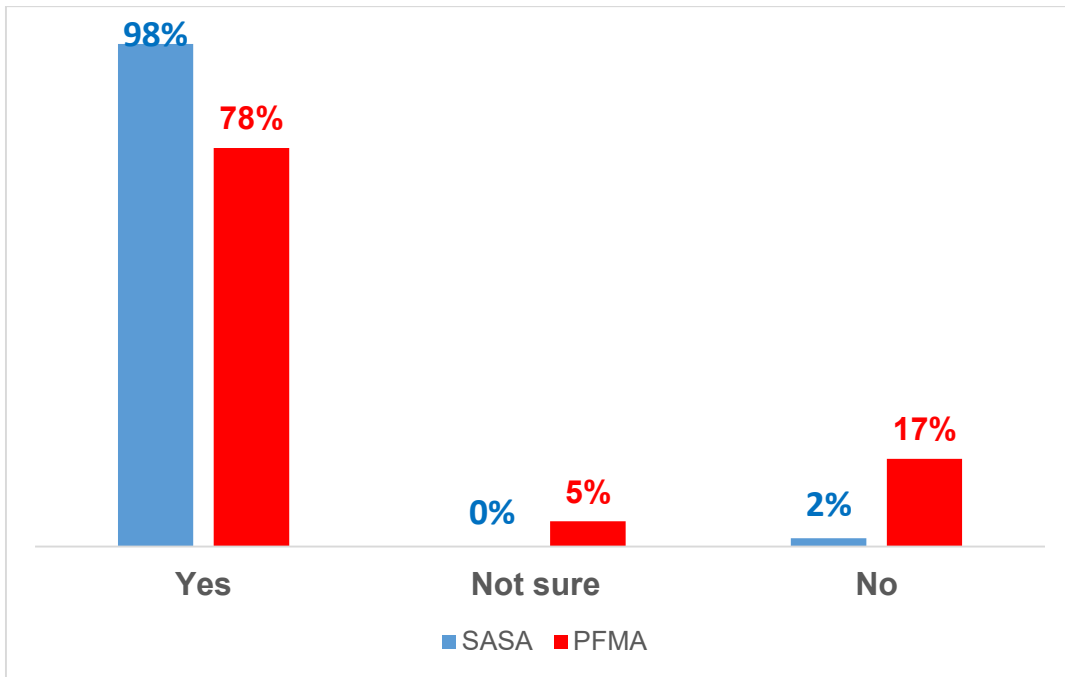


Figure 4.2: Access to the SASA and the PFMA.

4.9 Schools' financial records

Figure 4.10 demonstrates that 91% of schools operate a cash journal, 67 operate a petty cash book, 84% operate a deposit register, and 24% operate a commitment register. The percentage of those operating a commitment register is alarming, considering its usefulness of controlling and maintaining the school budget. The non-appearance of a commitment register in most schools is evidence that schools don't control and monitor their financial plan/budget. According to the SASA the DBE must send commitment registers to all Section 20 schools with the approved allocation. The Western Cape DBE (2010) also put forward the view that all schools are required to keep a commitment register as it forms part of the auditing process.

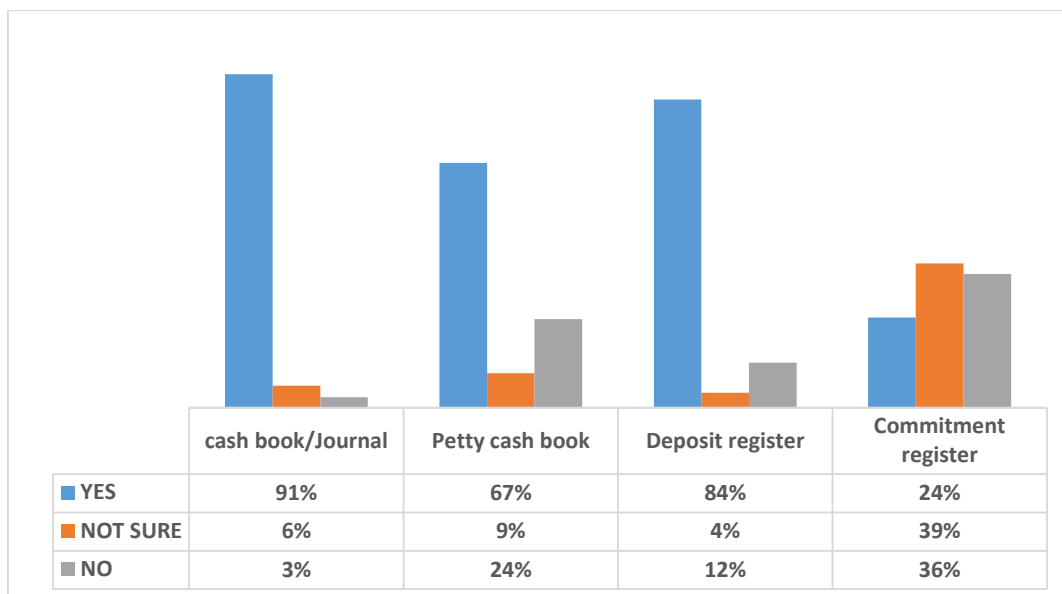


Figure 4.3 Financial records kept by the schools.

4.10 Establishment of general financial operations and structures

Table 4.11 shows that there are some schools (8%) that operate more than one account. In spite of the fact that this DBEs not show any financial irregularities, it DBEs demonstrate that schools are not spending their budget within a particular current year (Mestry, 2013). Along similar lines Hansraj (2010) and Makrweide (2012) argue that schools are not profit-making organisations and their financial plan distribution must be carried out on a year-by-year premise; surplus funds hence need to be observed and examined to determine the reason for these.

There is also an indication that some schools do not have a database of service providers to use when acquiring goods or services. Only 40% of the principals responded positively to state that they have a database of service providers. The service provider database ensures that the work to be done for the school is contracted out in a fair way (Hansraj, 2010).

According to the Western Cape DBE (2012) a tender is an offer to do work or supply goods at a fixed price. Obtaining goods or services is also known as procurement. Effective financial institutions should have a rotational plan for awarding tenders. Only 16% of respondents indicated that they have a rotational plan in place, 4% were not sure and 80% of the schools operate without a rotational tender plan.

Table 4.11 Establishment of general financial operations and structures (%)

Questions	Yes	Not sure	No
DBEs your school have more than one bank account?	8%	0%	92%
DBEs your school have a finance committee?	89%	0%	11%
Do you have a database of the service providers that you use when acquiring goods and services?	40%	3%	57%
Is there a rotation plan drafted used for awarding tenders?	16%	4%	80%
Did your school produce Audited Financial Statements for the 2013 fiscal year?	92%	2%	6%
Do you nominate the executive committee (Chairperson, Treasurer, and Secretary) of the SGB at the close of each year?	85%	1%	14%
Do you deposit all cash received to the school account before it is used?	84%	4%	12%
Do you hold an annual general meeting for financial reporting to parents?	98%	0%	2%

4.11 Budget line item

In order to establish where the bulk of the school budget goes, it was necessary to list the common line items, as shown in Figure 4.10. The data reveal that the bulk of the budget goes to transport, stationery and LTSM. These figures are not surprising, as teacher professional development and LTSM are on the top-priority list (DBE, 2014). It is interesting to note that most schools are spending less on advertising (69%) and refreshments for parents' meetings (72%). Schools are also spending less on extra lessons, with 53% of respondents spending between 0–10% of their budget on this.

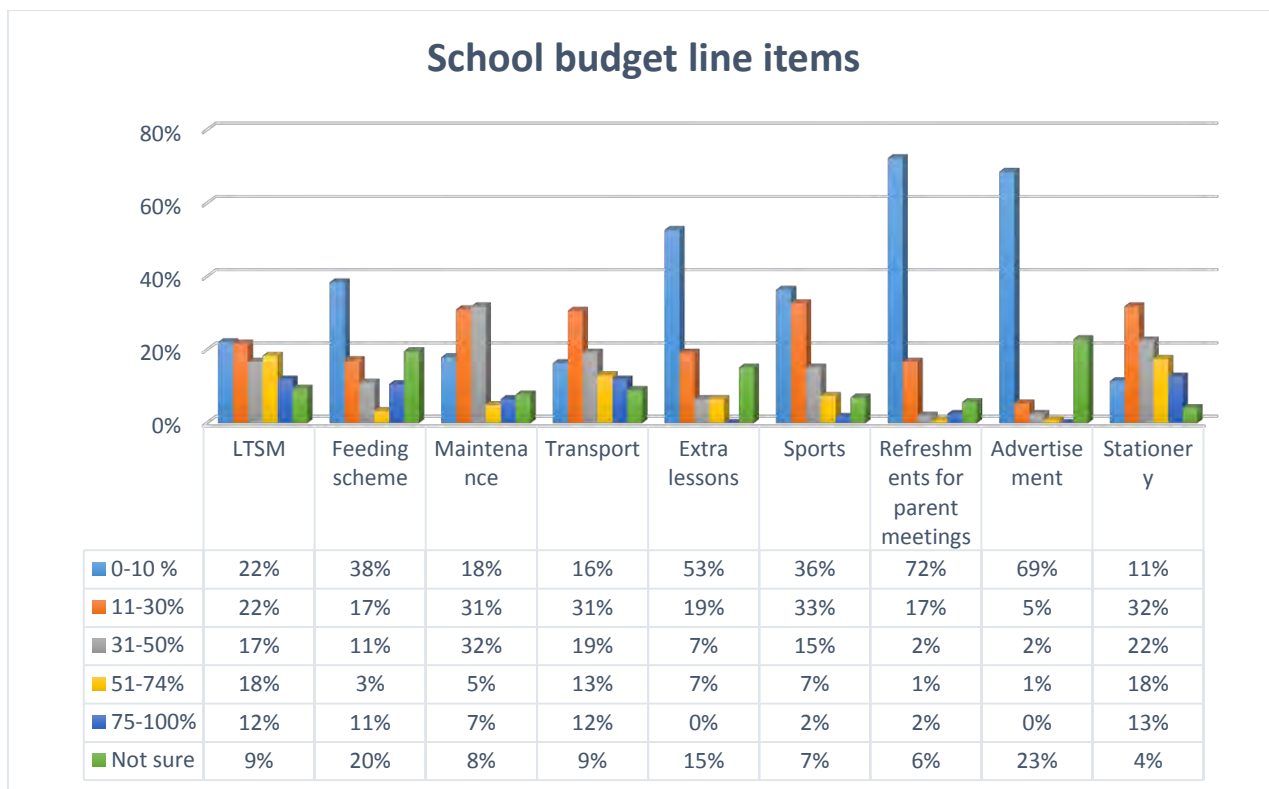


Figure 4.40: School budget line items.

4.12 Financial management responsibilities

Table 4.2 shows the principals' views about the financial responsibilities within the school context. When analysing the results it was evident that the respondents were confused about "crafting and drafting finance policy", and as a result there were fewer (11) responses on the latter. Nevertheless, the researcher made a decision to include all of the responses. Most respondents (59% and 37% respectively) deem the primary responsibilities of the principal being those of approving service providers and authorising payments. Sixty seven per cent indicated that the main responsibility of the fincom is to authorise payment, with 24% feeling that another duty of the fincom was approval of service providers.

Crafting financial policy, approving of service providers, and authorisation of payment received favourable responses of 32%, 32% and 34% respectively as the primary duties of the SGB. It was also noted that the responsibilities of the procurement committee were perceived by the majority as approval of service providers (47%) and authorisation of payments (52%).

Table 4.2 Financial management responsibilities

		Principal	Fincom	SGB	Procurement committee
Crafting finance policy		4%	1%	32%	0%
Approving of service providers		59%	24%	32%	47%
Authorisation of a payment		37%	67%	34%	52%
Draft finance policy		0%	5%	1%	1%
No response		0%	3%	1%	0%
Grand total (No.)		223	238	228	220

4.13 Financial accountability of the school principals

Table 4.3 illustrates the responses by the school principals on issues concerning financial accountability within the school context. The first question was about financial delegation, with a majority response (73%) in favour of “delegation” as an attribute. Having said that, 22% disregarded the delegation of financial duties.

Table 4.3 Financial accountability (%)

Questions	Yes	Not sure	No
Are staff involved in the financial management of the school? (Delegation)	73%	4%	22%
Do you have measures in place to ensure that a spirit of transparency, accountability and responsibility, in terms of the school’s financial status, prevail in your school?	91%	6%	3%
Are all necessary financial policies in place?	76%	20%	5%
Do you get the necessary co-operation from your SGB?	91%	5%	4%

Are parents allowed to scrutinise the financial records of the school?	89%	9%	2%
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The second question concerned transparency, responsibility and accountability. It was interesting to note that 3% of respondents seemed to have no measures in place to ensure that the spirit of transparency, accountability and responsibility prevailed in their schools. This is a worrying factor, considering that the legislative policies (the SASA and PFMA) over-emphasised the spirit of transparency and accountability by the financial officers. It was also not surprising to learn that 20% of respondents are uncertain about whether all the necessary financial policies are in place.

There seems to be a challenge regarding transparency and accountability in some schools. When principals were asked whether they get the necessary cooperation from their SGB, 91% said yes, 5% were not sure and 4% thought that they didn't. However, the spirit of transparency seems to prevail in most schools, with 89% of respondents stating that they afford the parents an opportunity to scrutinise the financial records of the school.

4.14 Percentage of school fees paid

Figure 4.11 indicates the percentage of school fees paid as of October 2014. Most of the principals (46%) did not respond to the question; however, they did indicate that they are non-fee schools. Quintile 4 and 5 schools seem to have challenges when it comes to school fee payments. One would expect most schools to have collected more than 75% of the school fees by the time of the study (third term).

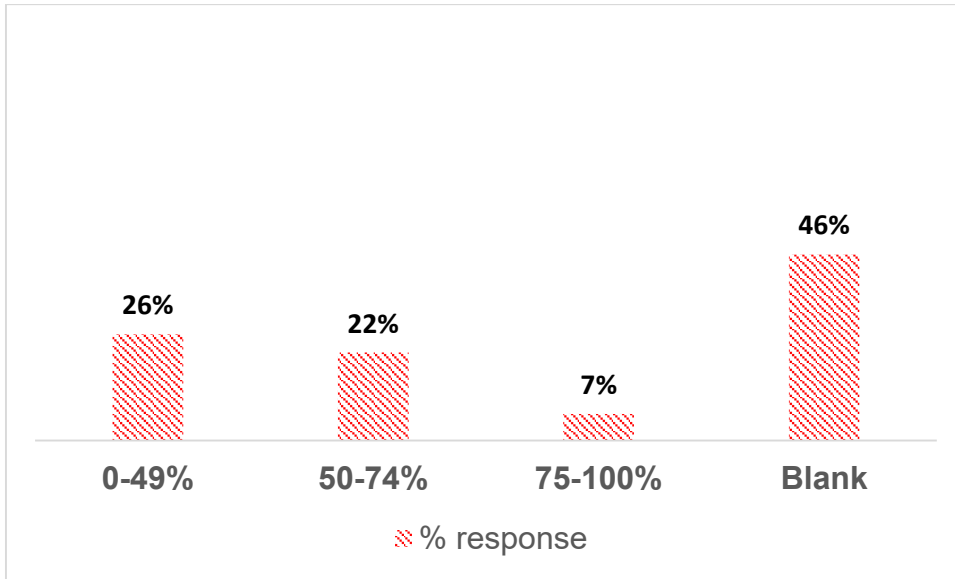


Figure 4.51: Percentage of school fees paid

4.15 Financial management obstacles experienced by the principals

Table 4.4 below shows the responses of the school principals when responding to the question “In your view, what are some of the problems and obstacles that you encountered in meeting your financial obligations?” Fundraising seems to be one of the worse nightmares encountered by the principals. Financial reporting, auditing and record-keeping were cited as less challenging tasks. Other financial obstacles encountered included asset management and control; controlling and monitoring the school budget.

Table 4.4 Challenges experienced by the principals

	Responses	%
Auditing	11	3
Fundraising	165	52
Record-keeping	9	3
Financial reporting	12	4
Controlling and monitoring school budget	52	16
Asset management and control	71	22
Grand total	320	100

4.16 Financial audit frequency

Figure 4.12 shows the frequency of financial audits in public schools. Most schools (95%) are audited once a year. There were six schools whose financial books are audited half-yearly. These findings are in favour of the Western Cape DBE (2012) and Republic of South Africa (1996), which emphasise that public schools must be audited at least one a year. For Section 21 public schools the annual audited report must accompany the school budget at the end of the financial year (Western Cape DBE, 2012).

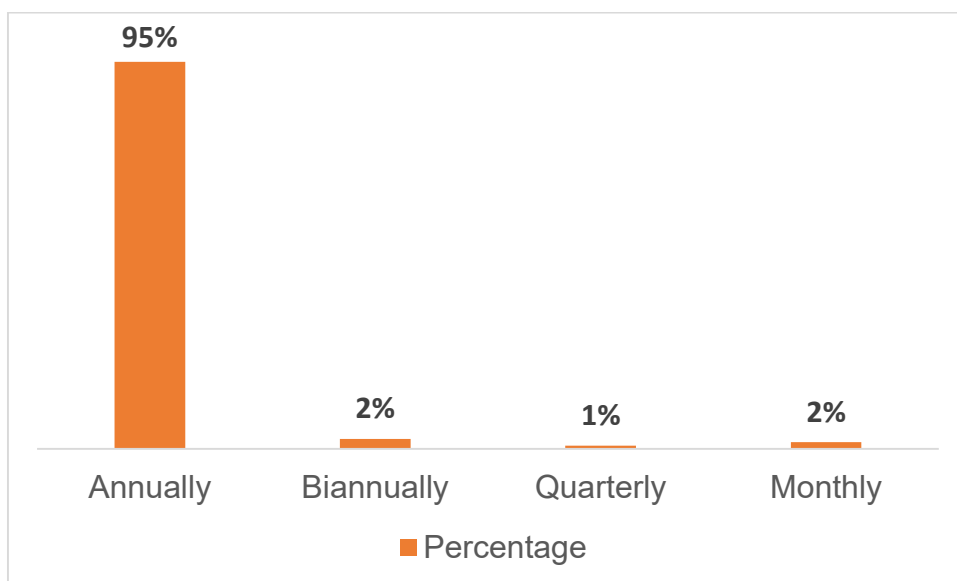


Figure 4.6 Financial audit frequency

4.17 Administrative time allocated to financial issues

Table 4.5 seeks to illustrate the percentage of administrative time that principals spend on the schools' financial issues. It was interesting to note that 3% of participants did not respond to the question. Eighteen per cent seem to spend very little time on financial issues. Pan, Rudo and Hansen (2003) developed a claim that school fund issues are of foremost concern to all levels of the education system (national, provincial, district, circuits and school); therefore school managers should devote plausible time to this aspect to ensure effective and efficient financial management. The foregoing discussion implies that school principals should put

school financial management on their priority list due to the additional role resulting from decentralisation of school funds (Roza, 2010)

Table 4.5: Administrative time allocated by the principals to financial issues

Workload interval	Frequency	%
0-20%	44	18
21-40%	68	28
41-60%	81	33
61-80%	29	12
81-100%	15	6
Blank	8	3
	245	100

4.18 Acquaintance with financial management and training

Figure 4.13 shows the percentage of respondents who ascertained their level of exposure to financial management training and academic qualifications. Seventy-six per cent of principals indicated that they have received some training on the budgeting process. However, compilation of financial records, petty cash management and financial control were also cited as areas that needed attention, despite positive responses by the school principals. The findings indicated that the principals had been exposed to financial management training, in spite of the fact that the quality and length of time of such training could not be ascertained (Makrweide, 2012).

Financial management is an adeptness and its practice is influenced by legislation, policy and specialised procedures (Hansraj, 2010). There seem to be compelling reasons that in order for principals to gain efficiency in this field, they need to be exposed to more formal training or courses as well as mentoring. Along similar lines Ntseto (2009) stated that it was paramount to canvass the areas of training need identified by the respondents themselves. On the basis of the evidence put forward, it seems fair to suggest that that much more is training is required to develop and support principals in financial management.

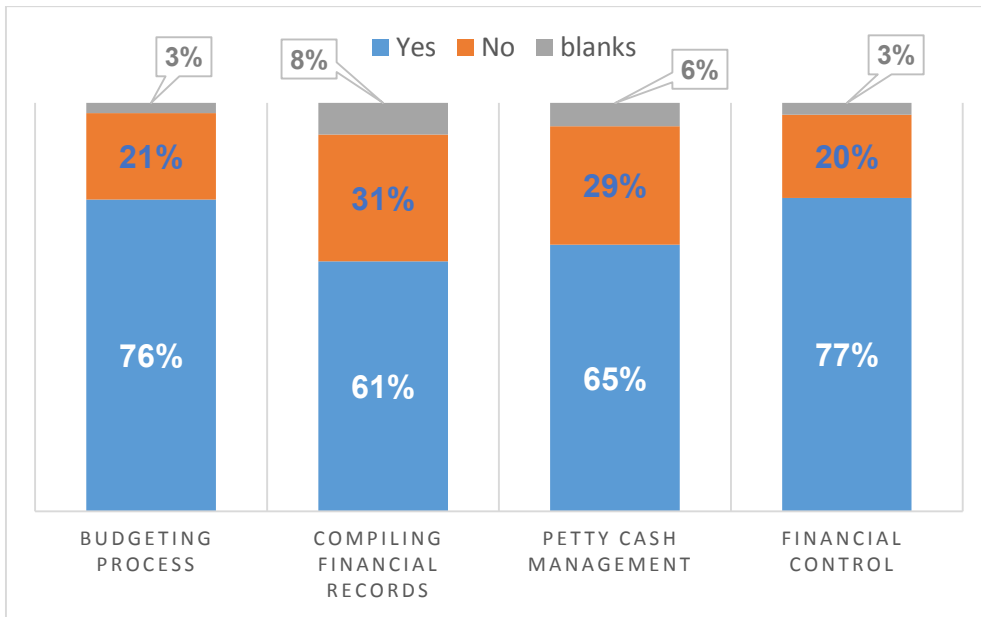


Figure 4.73 Percentage of respondents who have been exposed to financial management training

4.19 Financial management training needs

The following financial management disciplines were identified by respondents as troublesome (Table 4.6). These findings concur with those of (Hansraj, 2010; Mestry, 2013), who suggested that there is a need to capacitate principals in these financial areas in order to improve financial management systems in schools. Managing of petty cash was perceived as one area that requires immediate attention. Although fundraising was mentioned earlier as challenging, only 15% of respondents felt that they might need assistance in terms of training or professional development in this area. Other financial areas mentioned as where they needed training included financial reporting, record-keeping, control and monitoring of school budget, asset management and control and budget process.

Table 4.6 Financial management training needs

Financial disciplines	Frequency	%
Financial reporting	20	8
Record-keeping	15	6
Fundraising	35	15
Control and monitoring school budget	21	9
Asset management and control	41	17
Managing petty cash	71	30
Budgeting process	33	14
Total	236	100

4.20 Cross-tabulations

As indicated by Keller (2012) and Michael (2001), a cross-tabulation is a joint frequency distribution of events based on two or more categorical variables: "Displaying a distribution of cases by their values on two or more variables is known as contingency table analysis and is one of the more commonly used analytic methods in the social sciences" (Michael, 2001,p.1). The cross-tabulation distribution can be examined with the Chi square statistic (χ^2) to investigate whether the variables are statistically independent or whether they are associated. A cross-tabulation with respect to gender, racial composition, school's quintile, experience, age interval and school status was computed on selected research questions, and the findings are discussed below.

4.20.1 Gender cross-tabulation on financial management knowledge and skills

Table 4.7 seeks to illustrate whether male and female principals have differing views on whether they are adequately prepared to handle financial obligations in public school. From Table 4.11 it can be calculated that 52% of the 193 respondents were male and the rest were females, and all held a positive view that principals are adequately prepared to handle the fiscal obligations of the their schools.

Furthermore, Table 4.11 shows that while 108 males and 85 females were expected to respond positively to the question, the actual responses were 100 and 93 respectively. The similar trend was observed of respondents who displayed limited financial management knowledge and skills, as shown in Table 4.7. The big question is whether this observation happened by chance or it is statistically significant.

The results indicate that female principals are more aware of handling school financial issues compared to their male counterparts. Since the p -value (0.042986) is less than the level of significance of 0.05, there was an association between gender and the handling of financial issues in the public schools. This relates to statements by Msila (2013), who argued that women are beginning to overcome stereotypes that underscore that women cannot succeed in leading organisations.

Moorosi (2007) contends that the reality of female principals' experience hints that female teachers have a consistent fight against social and organisational discrimination. She put forward a view that in the education system females constitute about 30% of school principals, in spite of the fact that they make up the greater part (more than 70%) of the teaching population. The consensus view seems to be that female principals are more effective than male principals.

Table 4.7 Gender cross-tabulation to distinguish whether principals are regarded as adequately prepared to handle the school's financial issues

Question	Options	Gender		Chi square value (χ^2)	p -value df = 2
		Male	Female		
Handling financial obligations	Yes	100	93	6.2937841	0.042986
	Not sure	23	10		
	No	14	5		

4.20.2 Racial composition cross-tabulation on financial management knowledge and skills

Table 4.8 intends to illustrate whether there is any association between the respondents' race and answers on financial management, knowledge and skills. Of all respondents that responded positively to the question 95% were Africans, 1% were Coloureds, 2% were Indians, and 2% were Whites. All respondents who responded negatively to the questions were Africans. The big question is whether this observation happened by chance or whether it is statistically significant. Since the p -value (0.305659) is greater than the level of significance of 0.05, it implies that differences observed were not significant. That is, the scoring patterns were quite similar. An examination of the frequencies (Table 4.8) DBEs indicate this.

Table 4.8 Racial composition cross-tabulation

Question		Race				Chi square value (χ^2)	p -value df = 8
Handling financial obligations	Options	African	Coloured	Indian	White		
	Yes	184	2	3	3	7.167224	0.30566
	Not sure	30	2	1	0		
	No	19	0	0	0		

4.20.3 School's demarcation cross-tabulation on financial management knowledge and skills

Table 4.9 shows the cross-tabulation in terms of school demarcation. It is interesting to note that all respondents from the affluent schools (quintile 5) seem to possess substantial knowledge and high-level skills necessary to manage school funds successfully. It was also noted that the percentage of respondents who were not sure about whether they possess the necessary financial skills and knowledge was spread amongst quintiles 1 to 4. The big question is whether this observation happened by chance or is statistically significant. Since the p -value (0.525430) is greater than the level of significance of 0.05, it implies that differences observed were not significant.

Table 4.9 Schools' demarcation cross-tabulation

Handling financial obligations	Options	Quintile					Chi square value (χ^2)	p-value df = 8
		1	2	3	4	5		
Yes		53	75	57	4	4	7.104229	0.525430
Not sure		7	11	13	2	0		
No		8	5	6	0	0		

4.20.4 Age interval cross-tabulation on financial management knowledge and skills

Table 4.10 shows that the majority of schools which are led by experienced principals seem to have challenges when it comes to the financial control systems. The Chi square was calculated to be 23.279303, which is greater than 18.3, which implies that there is evidence of a relationship between young and old principals in terms of managing financial control systems. This means that the more of the younger principals have set up financial control systems in their schools than their older counterparts. The literature shows no consensus with this finding. Further research is required in this regard to investigate the effectiveness of younger principals vs more experienced (older) principals. Since the *p*-value (0.00976) is greater than the level of significance of 0.05, it implies that differences observed were not significant.

Table 4.10: Age interval and financial control system cross-tabulation

Financial control system	Options	Age interval						Chi square value (χ^2)	p-value df=10
		30-35	35-40	40-45	45-50	50-55	55-60		
Yes		2		3	4	5	7	23.279303	0.00976
Not sure									
Not			16	39	64	66	38		

4.20.5 School status (Section 20 or 21) cross-tabulation on financial management knowledge and skill

Table 4.11 suggests that the respondents with most knowledge about the financial issues in schools are those that manage Section 21 institutions (schools). The big question is whether this observation happened by chance or is statistically

significant. Since the p -value (0.009451) is greater than the level of significance of 0.05, it implies that differences observed were significant. This indicates that Section 21 principals are well versed in financial processes necessary to manage school funds effectively. An underlying argument in favour of this finding lies in the statement of Swart (2010), who iterated that schools can only be granted Section 21 status provided that the HoD ascertains that the school has done well in managing its funds and consistently produced a clean audit.

Table 4.11: School status (Section 20 or 21) cross-tabulation

Financial control system	Options	School status		Chi square value (χ^2)	p-value
		20	21		
	Yes	16	134	9.323193	0.009451
	Not sure	11	25		
	No	8	49		

4.21 Chapter summary

This chapter outlined the findings of the research. The goal was to investigate the experiences of principals in relation to one of their crucial roles of financial management in schools. The school categories and attributes of the questions extracted from the study were presented. Findings were juxtaposed with the relevant literature, keeping in mind the end goal of contextualising the discoveries of the study. Furthermore, the information acquired from the questionnaire surveys was tabled, counted and generated. Consequently all of the questions were examined and interpreted in terms of the recurrence of responses representing a specific attribute, with clarification and/or elaboration (see Tables 4.1-4.11). Graphic representation of the information was utilised to dissect and simplify the data in order to ensure that they were useful and relevant (refer to Figures 4.1- 4.13).

Chapter 5 concentrates on the conclusions emanating from the research analysis and the findings and formation of guidelines for principals to viably and proficiently execute an authoritative framework and policies in order to oversee school accounts. This part will also contain recommendations for future research.

CHAPTER 5 : Conclusion and Recommendations

5.1 Introduction

This chapter presents the recommendations and concluding remarks in respect of the research question and the objectives of this dissertation. In the light of the findings of the research study, several recommendations have been suggested to the principals with a view to improving their financial management knowledge and acumen. The recommendations are embedded within the following subsections:

- (1) Has the problem been solved?
- (2) Implications of this research
- (3) Recommendations to solve the research problem
- (4) Recommendations for future studies.

5.2 Has the problem been solved?

The research topic was financial management by school principals in Nkangala district of Mpumalanga province, South Africa, and the study had the following objectives:

- 1) to verify if financial management systems are in place in schools;
- 2) to find out how finance in schools is being used;
- 3) to identify whether principals are conversant with the processes, policies and procedures necessary to manage school funds effectively; and
- 4) to recommend the appropriateness of the subsisting support, training and developmental programmes to address the predicaments experienced by school principals.

The study uncovered that some principals experienced serious challenges regarding matters of school financial management. The issues relating to principal's transparency, accountability and responsibility as well as the implementation of the financial legislative framework and policies within the school context were requiring immediate attention.

5.2.1 To verify if financial management systems are in place in schools

5.2.1.1 Findings

This study showed that financial management systems are clearly not in place in schools. Results showed that some principals have no knowledge and acumen to set up sound financial management systems that will enable them to use their school budgets appropriately. There was no evidence to suggest that principals, as chief accounting officers in their schools, view school finances as the critical resource upon which other much-needed resources like infrastructure depend. All respondents demonstrated that their schools do have annual audited financial statements, but the study revealed that a few schools are not adhering to appropriate financial management practices. Lack of such systems was further demonstrated by absence of proper financial planning, which inhibits budget line items that drive and promote good school governance.

5.2.1.2 Conclusion

The evidence is overwhelming: public school principals are facing serious challenges when comes financial management systems. Lack of knowledge and acumen to setup sound financial management system is worrisome. If we want to promote good school governance, it necessary to ensure that financial management systems such as financial planning, crafting and drafting of the school budget; compilation of financial statements, are in place.

5.2.1.3 Recommendations

There is an urgent need for vital interventions that are tailor-made to address particular difficulties that school principals are experiencing. The findings that emerged from the study led the researcher to make the following recommendations to assist principals in becoming effective financial managers at their schools:

1. Formation of internal audit sections within the circiuts

The formation of an internal audit wing within the district would be advantageous to schools. Its obligation would be to give administration direction and oversight to schools on all issues of financial management (Makrwede, 2012).

2. Compilation of financial statements

It is strongly recommended that all schools should be given direction on steps to take to ensure that financial statements are correct and what to do if the school is not able to enlist an auditor, either due to their high fees or no auditors being accessible in the area. The proposed internal audit section can be tasked to provide guidelines and direction for understanding and drafting financial statements.

3. Improving knowledge and financial management skills

It is imperative for school principals to overhaul their current knowledge of financial management so as to enhance their monetary planning administration skills.

5.2.2 To find out how finance in schools is being used in schools?

5.2.2.1 Findings

This study revealed that finances in schools are used mainly on activities that are not core to the schools' overall mission. There was no evidence to suggest that large proportions of school budgets are spent on curriculum delivery items. By rights the bulk of the schools' finances should be directed to items and activities that promote effective teaching and learning as the supreme aim of government. Acquisition of teaching and learning resources, like learners' books, teacher guides, teaching aids, etc., form a critical component of school budgets and therefore should enjoy bigger portions of allocated financial resources.

5.2.2.2 Conclusion

Since finances in most schools are not distributed accordingly; there was a less emphasis on the items and activities that promote effective teaching and learning such as LTSM and infrastructure. These items and activities can be realised through the intelligent use of the school budgets. In this way the societal expectations of creating learners that are ready to become critical and contributing citizens of the Republic of South Africa will not be realised.

5.2.2.3 Recommendations

Standardised budget template

Although most schools were able to produce an annual budget which is approved by the DBE, it is recommended that a standardised, formal national chart of records for school budgets be sanctioned, so that all schools are obliged to use the same format, which will significantly encourage monitoring and tracking. It should be noted that any policy amendments should not muddle the school budgeting process but rather should make it more efficient (DBE, 2012).

5.2.3 To identify whether principals are conversant with the processes, policies and procedures necessary to manage school funds effectively

5.2.3.1 Findings

Analysis of the findings of this study revealed that some principals are not conversant with the processes, policies and procedures necessary to manage school funds effectively. Principals have limited knowledge and information about these important government instructions. The consequences of lack of such knowledge is that their schools will not receive clean audits and run the risk of legal prosecution. It is tantamount to a crime to contravene the provisions of the PFMA and not to heed the instructions of the SASA. In cases where proper procedures were not followed as a consequence of lack of sound financial management, this is tantamount to a crime and constitutes fraud.

5.2.3.2 Conclusion

Managing school funds requires sound ethical clearance for all principals of schools, for without sound ethics they cannot cope with the intricate nature of financial accountability.

5.2.3.3 Recommendations

Access to legislative framework and financial policies

All schools must have access to the financial legislative framework and policy documents.

Fincom must comprise at least one expert in the area of finance

It is vital that schools have persons with great understanding of finance on their fincom.

5.2.4 To recommend the appropriateness of the subsisting support, training and developmental programmes

5.2.4.1 Findings

With regard to the appropriateness or otherwise of existing support, training and developmental programmes, the findings revealed that there is no adequate support provided.

5.2.4.2 Conclusion

Financial management is a skill, and its practice is influenced by legislation, policy and specialised procedures. This means that for principals to gain efficiency in this field, they need to be exposed to more formal training or courses as well as

mentoring. Moreover, transition from one career stage to another – for example, from teacher to head of a subject department or school principal – brings its own difficulties and requires one to become a lifelong learner.

5.2.4.3 Recommendations

1. Training and mentoring either by DBE or NGOs

It is imperative to train and mentor principals in the following aspects of finances: school funds management, petty cash management, working relationships, financial reporting, fixed asset management, stock management and fundraising.

2. School improvement plan

Each school should be obliged to produce a redesigned school improvement plan every year, outlining what the difficulties of the school and how these challenges will be dealt with (Mestry, 2006).

5.3 Implications of this research

It is clear that the Nkangala district has an obligation to ensure that principals of State-funded schools have the capacity, knowledge and acumen in order to manage their school funds efficiently. The researcher propounds that, by applying the recommendations proposed in this study, Nkangala district may acquire the capacity to deliver programmes aimed at enhancing school financial management among principals.

Notwithstanding the recommendations outlined in this study, the researcher further proposes that consistent financial management reviews be carried out in the public schools of Nkangala district in Mpumalanga province of South Africa. These reviews would: (1) serve to carry out evaluation; (2) determine whether the current

administration of school funds is sound; (3) examine what needs to be enhanced, and (4) recognise and identify specific support, training, mentoring and development needs for principals, fincoms, SGBs and other staff members involved in the management of school finances (Makrweide, 2012).

5.4 Limitations of the study

While this study focused on principals, some schools are managed by acting and deputy principals. Out of 245 respondents in this study, 11 were deputy principals and 5 were acting principals. This has negative implications on the validity and reliability of the research findings, and should be taken into account when reading this dissertation. However, including these deputy and acting principals was justified since they form part of the fincoms of public schools and therefore have relevant opinions relating to the main research question of this study. Also, while the researcher was able to visit some schools which were unable to submit the questionnaire within the stipulated time frame, financial constraints made it impossible to reach all of the schools in Nkangala district.

5.5 Conclusion

According to Makrweide (2012, p.68) “National Norms and Standards for School funding is one of the key mechanisms in education reform introduced by the South African government after 1994”. Implementation of this policy has resulted in well-meaning moves to alter the instructional schema through decentralisation of power to schools. This model has accomplished more significant independence in schools in directing resources and democratising the control of decision making. However, accomplishment of these changes in school financing depends on the school principals and SGBs understanding the authorisation, methodologies and frameworks of financial administration structures relating to school funding.

The financial management literature was reviewed in order to broaden the understanding of concepts, and included recent literature on the subject of financial

planning and management and other literature related to the research topic. Firstly, literature related to schools as financial organisations was reviewed, and issues relating to school governance were discussed. Secondly, literature related to international trends in school financial management was reviewed, followed by legislative rules and regulatory frameworks for school financial management. In the legislative rules and regulatory framework, the SASA, PFMA, and Educational Laws Amendment Act were discussed. A review of Section 20 vs Section 21 schools was also conducted, together with training of school principals, schools' funding and allocation, as well as financial planning and budgeting.

The next step was a review of the research methodology. The data collection strategies, research design and methods and data analysis were examined. The selection of the sample size and various steps required for administering a questionnaire were discussed.

This was followed by the presentation of results, where the findings of the study were tabled and discussed. It was outlined how the objectives of the study have been accomplished. It came emerged from the findings that financial management systems are not in place in schools. The results also showed that some principals do not have the knowledge and acumen to set up sound financial management systems that will enable them to use their school budgets appropriately.

Our findings also showed that schools' finances are used mainly on activities that are not core to the schools' overall mission. Moreover, the findings revealed that some principals are not conversant with the processes, policies and procedures necessary to manage school funds effectively. Lastly, existing financial management support to public school principals is not adequate.

Conclusions with regard to principals' capacity and adherence to regulations and guidelines regarding their roles and obligations as financial managers were discussed in detail in this study. There is no compelling evidence that principals have capacity and clear understanding regarding their roles and obligations as financial managers. The available evidence seems to affirm the researcher's

perception about the current status quo with respect to financial management within the schools' context. These findings lend support to the claim that there is a need for financial management skills development in Nkangala district of Mpumalanga province in South Africa, as well as for programme development to encourage principals' effectiveness in administering the budgets and other financial management functions in the public schools.

Lastly, the researcher will table the final report of this study to the DBE district officials in the hope that they will disseminate the findings and recommendations that are made to all schools in Nkangala district of Mpumalanga. The researcher will work closely with the district officials during the dissemination period as a way of expressing gratitude for their co-operation during this study. Furthermore, all respondents will receive an electronic copy of the final report for their own use.

5.6 Recommendations for future studies

It is recommended that future research studies be carried out in the following areas:

1. A comprehensive study to investigate the role and obligations of the SGBs and fincoms of public schools;
2. How financial management in school affects learner performance;
3. The need for support and training of principals, SGBs, fincoms and other relevant stakeholders to understand their financial roles and obligations within public schools;
4. The particular view of SGBs, fincoms and other stakeholders with regard to the administration and management of school funds, and what other financial mechanisms they deem relevant to improve financial administration systems in public schools.

5.7 Chapter summary

As demonstrated in chapter 1, which provided the background to the study, the aim of this research was to investigate the degree to which the current administration frameworks utilised in schools are consistent with the significant financial policies.

Chapter 2 (literature review) gave insight into the legislative frameworks and financial policies that govern and guide effective management of school funds. A general financial administration hypothesis was dissected in connection with its application to school monetary administration frameworks.

The study was evaluative in nature and provided various viewpoints and a complete understanding of the research problem. A blended exploration technique was utilised, which was mainly quantitative. The focus was on 539 public schools within Nkangala district, and a sample of 245 schools at 95% confidence level was randomly selected, as outlined in chapter 3.

The data gathered through administration of the questionnaire survey were analysed, clarified, interpreted and presented to articulate the findings, as shown in chapter 4.

The research findings that emerged revealed that some school principals are battling to implement effective and efficient financial management systems in public schools. Challenges that schools experience varied from systemic issues to lack of financial managerial skills.

As indicated in the recommendations that are provided, there is an urgent need to utilise vital interventions that are tailor-made to address particular difficulties that school principals are experiencing. This study has suggested different programmes and intervention techniques which can focus on enhancing the financial management system in public schools. Usage of such programmes would prompt a complete update of school monetary frameworks, which would enhance and fortify

the security of schools' fund-related assets for the ideal provisioning of education of the requisite value and quality.

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Appendices

Appendix 1: Letter of informed consent

Informed Consent Letter 3C

**UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

Dear Respondent,

MBA Research Project

Researcher: Mokhulu Lawrence Matshika (0769799534)

Supervisor: Mr. M. Hoque (Office Telephone number)

Research Office: Ms. P Ximba 031-2603587

I, **Mokhulu Lawrence Matshika**, an MBA student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal, invite you to participate in a research project entitled *financial management by the school principals in the Nkangala district of Mpumalanga province of South Africa*. The aim of this study is to: identify gaps; to look into causes and to suggest possible interventions that principals encounter when it comes to financial management in schools.

Through your participation, I desire to understand the challenges you are facing when comes to school financial management. The results of the study are meant to kick in to the Department of Education in documenting the challenges that are confronted by you and your school in the area of finance so as to enhance provision for monitoring, backup plan and support.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about **25** minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Investigator's

signature _____

Date _____

This page is to be retained by participant

Questionnaire

Financial management by school
principals

Please tick in the appropriate boxes ✓

I. I am a/an

<input type="checkbox"/>	Principal	<input type="checkbox"/>	Acting principal	<input type="checkbox"/>	Deputy principal
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II. Gender

<input type="checkbox"/>	Male	<input type="checkbox"/>	Female
--------------------------	-------------	--------------------------	---------------

III. Age (in years)

IV. How long have you been a principal, acting principal or deputy principal?

<input type="checkbox"/>	0-5	<input type="checkbox"/>	6-10	<input type="checkbox"/>	11-15	<input type="checkbox"/>	16-20	<input type="checkbox"/>	21+
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V. Ethnic group

<input type="checkbox"/>	African	<input type="checkbox"/>	Coloured	<input type="checkbox"/>	Indian	<input type="checkbox"/>	White
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VI. School category/quintile

<input type="checkbox"/>	1	<input type="checkbox"/>	2	<input type="checkbox"/>	3	<input type="checkbox"/>	4	<input type="checkbox"/>	5
--------------------------	----------	--------------------------	----------	--------------------------	----------	--------------------------	----------	--------------------------	----------

VII. My school is:

<input type="checkbox"/>	Section 20	<input type="checkbox"/>	Section 21
--------------------------	-------------------	--------------------------	-------------------

VIII. My school is classified as:

<input type="checkbox"/>	Rural	<input type="checkbox"/>	Semi-rural	<input type="checkbox"/>	Urban
--------------------------	--------------	--------------------------	-------------------	--------------------------	--------------

1. To verify whether financial management arrangements are in place

		YES	NOT SURE	NO
1.1	Do you believe that you are adequately prepared to handle the fiscal obligations of your school? If not who do you think should be responsible for the preparation of principals in terms of their new obligations?			
	DBE NGO Private Universities			
1.2	Are all reports, i.e. trial balance, transaction list etc., maintained at the school?			
1.3	Do you understand your authority as the accounting officer of your school as set out in the Public Finance Management Act (PFMA)?			
1.4	Have you developed effective financial policies for your school?			
1.5	Are your systems of procurement compliant to procedures as outlined in PFMA and South African School Act (SASA)?			
1.6	DBEs your School Governing Body have the capacity to perform an oversight function on the management and administration of school finances?			
1.7	Has your school institutionalized appropriate financial control systems?			
1.8	Do you follow the budgeting processes as prescribed by South African Schools Act when drawing the school budget?			
1.9	Do you have access to the following documents?			
	1.9.1 South African Schools Act, 1996			
	1.9.2 Public Finance Management Act of 1999			
1.10	Do you keep and maintain the following financial records?			
	1.10.1 Cash Book/Cash Journal			
	1.10.2 Petty Cash Book			
	1.10.3 Deposit Register			
	1.10.4 Commitment Register			
1.11	DBEs your school have more than one bank account?			
1.12	DBEs your school have a finance committee?			
1.13	Do you have a data base of the service providers that you use when acquiring goods and services?			
1.14	Is there a rotation plan drafted used for awarding tenders?			

1.15	Did your school produce Audited Financial Statements for 2013 fiscal year?			
1.16	Do you nominate the executive committee (Chairperson, Treasurer, and Secretary) of the SGB at the close of each year?			
1.17	Do you deposit all cash received to the school account before it is used?			
1.18	Do you hold annual general meeting for financial reporting to parents?			

2. To find out how finance in schools is been used.

What percentage of your budget is allocated towards? Please tick (✓) in the appropriate cell.

		1	2	3	4	5
		0-10%	11-30%	31-50%	51-74%	75-100%
2.1.1	LTSM					
2.1.2	Feeding scheme					
2.1.3	Maintenance					
2.1.4	Transport					
2.1.5	Extra lessons					
2.1.6	Sports					
2.1.7	Refreshments for parent meetings					
2.1.8	Advertisement					
2.1.9	Stationery					

2.2 Who in your school is responsible for: (Please tick in the appropriate boxes)

		Principal	Finance committee	Governing body	Procurement committee
2.2.1	Crafting finance policy				
2.2.2	Approving of service providers				
2.2.3	Authorization of a payment				
2.2.4	Drawing a finance policy				

3. To identify whether principals are conversant with the processes, policies and procedures necessary to manage school funds effectively.

		YES	NOT SURE	NO
3.1.1	Is staff involved in the financial management of the school?			
3.1.2	Do you have measures in place to ensure that a spirit of transparency, accountability and responsibility, in terms of the schools financial status in your school prevail?			
3.1.3	Are all necessary financial policies in place?			

3.1.4	What percentages of your school fees have been paid?	75-100%	50-74%	0-49%
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3.2 In your view, what are some of the problems and obstacles that you encountered in meeting your financial management function?

	Auditing
	Fundraising
	Records keeping
	Financial reporting
	Controlling and monitoring school budget
	Asset management and control
Other (Please specify)	

3.3 What percentage of your administrative time do you allocate to financial issues?

0-20%	21-40%	41-60%	61-80%	81-100%
-------	--------	--------	--------	---------

3.4 Are you able to delegate any of the financial role functions to your senior management team, if so what functions are you able to delegate? (Please tick all that are applicable).

	Drafting school budget
	Managing petty cash
	Financial reporting
	Financial record keeping
	Asset management
Other (please specify)	

3.5 Do you get the necessary co-operation from your governing body?

YES	NOT SURE	NO
-----	----------	----

3.6 Are parents allowed to scrutinize the financial records of the school?

YES	NOT SURE	NO
-----	----------	----

3.7 How often are your financial books audited? Please tick ✓

	Annually
	Biannually
	Quarterly
	Monthly
Other (please specify)	

4. To recommend the appropriateness of the subsisting support, training and developmental programmes to address the predicaments experienced by school principals.

4.1 Have you ever received training in any of the following financial fields?

		Yes	No
4.1.1	Budgeting process		
4.1.2	Compiling financial records		
4.1.3	Petty cash management		
4.1.4	Financial control		

4.2 List the financial discipline that you require to be trained on.

	Managing petty cash
	Financial reporting
	Financial record keeping
	Asset management
Other (please specify)	

Thank you for filling out this questionnaire

Appendix 3: Ethical clearance



Appendix 4: Turnitin originality report

Turnitin Originality Report

Financial management by school principals in Nkangala district of Mpumalanga province of South Africa by Mokhulu Matshika

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Appendix 5: Editors certificate

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10 March 2015

Mokhulu Lawrence Matshika

Editing of Mini-dissertation for Master of Business Administration

Financial management by public school principals in Nkangala district of Mpumalanga province of South Africa

I hereby declare that I carried out language editing of the above mini-dissertation on behalf of the author.

I am a professional writer and editor with many years of experience (e.g. 5 years on *SA Medical Journal*, 10 years heading the corporate communication division at the SA Medical Research Council), who specialises in Science and Technology editing - but am adept at editing in many different subject areas. I am a full member of the South African Freelancers' Association as well as of the Professional Editors' Association.

Yours sincerely

LEVERNE GETHING

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