FINANCIAL MANAGEMENT OF SCHOOLS IN TSHWANE:
A SOCIAL JUSTICE PERSPECTIVE

by

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DECLARATION BY EDITOR
DECLARATION BY THE RESEARCHER

I hereby declare that the dissertation submitted for the degree Doctorate of Education at Tshwane University of Technology is my own original work and has not previously been submitted to any institution of higher education. I further declare all resources cited or quoted are indicated and acknowledged by means of a comprehensive list of references.

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H. VAN DYK

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DEDICATION

This study is dedicated to my late mother, Rona Bezuidenhout, who taught me to have empathy and compassion for my fellow human being and that I had to study. In her words:

What you have in your mind is the one thing that nobody can ever take away from you!
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ABSTRACT

Although vast disparities in education were inherited from the “apartheid” government, the enactment of the South African Schools Act No.84 of 1996 (SASA) attempted to democratise school governance, redress past inequalities and improve overall school management, including financial management. Despite these efforts by government, in Tshwane there are still disparities in the financial functioning of different schools. For instance, whilst one school was establishing a science laboratory of R2 million, another school lacked basics such as chairs and desks, resulting in learners having to sit on the floor, 18 years after the new political dispensation. This study was undertaken with the aim of providing guidelines to ensure the fair and effective financial management of schools in Tshwane.

An extensive literature review provided an overview of the theoretical framework (social justice) as well as clarifying school financial management concepts, including quintile rankings, inflow and outflow of funds, fundraising, auditing and budgeting. An overview of the educational situation before and after the new dispensation (1994) was provided. A mixed mode approach was followed, entailing a combination of the qualitative and quantitative methods. Interviews were conducted to obtain the qualitative data; financial analysis of the school financial statements provided the quantitative data. Although document analysis is a qualitative research tool, in this study it was based partly on analysis of numerical figures by means of exact ratios and calculations, resulting in the document analysis becoming a quantitative research tool.

The study revealed that the new Constitution of South Africa and the concept of free education were positive attempts by government to adhere to the social justice principle in education. It was however, evident from the data that the ineffective quintile rankings, vast variations in school fees, varied income from fundraising projects and lack of financial knowledge and skills, contributed to current disparities in school finances, which proved to be detrimental to the social justice principle. The recommendations made by the researcher have been summarised by means of a condensed diagram, reflecting flows of money and knowledge.
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LIST OF ABBREVIATIONS AND ACRONYMS

ANC:  African National Congress
ANNSSF: Amended National Norms and Standards for School Funding
CA: Chartered Accountant
CACA: Chartered Association of Certified Accountants
CFA(SA): Institute of Commercial and Financial Accountants of South Africa
CIMA: Chartered Institute of Management Accountants
CIS: Institute of Chartered Secretaries and Administrators
CPA: Chartered Public Accountant
DBE: Department of Basic Education
DoE: Department of Education
FC: Fundraising Committee
FEDSAS: Federasie van Beheerliggame van Suid-Afrikaanse Skole
FSA: Financial Services Authority
GAAP: Generally Accepted Accounting Practice
GDE: Gauteng Department of Education
IAC: Institute of Administration and Commerce of South Africa
IGFR: Intergovernmental Fiscal Review
MEC: Member of the Executive Council
NAV: Net Asset Value
NNSSF: National Norms and Standards for School Funding
PBO: Public Benefit Organisation
PDE: Provincial Department of Education
PFMA: Public Financial Management Act
SAIBA: South African Institute of Business Accountants
SAICA: South African Institute of Chartered Accountants
SAQA: South African Qualifications Authority
SASA: South African School Act 84 of 1996
SASIX: South African Social Investment Exchange
SGB: School Governing Body
SMT: School Management Team
SNP: South African School Nutritional Programme
UNESCO: United Nations educational, Scientific and Cultural Organisation
CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

This chapter serves as a basic introduction to a variety of the aspects that are covered in this research study. Diagram 1.1 gives a brief summary of the interrelatedness of aspects discussed in Chapter 1.

Theoretical framework

Diagram 1.1: Lay-out of Chapter 1

In diagram 1.1 the interrelatedness of the research framework, data collection and analysis, ethics and the research problem is indicated. The background represents the theoretical framework, which underpins and “frames” the study. Each aspect in the diagram is covered in more detail in Chapter 1.
Financial management entails the efficient management of all facets of the financial function, where the latter term refers to the flow of funds. This flow refers to the acquisition of funds, known as financing; the application of funds for the acquisition of assets, referred to as investment and lastly, it includes the administration and the reporting of all financial matters (Du Toit, Erasmus & Strydom, 2010:420). According to Lovemore and Brummer (2003:7), the task of financial management involves the monitoring of a financial position, which may be divided into three different functions: the analysis of the financial position; the management of the asset structure and the management of the financial structure.

The definition of financial management, in respect of schools, is slightly different and refers to the performance of management actions or regulatory tasks, connected with the financial aspects of a school, with the main aim of achieving effective education. These management actions are performed by the School Governing Body (SGB) (Bisschoff & Mestry, 2003:3).

Section 34(1) of SASA, states that in order to redress past inequalities in education provision and to ensure the proper exercise of the rights of learners to education, the state must fund public schools from public revenue on an equitable basis (Government Gazette No 17579, 1996:24). Since the funding from government may be insufficient to cover all relevant school expenses, Section 36 of the same Act notes that a governing body of a school must take all reasonable measures within its means to supplement the resources supplied by the state in order to improve the quality of education provided by the school, to all learners at the school (Campher, 2003:52).

Although the concept free education was widely announced by government, most schools opt for school fees to strengthen the finances of the school. If a resolution to pay school fees has been adopted by a majority of parents at a meeting, school fees may be determined and charged at a public school. This is stated in Section 39(1) of SASA, while in Sections 40 and 41 the parents’ liability in this regard is set out and the legal ramifications of non-payment are described. Fund raising is another measure, referred to in the Act, which could be taken to supplement the
resources supplied by the state. These measures all give rise to financial assistance from the community. However, all the additional funding that devolves upon the relevant community is directly influenced by the economic welfare of that community. The additional financial resources of a school are thus directly linked to the welfare and income levels of the members of the school community.

Since 1994, the new government of South Africa has undertaken the major task of transforming the inequitable political, economic and social system that characterised the apartheid era and it further considerably reduced the racial discrimination in social spending (Motala, 2006:79). In respect of the post-apartheid education finance reforms, Motala(2006:80) indicates that distributional equity is emphasised and progress has been made towards a fairer distribution of public funds across provinces.

Although these inequalities of the past are being addressed through policy, many of the previously disadvantaged schools are experiencing drastic financial problems as a result of the additional community funding principle. Economically underperforming communities may not have the financial means to assist their schools, causing these to deteriorate financially, compared to schools in economically flourishing communities. Although Amsterdam (2006:25) noted that much emphasis was placed on equity and redress as education funding principles during the post-apartheid era, the community contribution, via school fees and fund-raising, may influence the equity principle. This inequity became obvious to the researcher when, during the same period that the researcher attended a desk-project for a government school in Soshanguve, a residential area of Tshwane (most classrooms in the school do not have desks), another government school in Pretoria launched their new Science laboratories, with an estimated cost of two million Rand (Beeld, 19 October 2011). This disparity does not evidence the constitutional guarantee of equity and redress and an attempt should be made to address the issue.

Redress of these inequalities, with regard to the funding of schools, is necessary to ensure that schools will have sufficient finances, and consequently, the effective
attainment of school goals. Possible approaches to addressing this problem need to be investigated. Furthermore, should funds be available to the schools, the SGB and Finance Section/department need guidelines on how to optimally utilise and manage such funds. The mixed-mode approach used in this study involved the participants for the interviews, which consisted of principals, SGB members and the financial officers of the schools as well as the analysis and interpretation of school financial statements. Guidelines were developed concerning the fair and effective financial management of schools in Tshwane, based on the literature review and the empirical study.

1.2 BACKGROUND OF THE STUDY

According to Mestry and Naidoo (2009:107) school financial management in South Africa was revolutionised through the enactment of SASA, making it a part of the drive for democratic school governance. This drive entails the establishment of democratic structures of school governance in all public schools. School governance in South Africa is primarily about the distribution of authority and voice. Authority in this sense includes both explicit and implicit authority, where financial and policy decisions are regarded as explicit authority (McLennon, 2000). The authority and voice of the community can be heard through the establishment of a School Governing Body (SGB), whose responsibility it became to manage finances at schools. As part of the SGB functions, a FC must be established, consisting of the principal, a chairperson of the FC, the treasurer and the financial officer. Other members may also be co-opted.

The community, through the SGB, is also directly involved in school finances. However, for the community to play a role, four requirements should be present for legitimate participation: knowledge, power, information and rewards. Nevertheless, this is not the case in all communities (Lawler 1984, cited in De Grauwe, 2004:6). In this regard, Mestry and Naidoo (2009:122) also point out that most of the school governors lack the necessary financial knowledge and skills to effectively manage large sums of cash, and as a result many schools experience financial difficulty.
Chapter 1: Introduction

The financial management task of the school principal, in collaboration with the SGB, is essential for the effective functioning of the school. Paisey (1992:81) confirms this when noting that, of all the types of information in a school system, none is more important than financial information, since all the activities of the school and its ultimate performance rely on the sound management of the finances. Although a school may have sufficient financial resources at its disposal, should these not be efficiently managed, this could eventuate in the non-attainment of the set academic goals.

South African schools have been categorised in SASA(1996), as either Section 20 (also referred to as non-section 21) or Section 21 schools. A school can apply for Section 21 status from the Department of Education. The Section 21 schools will be self-managing or self-reliant and are given greater financial flexibility than the Section 20 schools. They have to perform additional tasks such as:

- purchasing textbooks and educational material;
- determining the extra-mural curriculum;
- maintaining and improving the school’s property;
- payment of services that were rendered to the school by independent service providers (Department of Education and Culture, 2002:17).

Model C schools, implemented before 1994 in South Africa, already had the autonomy to manage themselves through the power vested in the SGBs. Even before 1994, their management activities included the handling of their own financial matters. They have thus readily obtained Section 21 status.

The challenge of managing the finances of schools is not only a South African school dilemma. The British perspective on this, as stated by Dean (1995:111), also mentions that the biggest change that has occurred in education is the local management of schools. Although this has given schools much more freedom in managing their affairs and opened doors to better ways of managing available funds, these changes have posed considerable problems for head teachers and governors, as managing finances on this scale is new to them.
According to Bisschoff, as stated in Campher (2003:6), since the promulgation of the SASA (1996) no school leader, whether he or she is a member of the school’s SGB or a member of the School Management Team (SMT), may perform his/her duties without some knowledge of the inner workings of the finances of the school. Although this knowledge was already expected in 2003, later research on this aspect, by Mngoma in 2009, indicates that many principals and SGB members still lack sufficient financial knowledge to enable them to properly handle the school’s finances.

In a study by Mngoma (2009:38), it was determined that 60% of principals in his study were not satisfied with the school financial management training that they had received and he recommended it as necessary for schools to place persons who have a good understanding of finance, on the FC. The complexity of financial school management is also pointed out by Campher (2003:2), when he indicates that in order to understand and apply financial school management, it is necessary to have an understanding of the school context, basic accounting procedures, economic policies, the laws relating to education and schools as well as management skills such as planning, reporting procedures, decision making and leadership. It is also important that the inter-relatedness of these disciplines, in terms of financial school management, is understood.

Although every school principal is required to handle some level of school finances, it seems that in the South African context, not all of them have acquired adequate financial management knowledge. From the research by Mestry, Naidoo and Bisschoff (2007), when schools perform well financially, it is unclear whether it is the result of proper financial training of the principals.
1.3 PRELIMINARY LITERATURE REVIEW

The medium- to long-term goal of owners and management of a company should be to increase the value of the organisation, thereby increasing the wealth of the owners. This may be accomplished in the following ways:

- by investing in assets that will add value to the organisation;
- by keeping the organisation’s cost of capital as low as possible (Marx, De Swardt & Nortjé, 2003:4).

The financial management team of each school should adopt these principles of financial management. As Campher (2003:2) states, school financial management is not simply economics and accounting as applied to schools; it is a broad field of study that touches on many disciplines as part of a system. In order to understand this field of study, it is necessary to gain an understanding of the school context, basic accounting procedures, economic policies, laws relating to education, along with management skills such as planning, reporting procedures, decision making and leadership as well as the interrelatedness of these disciplines.

Many people consider the finance and accounting functions within a business to be virtually the same. There are however, key differences between finance and accounting. One relates to the handling of funds, whereas the other focuses more on decision making. The primary function of the accountant is to develop and provide data for measuring the performance of the organisation, to assess its financial position and to handle tax payments. On the other hand, the financial manager is concerned with maintaining the organisation’s liquidity and solvency by providing the cash flows necessary to satisfy its obligations and to acquire and finance the current and fixed assets needed to achieve the goals of the organisation (Marx, De Swardt & Nortjé, 2003:6). However, the current situation in schools in South Africa makes it apparent that these key differences between accounting and financial management are often overlooked because of a lack of adequate or sufficiently trained personnel.
In this regard, Berkhout and Berkhout (1992:1) confirm that the finance function of a business enterprise refers to the manner in which financial resources are planned, procured and used to realise the objectives of the enterprise. However, in the case of educational institutions, the finance function must be differently addressed as the prospect of profit is limited or non-existent and financial resources are seldom, if ever, obtainable on the open market or from financial institutions.

Campher (2003:2) also notes that the finance function of a school should be differently addressed because in financial management of schools, financial accounting is the most essential component of financial management. In order to function effectively, a school needs to process, analyse and interpret financial data and information. The financial information should be measured and reflect the financial position at a specific date. Financial management involves the following primary functions:

- to make investment decisions;
- to make financing decisions;
- to ensure profitability;
- to ensure positive cash flow;
- to ensure solvency (Marx, De Swardt & Nortjé, 2003:7).

Although some of these decisions are dictated by necessity, some require an in-depth analysis of available alternatives, their cost and their long-term implications as part of financial planning. All these functions need the necessary knowledge and skills of a trained financial manager, an option not available at all schools (Mestry, 2004:126).

With regard to this decision-making, Campher (2003:2) is of the view that financial decisions should be made responsibly and with the school’s best interest in mind. All parties involved in school financial management are accountable to the learners, their parents, the community and the provincial education department.
1.4 THEORETICAL FRAMEWORK

Maxwell (2005:33) describes a theoretical framework as the underlying structure, the scaffolding or the frame of a study. It basically frames an inquiry, which requires that the research remain within the boundaries of the “frame” (Henning, van Rensburg & Smit, 2004:25).

The theoretical approach which frames this study is that of social justice. One of the basic characteristics of human nature is self-interest. People tend to put their own interests first, which is in strong contrast with the social justice principle. According to Reisch (2007:68) a social justice framework includes the following aspects:

- Access to vital resources, which may include basic school resources, for instance textbooks and copier paper, as well as funding to cover general expenses, such as water and electricity

- Participation in critical decision-making processes, such as the language policy, budgeting and appointment of staff

- Respect for human rights

- Dimensions of personal identity, particular culture.

These aspects are relevant to the South African educational environment. Another definition, which is more applicable to this study, describes the concept *social justice* as mutual obligation and fairness in society (RSA – Action and research Centre, n.d.). The financial situation of various schools in Tshwane is evaluated from a social justice point of view. The “fairness” (referred to in the definition) of educational funding, school fees, resources and other financial activities and influences is assessed and looked at through a social justice lens. The theoretical framework is discussed in detail in par. 2.2.2.
Although the study is not specifically framed by a Marxist approach, the relevance of this approach to the social justice point of view is considered. German-born Karl Marx published the Communist Manifesto in 1848, from which the ideology of Marxism grew. This document has had a significant impact on politics and economic policy globally. Marx was interested in the way in which institutions change over time, regarding the capitalist system as inherently unstable and self-destructive. He predicted that poor, exploited workers would unite to overthrow the capitalist class (Muradzikwa, Smith & De Villiers, 2004:25). With the evidenced disregard of social justice in certain aspects of education, one might ask whether the poor, exploited learners might be forced to follow suit.

1.5 STATEMENT OF THE PROBLEM

Significant disparities exist in South African schools because of the difference in financial means among different communities. This disparity is further accentuated by the division of schools in Section 20 and Section 21 schools and the competence of SGB members to manage financial matters of the school properly. These disparities lead to the divergence between affluent schools and schools which are always struggling to meet their most basic financial requirements.

Both the affluent and the financially disadvantaged schools need to manage the funds they have at their disposal in an effective manner. Since the successful attainment of school goals relies to a great extent on the successful financial management of the school, this study, through the development of financial management guidelines, is able to contribute to the attainment of the academic and non-academic goals of schools. Diagram 1.2 reflects the availability of funding from Government and/or the community. Should the funding be insufficient, measures should be implemented to supplement the fund. Effective financial management becomes possible if sufficient funding is available to the school.
Chapter 1: Introduction

Diagram 1.2: Reasoning behind research questions

- **Funding**
  - Limited/no community funding
  - Government funding
  - Substantial/additional community funding

  - Insufficient
    - Address funding shortage

  - Sufficient

**Effective financial management (HOW?)**
1.6 RESEARCH QUESTIONS

1.6.1 Main question

What requirements should be met to ensure the fair and effective management of school finances?

1.6.2 Sub-questions

- How have the school financial management activities changed since the implementation of SASA and school-based management?
- What influence does school-based management have on school financial management?
- How do the financial management activities in Section 20, 21 and previously model C (now Section 21) schools compare?
- To what extent do SGBs contribute to the effective financial management of schools?
- What influence does the economic welfare of the community have on the financial position of a school?
- Which methods/ratios could be effective when analysing and interpreting the financial statements of a school?
- Based on the theoretical framework, how is the principle of social justice apparent in the financial management of schools in Tshwane?
1.7 RESEARCH OBJECTIVES

1.7.1 Main objective

The main objective of the study is to develop guidelines for the fair and effective financial management of schools.

1.7.2 Secondary objectives

In doing so, the researcher intends to:

- Identify changes occurring in school financial management since the implementation of SASA
- Understand the impact of school-based management on school financial management
- Investigate the differences/similarities between the financial management of different schools
- Examine the contribution of SGB members regarding financial management of schools
- Develop a system of ratios to effectively analyse and interpret the financial statements of a school
- Determine the influence of the economic welfare of the community on the financial position of a school
- Identify the social justice principles applicable to the financial management of schools in Tshwane.
1.8 RESEARCH FRAMEWORK

The research methodology and design are extensively discussed in Chapter 3.

1.8.1 Paradigm

This study is underpinned by interpretivism. The human aspect of financial management justifies this research as an interpretive study. The role-players in managing school finances all experience reality in different ways, making this paradigm relevant to the study.

It should, however, be pointed out that a financial analysis of the financial statements of the schools was conducted. This analysis was based on numerical accuracy and certainty and the data obtained were described in a systematic way. Consequently, this part of the study leaned more towards positivism; therefore, the study employed a research paradigm of a dualistic nature, involving interpretive and positivist paradigms.

1.8.2 Research methodology

As indicated above, the researcher adopted a multi-method (mixed-mode) research approach, which entailed a combination of the qualitative and quantitative methods. The analysis of the financial statements of the schools (although representing a document analysis) was carried out from a positivist point of view and focused purely on numerical data, resulting in a quantitative approach. Through the ratio-analysis of the financial statements, relationships were established and possible causes for changes, outlined in the secondary objectives (questions), were explained.

In addition to the financial analysis, the study sought to understand and describe the financial management of schools in Tshwane, from a social justice perspective. The qualitative approach was also very suitable as the researcher endeavoured to understand, describe and discover new meaning with regard to
the financial management aspects of schools. She took advantage of the elements of both the qualitative (interviewing participants) and quantitative (financial analysis) approaches, resulting in her mixed-mode approach.

1.8.5 Population and sampling

The population for this study consisted of all government schools situated in the Tshwane Metropolitan area. Included in the population were Section 21 schools, Section 20 schools, also referred to as non-Section 21 schools, as well as Section 21 schools, previously known as Model C schools.

The researcher made use of non-probability sampling and, more specifically, purposive sampling. Eight schools in Tshwane were selected for the qualitative sample. The schools represented a wide spectrum of financial diversity, infrastructure differences, school size and location. Since the researcher wanted to obtain a holistic picture of the financial management of the schools, the same schools were included in the quantitative sample. The financial statements of the eight schools involved in the study were analysed. The sample for the qualitative approach included eight school principals, eight SGB members and eight financial officers. A total of 24 participants were therefore included in the sample. Table 3.2 provides a summary of the participants and detail of the sample.

1.8.6 Data collection

A literature review was conducted, which enabled the researcher to identify the relation of this study to the current body of knowledge. Information and important facts about school financial management were provided, which assisted the researcher in developing various parts of the study and also provided justification for the study. A variety of articles, papers, journals, Acts and books were studied (Welman, Kruger & Mitchell, 2011:69).

In addition to the literature review, the researcher conducted semi-structured interviews with the school principals, SGB members and financial officers of the
schools in the sample. All interviews were audio-taped, which ensured that no data were lost. Field notes were also used to indicate other aspects alongside the verbal responses.

The relevant permission from the Gauteng Department of Education (GDE) (Addendum A) was obtained prior to conducting the interviews, as was permission from the SGBs. Three interviews with SGB members were conducted at their respective places of work, but all other interviews were conducted on the school premises.

Data were also obtained from the document analysis. The researcher furthermore analysed the financial statements and financial policies of the schools.

1.8.7 Data-analysis

The interviews were transcribed, which entails converting the tape recordings into write-ups, by an independent transcriber. From the transcriptions, the researcher identified main and sub-themes (Table 4.1). A detailed financial analysis was performed on the financial statements of the schools, including a ratio-analysis and comparison of figures with other entities as well as previous financial years.

1.9 ETHICS

An extensive discussion of ethics is to be found in par. 3.8.1. The researcher followed the guidelines for ethics as set out by Denzin and Lincoln (2000:98). The participants (principals, SGB members and financial officers) were informed about the nature of the research and they all voluntarily agreed to participate in the study. The financial information of the schools and the transcribed interviews were handled with the utmost confidentiality. The permission of the GDE, TUT Ethics Committee and the SGB’s was obtained.
Chapter 1: Introduction

1.10 TRUSTWORTHINESS

Credibility was ensured through the process of triangulation (par. 3.8.2) and through providing a detailed explanation of the whole research process the researcher ensured the dependability of the study. Although the results were not necessarily generalisable, through the detailed descriptions the researcher endeavoured to enable the reader to make the study applicable to their own context. To ensure the trustworthiness of the research, the researcher explored a variety of literature, both on general financial management and on specific school financial management aspects.

1.11 CONCLUSION

This chapter offered concise look at the initial planning of the study. The research framework relevant to the study is social justice, with fairness as a central focus. The mixed mode approach, entailing a combination of the qualitative and quantitative approaches, was additionally discussed.

Chapter 2 provides a detailed review of the relevant literature. The review focuses on aspects of general financial management as well as school financial management.
CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Chapter one supplied summary of the research, with a brief discussion of the background of the study, theoretical framework, research questions and objectives, while a condensed literature review was also included. In Chapter two, the researcher elaborates on the literature review by means of a detailed literature study, which does not aim merely to reflect a compilation of separate, isolated researches by previous investigators. Rather, it attempts to provide an indication of the relationship between previous studies to each other, as well as the relationship of previous studies to this research. By means of this literature study, the researcher was able to determine where this research fits within the broader pool of education and financial management research endeavours. Welman, Kruger and Mitchell (2011:69) note that if a study is considered on its own it may elicit little interest, but if its relation to the broader body of knowledge is evident, it achieves greater importance and may even persuade other researchers to do research on the topic as well. Wellman et al. (2011:69) further list the following reasons as to why a literature study is necessary:

- It provides the researcher with important facts and background information on the research topic

- It avoids duplicating previous research

- Should a previous study on the same topic exist, the literature study will supply the researcher with information about aspects of the research problem which have not been investigated previously

- It helps in developing different parts of the study
Chapter 2: Literature review

- It enables the researcher to gain insights regarding weaknesses and problems experienced in previous studies undertaken
- It enables the researcher to obtain ideas on how to proceed with his/her study
- After accessing the findings and conclusions of previous studies, the researcher can relate these to this study
- It often serves as a source of motivation for the study.

The following diagram reflects the main aspects to be covered in this literature study:

![Diagram 2.1: Layout of literature study](image-url)
This diagram gives a clear indication of the approach to the literature study. General financial management is discussed to present a more holistic picture of financial management, followed by a precise explanation of school financial management. Specific reference is made to the inflow and outflow of funds and the financial activities relevant to the school environment, whilst particular reference is also made to the influence of politics as well as international trends. However, the researcher initially elaborates on the theoretical framework (discussed briefly in par. 1.4) before attending to the aspects of the diagram, since the reasoning behind the approach to the literature study is embedded in the theoretical framework.

2.2 THEORETICAL FRAMEWORK: SOCIAL JUSTICE

2.2.1 Introduction

As noted in par. 1.4, a theoretical framework is the underlying structure, the scaffolding or the frame of a study (Maxwell, 2005:33). For Burton and Bartlett (2009:18) the theoretical framework is a grid of notional thoughts about the nature of the world and the purpose of research. This means that the theoretical framework not only conditions the path of thinking within the research, but it also supports research actions. It basically frames an inquiry, which ensures that the research will remain within the boundaries of the “frame” (Henning et al., 2004:25). Merriam (2009:67) and Henning et al. (2004:25) agree that the theoretical framework is similar to the lenses through which the researcher views the world and positions the study in the specific discipline. Merriam (2009:66) notes that the theoretical framework is derived from the specific stance (or orientation) that the researcher brings to the study. All aspects of the research are thus affected by the specific theoretical framework applicable to the study. For Lautenbach (2005:20) the theoretical framework, intentions or purposes with which the investigations are approached by the researcher, not only determine what questions are important, but also which methods should be used to collect data to answer these questions and are even able to influence the way in which knowledge is interpreted and considered (Mackenzie & Knipe, 2010:4).
The relation between the research problem and the theoretical framework can be reflected as a set of interlocking frames. Diagram 2.2 reflects these frames.

Diagram 2.2: Theoretical framework (Merriam, 2009:68)

In Diagram 2.2, the outermost frame reflects the theoretical framework. It embodies the literature relevant to the research; what is known about the research topic is identified and drawn from the specific literature. The focus of the study and what is not known (gap in the knowledge base) are also identified. Lastly, the precise purpose of the study is clarified. The second frame in the diagram represents the problem statement, which is firmly lodged within the overall theoretical framework. The innermost frame, within the problem statement frame, contains the exact purpose of the study. The researcher specifically identifies with the observation made by Wolcott (2005:180), stating that there is a “need for every researcher to be able to place his or her work within some broader context”. The theoretical framework furnishes this broader context. A detailed description of the said framework relevant to this research follows.

2.2.2 Theoretical framework for the study

The poor man went throughout the city, to the most learned of scholars, and begged him to plead the cause. But the scholar, deep in his own grand thoughts, barely listened. He pondered lofty matters, and had no interest in humbler ones… Alas the grandest thought quenches no thirst. Besides,
what good is all the learning in the world if there is no one who understands it? (Alexander, 1971:5).

This quote, from the King's Fountain, illuminates a crucial issue in the social justice approach, i.e. to direct both energy and resources towards creating true social change. For many people, it is just too easy to ignore the cries of underprivileged and oppressed communities. Maybe this is the result of people being too comfortable with their lives and also too consumed by the number of demands on their time (Hage & Kenny, 2008:75). Before the actual explanation of social justice commences, just a brief overview of the emergence of social justice is given.

According to Reisch (2007:70) the concept of social justice had appeared already in a time known as the Progressive Era, circa1890-1917. At that stage it was, rather, a synthesis of religious and secular ideas. According to the so-called Fathers of social justice, including Adams, Wise, Tucker, Holder and Abbott, justice in that period was regarded as the substitution of charitable principles, norms and relationships with universal standards of decency that would be enforced by the state and rationalised by new methods of socialisation (Reisch, 2007:70). John Rawls, an American philosopher, made a huge contribution to the drive for social justice. His theory of "justice for fairness" envisioned a society of free citizens holding equal basic rights.

Rawls’ work was a practical contribution toward settling the long standing conflict in democratic thought between liberty and equality, and toward describing the limits of civic and of international toleration. He offers members of society a "way of understanding themselves as free and equal citizens within a fair democratic polity." (Leif, 2013:2). According to him, "justice is the first virtue of social institutions, as truth is of systems of thought" (A theory of justice, n.d). These beliefs of the fathers of social justice have since developed into a variety of approaches to and types of social justice.
Social justice can be described as the efforts to relieve poverty and hunger, to promote world peace and justice or address local issues (Todd & Allen, 2010:222). For purposes of this study, this description by Todd and Allan is insufficient. In addition to this description Reisch (2007:68) (par. 1.4) contend that a social justice framework includes access to resources, participation in decision making processes, respect for human rights and dimensions of personal identity and particular culture.

With regard to human rights, it should be noted that “human rights are not, as has sometimes been argued, a reward of development. Rather, they are critical to achieving it” (UNDP, 2000:iii). It has been a global struggle to enshrine the human rights principles in law, such as a Bill of Rights, that will provide a person with the legal means with which to defend their freedom (Mohan & Holland, 2001: 88). The new Constitution of South Africa provided these legal means for attaining their rights, to its citizens. Human rights and the other aspects listed by Reisch are relevant to the South African educational environment.

Another definition, which is more pertinent to this study, describes the concept of social justice as mutual obligation and fairness in society (RSA – Action and Research Centre, n.d.). Fairness relates to how costs and benefits are distributed and is regarded as a specific type of justice behaviour. Two aspects are included in the concept of fairness, i.e. attention to equity, which refers to how much a specific individual deserves, and equality, which demands that everyone deserves the same (Pierce & Bekoff, 2012:122). The mutual obligation and fairness position simply that we are responsible for one another and we should ensure that all have equal chances to succeed in life. Should this not be the case, in other words, if these life chances are not distributed equally, such a situation calls for the redistribution of opportunities. The form that this redistribution of opportunities should take is still widely contested (Pierce & Bekoff, 2012:122 and Todd & Allen, 2010:222). This type of just behaviour is much needed in our South African education environment, where disparities between various government schools are obvious. As discussed in paragraph 2.7.1, 50% of schools in South Africa are rated as “very poor”, 60% of schools are regarded as resource-poor schools and
many educators still work in classrooms marked by poverty, social problems and overcrowding (SASIX, 2006 and DoE, 2006:33). The disparities in education are also noted by Pretorius (2010:137) and Soudien (2004:106). According to them, the learners attending schools in the rural and township areas are trapped in a “survivalist economy”, since their parents are not financially able to relocate in pursuit of quality education. Van der Merwe (2011:771) also noted the disparity in education as a result of the economic welfare of the environment when stating: “Quality education often eludes South African learners from poverty-stricken environments”.

As a point of departure, the word justice (in the concept of social justice), refers to what is deserved and merited. Some justice behaviours may be called moral, but not all. It is thus important to note that justice is not synonymous with morality. Although justice is not synonymous with morality, social justice is regarded as a “set of moral obligations” (Meyer & Mitchell, 2010:1) that exist in an inclusive (educational) community, by those people who adhere to the principle of protecting the vulnerable. There are various types of justice, including commutative, restorative, retributive and distributive. However, this study is focused on distributive justice. Distributive justice relates to what goods need to be distributed, between who or what and based on what considerations (Meyer & Mitchell, 2010:1). With regard to these types of justice, reference should be made to the contribution of Fraser (1998:1). She noted: “justice today requires both redistribution and recognition. Neither alone is sufficient”. These redistribution claims seek a more just/fairer distribution of resources and goods. On the other hand, the goal of recognition is a difference-friendly world, where assimilation to dominant cultural norms is no longer the price of equal respect. The distributions made to government schools in Tshwane, by means of financial and other resources, make distributive justice very applicable (see the discussion of quintiles in par.2.6.2). When looking at the redistribution paradigm of justice, one should note that it focuses on socio-economic injustices, presumably rooted in the political economy. This also confirms that the study relates to the redistribution/distributive paradigm of justice (Fraser, 1999:26).
The lack of social justice in South Africa has also been acknowledged by international authors such as Sharon Subreenduth, from Ohio, US. She conducted a research project in order to determine

… what has taken place in South Africa, when a government that was so invested in its liberation struggle is no longer able to live up to its anti-apartheid ideology and facilitate social justice for the oppressed. When the everyday lives of the black masses within South Africa’s almost two-decade-old democratic nation remain fairly similar to their experiences under apartheid, what social justice can one claim (Subreenduth, 2013:581).

This is particularly the case in education, as indicated in par. 2.7.1.

Although the problem of social injustice is evident in many aspects of the lives of South Africans, it is something that also persists in the United States. Jones (2006:885) is of the opinion that meritocracy is based on equity, and the latter entails that inputs (qualities or attributes brought to a situation) should be proportional to, and a precise prediction of, the outcomes we receive. These inputs include intelligence, test scores, character and socio-economic status. However, social justice is often recognised by outcomes, not inputs. This was confirmed by President Lyndon Johnson’s remark that “we want equality not only as a theory, but also as a result” (Jones, 1997:84; Franklin & Starr 1967, cited in Jones, 2006:891). Equality in concept requires equality in fact, which entails that equality should not only be a widely announced concept, but needs actual implementation in the day-to-day lives of people. The American school system has been characterised by a long-standing mismatch between teachers and students and an uneven distribution of resources and funding. The public school system in the United States of America has repeatedly failed to effectively serve students that do not fit into the ideal white, male-dominant, English speaking, Christian, heterosexual, able mainstream culture of America. To attempt to rectify the unjust situation in schools, some teacher education programmes are even focusing on issues of social justice (Wiedemann, 2002).
With regard to outcomes, it should be noted that ensuring that outcomes are equal when the inputs are varied, or ensuring varied outcomes with similar outcomes, both refer to situations described as inequitable. In his research, Jones (1997: 84) even found the situation regarding social justice in the South African context to be better than that which exists in the United States. South Africa has established the aim of social justice as a state interest as well as a fundamental right, whereas in the United States there seems to be confusion and uncertainty about the aim of social justice, as well as the means of achieving it.

Subreenduth (2013:583) identified three dominant approaches to social justice, i.e. liberal humanism, market individualism and the social democratic approach, which have all failed to attend to the complexities of social justice efforts in non-Western contexts. Liberal humanism focuses on individualism and fairness, as well as the responsibility of the state to develop policies in order to remove barriers resulting from the unequal power relations preventing aspects such as participation, access and equity. Market individualism, as a social justice framework, reasons that redistribution is unjust and that the state does not have the right to distribute private goods that people produce as a result of their own efforts. This approach emphasises the market in social and economic exchange. In contrast to these approaches, the social democratic framework sets the needs of the community as a priority and rejects individualism. This approach promotes personal rights and argues that ideas of justice are not compatible with markets. However, as stated above, these frameworks fail to attend to the complexities of social justice efforts in non-Western environments. The abovementioned author goes on to state that there are basically three dimensions to social justice in non-Western/sub-Saharan Africa that are not included in these approaches i.e.:

- Redistribution and access to resources
- Recognition of the claims of historically marginalized groups
- Participatory justice within debates on education.

These three dimensions should be taken into account when analysing the social justice situation in these sub-Saharan countries. It is therefore important that
South Africa’s dual oppressions and social justice efforts need to be analysed and theorised within the particular historical, temporal and political eras (Subreenduth, 2013:586).

This study is approached from the social justice framework, taking specific cognisance of the dimensions related to the sub-Saharan countries. The historical/political influence on education is discussed in the literature study, so as to afford a clear picture of the social justice actions that influenced the educational environment.

Finally, it is also important that social justice should form part of the curriculum at school level. Although this research study focuses only on the financial management of schools, thus reflecting the impact of social justice on this aspect, a brief reference is made to social justice in schools. Social justice, as a way of thinking, needs to be embraced and fostered here. In 1916 already, the American philosopher, John Dewey, had noted that “schools can and should be places where individual beliefs and world-views are honored as students come to understand the complexity not only of their own country but of global society”. With regard to teaching social justice, Hoff, Yoder and Hoff (2006:239) argue that as members of a complex nation and very complex world, we have to gain broader perspectives and greater acceptance in order to survive and prosper, and that schools are the key to participation in this new world order. The word public in public schools should be embraced. As Walter Feinberg (1993, cited in Hoff, Yoder & Hoff, 2006:240) contended:

“The purpose of public schools is to create a public, not simply reflect it.”

2.3 FINANCIAL MANAGEMENT IN GENERAL

As stated in paragraph 1.1, financial management entails the efficient management of all facets of the financial function, where the latter refers to the flow of funds. This in turn refers to the:
• acquisition of funds, called financing

• application of funds, for the acquisition of assets, referred to as investment

• administration of, and the reporting on, all financial matters (Du Toit, Erasmus & Strydom, 2010:420).

The same is confirmed by Lovemore and Brummer (2003:7), who describe the task of financial management as the monitoring of the financial position, which may be divided into three different functions: the analysis of the financial position, the management of the asset structure and the management of the financial structure.

Before attending to specific school financial management, the following basics regarding financial management in general should be mentioned. As previously stated in par. 1.3 the medium and long-term financial goal of the owners and management of a business organisation should be to increase the value of the business, thus increasing the wealth of the owners. This can be accomplished by:

• investing in assets that will add value to the business and

• keeping the cost of capital of the business as low as possible (Marx, De Swardt & Nortjé, 2003:5).

These authors further state that the short term goals of a business organisation should be to ensure the profitability, liquidity and solvency of the organisation. In brief, profitability may be described as the ability of the said organisation to generate sufficient revenue, to cover the costs, through applying the business assets for productive purposes. The concept of liquidity is the ability of the business organisation to settle its short term obligations as they become due. The last goal, solvency, entails the extent to which the assets of the business exceed its liabilities.
Chapter 2: Literature review

2.4 FINANCIAL SCHOOL MANAGEMENT

The definition of financial management, in respect of schools, is slightly different from the general financial management descriptions covered under paragraph 1.1. Financial school management refers to the performance of management actions or regulatory tasks, connected to the financial aspects of a school, with the central aim of achieving effective education. These management actions are performed by the School Governing Body (SGB) (Bisschoff & Mestry, 2003:3). Horvat (2007:153) describes financial school management as the planning and implementation of a financial plan, financial accounting and reporting, as well as the protection of the school’s assets from loss, damage and fraud. The researcher’s workable definition for school financial management, derived from these definitions is:

The performance of the management functions i.e. planning, organising, leading and control, of all the financial aspects at a school, including the protection of the school’s assets, in order to realise the educational goals of the school.

Diagram 2.3 is a summary of the aspects that comprise the management functions within the school financial management context and indicate the related tasks and subtasks, reflecting four management functions: planning, organising, leading and control in the financial management context. Activities (tasks) relating to each of these functions are reflected under the function. For example, budgeting is the main financial planning task, with conceptualising, compiling, determining purpose and deciding on a budget approach, as sub-tasks. The tasks in the organising function are those of compiling a financial and accounting policy, determining financial accountability and fundraising. The tasks that should be completed as part of the leading function, include: developing relationships, communicating and motivation. The last function is that of controlling; the tasks relating to this aspect of school financial management are: taking corrective action, ensuring that the records are audited and ensuring independence between planning, controlling and controlling norms.
Although the actual definition is dissimilar to the definition of general financial management, educational institutions, such as schools, share many managerial similarities with business organisations, as maybe seen in Diagram 2.3 (planning, organising, leading and control). Just as a business organisation has limited resources, so a school also has a limited amount of resources at its disposal and

must allocate these in such a manner as to maximise productivity. This reiterates that financial management is an integral part of resource management. With regard to this school resource management, Foskett and Lumby (2003:9) explain that resources are the means by which the processes of education may be put into operation.

Resources or resource factors in the school context are different from those in the business environment. The resource factors associated with improved pupil performance, identified by seven South African studies, are summarised by Taylor, Muller and Vinjevold (2003:55) into a table (Table 2.1 refers), which indicates the varied results in studying the influence of resource factors on improved learning. The factors that were considered in these studies were: teacher qualifications, facilities, pupil-teacher ratios and learning materials. The table reflects these resource factors in the first column on the left and then indicates the correlation (+) with the matric results. The researchers who conducted the research studies are:

- Study 1: Case and Deaton (1999)
- Study 2: Case and Yogo (1999)
- Study 3: Crouch and Mabogoane (2001)
- Study 4: Bot, Wilson and Dove (2001)
- Study 6: Simkins (forthcoming)
- Study 7: Simkins (forthcoming).
Table 2.1: Resource factors associated with improved learning (Taylor, Muller & Vinjevold, 2003:55).

<table>
<thead>
<tr>
<th>Factor</th>
<th>Study 1</th>
<th>Study 2</th>
<th>Study 3</th>
<th>Study 4</th>
<th>Study 5</th>
<th>Study 6</th>
<th>Study 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher qualifications</td>
<td>++</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pupil-teacher ratios</td>
<td>++</td>
<td>++</td>
<td>0</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Learning materials</td>
<td>++</td>
<td>++</td>
<td>0</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key: ++ denotes a very strong, positive correlation; + denotes a relatively weak positive correlation, 0 reflects no significant difference.

Teacher qualifications refer to the academic qualification(s) that teachers have obtained in their field of teaching. The facilities refer to the buildings, equipment and other physical facilities available at the school. The pupil-teacher ratios calculate the number of learners in relation to the number of educators in the school. Lastly, the learning materials refer to the learner support material including textbooks, hand-outs and general stationery.

This summative table indicates that teacher qualification and the pupil-teacher ratio have a very strong correlation with the matric results, whereas learning materials were noted as having a relatively weak positive correlation with matric results, and were only reported by one study. Facilities have been indicated by four of the studies as having a relatively weak positive correlation with matric results.

To extend the description of resources in education, Simkins (1997:163) concurs that the main resource is finance, thus making financial management distinctive from the management of other resources. The other resources are referred to as “real” resources and include teaching staff, support staff, services, books,
equipment and consumables such as materials, chemicals and art materials. Resources are a concept mentioned in most self-managing school definitions.

A self-managing school is a school in a system of education to which a significant amount of authority and responsibility to make decisions about the allocation of resources within a centrally determined framework of goals, policies, standards and accountabilities has been decentralised. Resources are broadly defined to include knowledge, technology, power, material, people, time, assessment, information and finance (Caldwell & Spinks, 1998:4).

Resources should be managed in order to maximise productivity. This in the educational context, as opposed to the business environment, is all about providing maximum benefit to pupils and students (Anderson, 2003:207). Resources have to be acquired or provided and then allocated as a prerequisite to realising this goal.

The functioning of a school as a business or financial organisation is also confirmed by Mestry (2006:36). After conducting research into the functions of SGBs in managing school finances, he concluded that “…as schools are increasingly functioning as financial organisations, emphasis on financial management increases accordingly”. He further noted that should sound principles in this regard not be formulated and implemented (including proper budgeting procedures, splitting of duties when cash is handled and compiling a credit policy) many schools could be faced with situations that could ultimately affect their schools’ educational aims negatively. School management, and moreover school financial management, thus influences the educational performance of schools.

2.5 POLITICS AND SCHOOL FINANCIAL MANAGEMENT IN SOUTH AFRICA

The education arena has been drastically influenced by the political dispensation in South Africa as briefly described in paragraph 1.1. Bisschoff and Mestry (2009:8) describe politics as the relationship between the state and its citizens,
which can be formalised in a specific set of rules that should govern behaviour and enforce norms. The political situation is studied by referring to a pre and post-1994 situation. The importance of the year 1994 stems from the African National Congress (ANC) being elected into power in South Africa’s first ever democratic election during that year.

2.5.1 Before 1994

The development of policies and other related processes in South Africa were strongly influenced by apartheid prior to 1994. As Maile (2008:1) states, apartheid included a variety of commitments and interventions, all aimed at segregating society. The most significant of these interventions was the allocation of public resources according to racial status. During this period, the apartheid laws in South Africa also ensured unequal education provision based on race. This is clearly reflected in the State’s annual per capita expenditure for 1994, which was R 5403 for the learners from advantaged (white) schools and a mere R 1053 for learners from the most disadvantaged (non-white) schools (Patel, 2002:175). This period was characterised by segregationist social and education policies, which over many decades had manifested themselves in completely discriminatory laws, policies and practices (Mattson & Harley, 2002:285).

These laws included the Native Land Act of 1913, the Native Affairs Act of 1920 and the Native (Urban Areas) Act of 1923, which according to Johnson (2004:119), had lasting effects on education, as well as on social infrastructure. With regard to education, these effects include ineffective leadership and management practices in government schools, especially those in the historically black areas. This ineffective leadership was often the result of the fact that during the apartheid-era, teachers and educational leaders, for example school principals, were restricted to residing and working within their local community area (Shonhiwa, 2006, cited in Piggott-Irvine, Howse & Richard, 2013:57). If a suitable educational leader did not reside in the community, the school had to settle for somebody who was available in the area, but did not necessarily possess the knowledge and skills required for the specific position. Luckily, this
lack of knowledge and skills did not really impact on the financial situations in such schools. The financial activities at schools were very limited during this pre-democratic period and there were stringent measures and guidelines in place. With regard to the financial activities in the education environment, principals handled the financial matters of the school according to Chapter F of the Principals Handbook. This document governed the management of schools in that era and was supplemented by specific documentation from the relevant Provincial Department of Education. The so-called Uniform Accounting System developed by the Natal Education Department is one example of such documentation that covered aspects such as implementing checking and control measures, avoiding changes in the system that might result from a change in staff, ensuring that staff on transfer encountered a system with which they were already familiar and providing a basis for future staff training (Natal Education Department, 1980:1).

During the pre-democratic period (pre-1994), the education system in South Africa was extremely complex. Education was divided strictly along racial lines (Bell & McKay, 2011:27). At the end of this time, the system was fragmented into 18 different education departments, exercising administration and control. This duplicated education system was mainly the result of the old constitution tabled in 1983, which made provision for both own affairs and general affairs in state administration. Three council ministers administered the education for whites, coloureds and Indians in the own affairs section. The general affairs section contained two different departments, which consisted of the National Education Department (responsible for general policy) and the Department of Education and Training (responsible for African education, outside of the homelands) (Dekker & Van Schalkwyk, 1995:468). This racially divided and fragmented system, characterised by its enormous differences in resources between racial groups, needed to be transformed into a unified system accommodating all South Africans on a democratic and equitable basis. These challenges faced by the education sector were part of the broader struggle of the new government (post-1994) to transform the enormous inequalities in all different sectors of the South African society (Ahmed & Sayed, 2009:204).
Chapter 2: Literature review

At this time Nelson Mandela proclaimed: “All South Africans must now unite and join hands and say we are one country, one nation, one people, marching together into the future.” The problems of translating this vision into practice should not be underestimated. The historic, institutionalised inequalities of education provision prior to 1994 needed to be addressed. The most visible disparity was the lack of infrastructure in some of the rural schools. Where the “white” schools compared favourably with the best schools in Europe, some schools in the remote rural areas lack the basic requirements for effective education, such as electricity, water, sanitation, telephones and basic educational equipment (Thurlow, Bush & Coleman, 2003:ix).

It is evident from this discussion of the pre-1994/non-democratic era (reflecting deficiencies and injustices) (par. 2.2.2), that the new government was faced with major challenges and changes to make the playing field more even in the education environment.

2.5.2 Changes since 1994

2.5.2.1 General

After the election of the new government in 1994, many challenges awaited. A new Constitution for South Africa (Act 84 of 1996) was drawn up after the first democratic elections. The new constitution laid down some basic human rights. The following reflects the impact of Section 29 (Act 84 of 1996) of this constitution, specifically on the rights of children and education as such:

(1) Everyone has the right:
   (a) To a basic education, including adult basic education; and
   (b) To further education, which the state, through reasonable measures, must make progressively available and accessible.

(2) Everyone has the right to receive education in the official language or languages of their choice in public educational institutions where that education is
reasonably practicable. In order to ensure the effective access to, and implementation of this right, the state must consider all reasonable educational alternatives, including single medium institutions, taking into account:

(a) Equity;
(b) Practicability; and
(c) The need to redress the results of past racially discriminatory laws and practices.

(3) Everyone has the right to establish and maintain, at their own expense, independent educational institutions that:

(a) Do not discriminate on the basis of race;
(b) Are registered with the state; and
(c) Maintain standards that are not inferior to standards at comparable public educational institutions.

The disparities in the old education system in South Africa, referred to in paragraph 2.4.1 are evidence of the blatant disregard of the basic rights mentioned in the new Constitution.

The new government faced the challenge of designing new education system. It was clear from the content of the constitution that the latter should redress the inequalities and discrimination of the past.

The new Constitution accorded the national government and the nine provinces joint responsibility for the provision of equal education to all learners. As stated on the website of the Education Rights Project, the national government became responsible for determining norms and standards for the funding of education. The aim of the system was to ensure that each province had exactly the same amount of public funds to spend per learner, irrespective of the wealth of the specific province. In this regard, Motala and Pampallis (2005:42) mention that since 1997, “the national government has transferred an annual, single, unconditional grant to
each province to be spent on education, health, welfare and other miscellaneous services.”

With regard to education in particular, the new Constitution emphasised the transformation of the education system and thus the transformation of schools. This resulted in school governance becoming a focus of reform as indicated in the Education White Paper 2 of 1995 (Department of Education, 1995). This policy document was the origin of the South African Schools Act (SASA)(Act no. 84 of 1996).

2.5.2.2 School-based management

School-based management is a logical outflow of SASA. As a result of the new legislation, considerably more authority and responsibility for decision-making has been devolved to the school level than previously (Mestry, 2006:27). One of the intentions of SASA is the democratisation of public schools. This included issues of governance and organisation of the school as well as school funding. In effect, the democratisation resulted in school-based management.

The concepts: school-based management, site-based management and self-managing schools have exactly the same meaning and involve the decentralisation of school management. Caldwell and Spinks (1998:5) define a self-managing school as a school, to which a significant amount of responsibility and authority has been decentralised to make decisions about resource allocation within a “centrally determined framework of goals, policies, standards and accountabilities.” Bisschoff and Mestry (2009:11) advocate their own definition of school-based management being the delegation of authority to schools with a shared decision-making model, engaging various stakeholders, which requires facilitative rather than directive leadership. Shared decision-making is described by Myers (2009) as the process of making educational decisions in a collaborative manner at school level. Various stakeholders, including teachers, parents, school staff and administrators all have a say in how the policies, procedures, school programme and, indirectly, the overall management of the school will affect the
learning and teaching at the school. This is based on the premise that those close to the children and who are where “the action is”, will make the best decisions about education. Harrison, Killion and Mitchell (1989:55) concur with this position when they state that this shared decision-making actually brings the responsibility of making these decisions as close as possible to the school. Personnel at the school should work collaboratively to make decisions. By involving the staff directly in the decision-making process and trusting their abilities and judgments, they take ownership of these decisions. With regard to this “new”, shared decision-making model, Malen, Ogawa and Kranza (1990:289) suggest that this is not really a new idea, but actually a recurrent reform, that surfaces periodically when public education is under fire.

Although shared decision-making is synonymous with the decentralisation of school management, the process of change involves a totally different approach to management. This change process is summarised by Patterson (1992:53) as follows:

...when power and culture remain central values in organizational culture, decision-making power lies at the top of the organizational chart and decisions trickle down the chart. In tomorrow’s organisations, decision-making gets turned upside down. Shifting from top down to bottom-up decision-making.

The shared decision-making model includes a very distinct flow of data and information. To enable the various stakeholders to be constructively involved in the decision-making, a consistent flow of information is necessary to empower them towards effective making of decisions. Diagram 2.4 gives an indication of the flow of information and the various stakeholders that may be involved in shared decision-making at school level.
Diagram 2.4: Data and information flow within a shared decision-making system. (UNESCO, Systematic monitoring of education for all, as amended)

The arrows in Diagram 2.4 reflect a duality in the flow of information. That which flows from the Ministry to the schools includes government education policy and regulations. The school in return is required to forward certain figures; for instance, for statistical purposes, although in the South African context, this is usually channelled through the provincial departments of education. Information between
the provincial departments and district offices is also usually policy and regulation-related. The district offices must forward more specific information, regarding the day-to-day running of the school, to the schools while the latter have to report back to the district offices on these matters. It is important that the information is also forwarded to the various stakeholders of the school, since effective decision-making rests upon the quality and amount of information available.

The school-based model is not originally a South African concept. School management in Cuba, for instance guided by the principle that education is everybody’s responsibility and participation by various stakeholders is an important means of addressing problems at school. Their participatory management tools include school councils, study homes, parents’ schools, student assemblies, parents’ councils and the so-called council addressing minors (Gasperini, 2000:13). This Cuban principle, of participation by various stakeholders, is also applicable to the South African school environment. SASA encourages co-operation by means of a partnership relationship between government and local school communities. In respect of this partnership, Marishane and Botha (2004:95) point out that this partnership is pursued through a strategy of actually decentralising both the governance and financial functions to school-based structures to encourage self-management of schools. With the focus of this study centred on school financial management, Nieuwenhuis (2007:139) states that efficient school-based financial management is a solution to the shortage of government resources, because sufficient school finance and the effective management thereof will play a huge role in developing an effective school.

School-based management of schools in South Africa requires the redesigning of government schools with the aim of empowering educational stakeholders, thus enabling them to develop and improve their schools (Kruger, 2007:236).

The SGB, as the major participatory management tool in school-based management in South Africa, is discussed in detail in par. 2.8.2.2.
2.5.2.3 Specific changes in the legal framework

As discussed in paragraph 2.5.1, a harsh disparity existed in the educational context before 1994. The implementation of SASA removed these disparities and influenced the overall management of the public schools. This included the financial management of schools. The following is an alphabetical list of some of the relevant sections reflecting changes impacting on the overall school financial management, as identified by Campher (2003:50):

- **Allocated functions of governing bodies: Section 21**

Prior to the implementation of SASA there was very limited decentralisation of financial functions to schools, since school-based management was not in place. SASA brought about the following changes with regard to the handling of certain financial functions by the school itself. If the SGB applied to the Head of department (in writing), it might be allocated any of the following functions:

a) To maintain and improve the school’s property, buildings and grounds occupied by the school, including the school hostels, if applicable;

b) To purchase textbooks, education materials or equipment for the school;

c) To pay for services, for example plumbing and garden services to the school.

- **Auditing of the financial records: Section 43**

(1) The governing body of a public school must appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, No 80 of 1991, to audit the records and financial statements referred to in Section 42.
(2) If the audit referred to in subsection (1) is not reasonably practicable, the governing body of a public school must appoint a person to examine and report on the records and financial statements referred to in Section 42. This person must be:

(a) qualified to perform the duties of an accounting officer in terms of Section 60 of the Close Corporations Act No 69 of 1984.
(b) approved by the member of the Executive Council for this purpose.

(3) No person who has a financial interest in the affairs of a public school may be appointed under this section. This financial interest includes a contract or tender with the school, or any service rendered to the school for financial remuneration.

(4) If the member of the Executive Council deems it necessary, he or she may request the Auditor-General to undertake an audit of the records and financial statements of a public school.

(5) A governing department, should submit, within six months after the end of each financial year, a copy of the records and financial statements of a public school.

(6) At the request of an interested person, the governing body must make the records referred to in Section 42, and the audited or examined financial statements referred to in this section, available for inspection.

Auditing is discussed further in par. 2.1.2.

• **Budget**

At a public school, the SGB must prepare a budget every year. This should be done in accordance with guidelines determined by the members of the Executive Council. The estimated income and expenditure for the following year should be
reflected. Before the budget may be approved by the SGB, the majority of parents must agree with the budget at a general meeting organised by the SGB. More detail on the budgeting process is provided in par. 2.9.2.

- **Enforcement of payment of school fees: Section 41**

If parents do not pay the agreed school fees and they did not qualify for exemption, the governing body is allowed to take legal action against the parent. It should be noted that while legal action may be taken against the parent, there may be no discrimination against a learner as a result of the non-payment of school fees by a parent. Although discriminating against a learner as a result of the non-payment of the school fees is prohibited by SASA, Veriava (2003:18) concluded that in some schools learners' reports or results were withheld as a result of the non-payment. This is confirmed by MANCOSA (2004:88) where the results of a learner from a primary school were withheld because her mother was unable to pay the outstanding school fees. In a contribution by Pollecut (2003:10) an even more degrading situation is described, where teachers shout at learners, tease them and even disallow them from sitting on chairs because of their outstanding school fees. Payment of school fees is discussed in more detail in paragraph 2.5.2.

- **Exemption from payment of school fees: Section 39**

The SGB of a public school must inform all parents of their right to pay only part of the school fees or even nothing at all if they cannot afford to pay. This is referred to as exemption in SASA. It should be noted that this exemption needs to be applied for and is not an automatic exemption process. Exemption from school fees is explained in more detail in par. 2.6.3.1.
• **Financial statements and record keeping at public schools: Section 42 and 44**

A public school should keep a record of the funds received and spent by the school, as well as of the assets, liabilities and other financial transactions. The school should furthermore draw up annual financial statements within three months after the end of the financial year. The school financial year commences on 1 January and ends on 31 December of each year. Although SASA does not prescribe that the school should analyse these financial statements, a detailed analysis and interpretation of the financial statements could assist with future financial decision-making. More detail of this analysis and interpretation is reflected in par. 2.10.

• **Financial committee: Section 30(1)**

The SGB may establish committees (for example a financial committee) and appoint persons who are not members of the SGB to such committees on grounds of their expertise, but such committees should always be chaired by a SGB member.

• **Free education / School fees: Section 5**

No learner may be refused admission to a public school as the result of non-payment of school fees.

• **Funding for training for governing bodies: Section 19**

From the funds allocated by the provincial legislature, the Head of Department must establish a programme to provide both introductory and continued training to governing bodies to promote the effective performance of their functions.
• **Property of the school: Section 20**

The SGB must administer and control the school’s property, buildings and grounds occupied by the school (including hostels). It may also, at the request of the Head of Department, allow the reasonable use, under fair conditions, of the facilities of the school for education programmes not conducted by the school. They may furthermore allow the reasonable use of the school facilities for community, social and school fundraising purposes. A fee, which accrues to the school, may be charged.

• **Remuneration of SGB members: Section 27**

SGB members may not be remunerated in any way for performing their duties. However, the governing body may reimburse expenses incurred by a member of the SGB in the performance of their duties.

• **School fees: Section 39**

If a resolution has been adopted by a majority of parents at a parents' meeting, the school may determine and charge school fees.

• **School fees – liability of parents: Section 40**

A parent is liable to pay the school fees, to the extent that he or she has been exempted from payment.

• **School fund: Section 37**

The SGB must establish and administer a school fund. All monies received by the school must be paid into the school fund account. The SGB should also open and maintain a single bank account. This does not, however prohibit the school from investing surplus money with the approval of the executive Council,
• **Supplement of resources: Section 36**

The SGB should take all reasonable measures to supplement the resources supplied by government, in order to improve the quality of education provided by the school.

Although many other changes have resulted in the management of schools as a result of the implementation of SASA, the above-mentioned Sections are the most pertinent ones of those which impact on the financial management of public schools. In terms of this background regarding the influence of politics on school financial management, the study turns its focus to the description of financial management, as discussed in paragraph 2.2. The main aspects of the definition are the inflow and outflow of funds and these are explained next.

2.6 **INFLOW OF FUNDS**

The inflow of funds entails the receiving of monies by the school, to be utilised for the education of the learners. The lack of funding of education in South Africa, as in many other countries, undermines the delivery of quality education (Bisschoff & Mestry, 2009:41). The South African government has, since 1994, been attempting to overcome this challenge burden, by implementing the concept of *free education*. This is primarily about removing the financial barriers to education. To alleviate this, government has introduced two mechanisms: the school fee exemptions policy and the no-school fee policy (Hall & Giese, 2008:35). Before embarking on the mechanisms to alleviate the problem, the study focuses firstly on the different ways of acquiring cash inflow for the schools: state funding, school fees, fundraising and donations.

McPherson (2001:10) states that a school's income is derived mainly from the payment of school fees and is supplemented by the departmental allocation for the development of the school. The first inflow of cash, or income resources, reflects the income received from government or the departmental allocation.
2.6.1 **Government funding**

According to Hall and Giese (2008:35), the funding policy for education in South Africa is oriented towards improving the quality of education in the schools through redressing the historic inequalities as explained in par. 2.6.2. In this regard, Bisschoff and Mestry (2009:41) are of the opinion that government has made **great strides in improving the overall quality of education in the country**. They specifically refer to the equity in school funding. They categorise the state funding of public schools as follows:

- personnel expenditure, including salaries of teaching staff

- capital expenditure, which covers improvement and/or maintenance of capital items

- nutritional programmes

- resource allocation.

The third category listed, i.e. funding the nutritional programmes at schools, impacts on a vast number of learners in South Africa. As stated by Kiti (2008:103), some scholars regard the South African School Nutritional Programme (SNP) as benefiting school children by alleviating hunger and enhancing the intellectual capacity of learners. Globally these types of programmes have led to an increased number of learners, improved performance in school activities and longer attention spans. Kiti (2008:1117) further notes that there has been a “remarkable improvement in the quality of life” of those learners who are recipients of the SNP. This reiterates the importance of equity in school funding. The SNP is also regarded as a form of social protection, where social protection is defined by Norton and Conway (2002, as quoted by Kiti, 2008:106) as the public action that is taken in response to levels of deprivation, risks and vulnerability, which are deemed socially unacceptable. From a social justice point of view, the importance of maintaining the SNP in South Africa, as a form of social protection, can never
be underestimated. The other categories of funding will be discussed in more detail in par. 2.7.1.

To ensure equity in school funding, the Norms and Standards of Funding regulations, came into effect on 1 January 2007. This was implemented with the aim of progressively improving the quality of education, particularly in the previously disadvantaged schools.

Although this study focuses on public schools, it should be noted that government funding also applies to independent (private) schools.

2.6.2 Norms and standards of funding

The Amended National Norms and Standards for School Funding (ANNSSF), is a mechanism aimed at improving equity in the funding of education. The original National Norms and Standards for School Funding (NSSFF)(1998) required the provincial departments to rank each school in the specific province into one of five quintiles. Quintile 1 represents the poorest schools and Quintile 5 the least poor. This quintile ranking is the poverty score of a school. The calculation of the poverty score of a school is based on the following census data:

- Weighted households’ data on the income dependency ratio, better known as the unemployment rate and

- Level of education of the specific community, referred to as the literacy rate (Bisschoff & Mestry, 2009:47).

These are the so-called wealth quintiles; the reasoning behind this notion is that the schools serving poor communities should receive more state funds than schools serving wealthier communities.

The NNSSF was amended by the ANNSSFF in 2006. The aim of the amendments to the NSSFF, was to address the following limitations:
inequality in provincial funding allocations, which basically means that learners of similar poverty levels are differently funded in different provinces;

province-specific poverty-targeting criteria, which means that schools with similar poverty rankings are placed in different quintiles across provinces (Chutgar & Kanjee, 2009:18).

As a result of the amendment of the NNSSFF, the poverty quintiles are being determined at national level, whereas it was previously determined at provincial level, addressing the second limitation mentioned. The schools in Quintile 1 and 2 were declared as no-fee schools. However, since the poverty scores are still (after the amendment) based only on the geographic area within which schools are allocated, poor learners are still often found in schools within different quintiles. Motala and Sayed (2009:2) declared that the allocation base for the allocation of school funding is developed by using the following five considerations:

- the rights of learners, as protected by the Constitution
- a minimum basic package to ensure quality education
- the prices of goods and services, which are needed by the school to ensure effective teaching and learning
- a national distribution of income differences and poverty and the state budget.

Public spending on schools must target the needs of the poorest. Based on the Resource Target Table (Table 2.2), this funding will be allocated to the various quintile schools, in respect of capital and recurrent costs:
Table 2.2: Resource targeting table based on the conditions of school buildings and poverty of communities (Bisschoff & Mestry, 2009:47, as amended).

<table>
<thead>
<tr>
<th>Wealth quintiles of schools</th>
<th>Ranking of school</th>
<th>Allocation of expenditure</th>
<th>Cumulative percentage of schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Poorest 20%</td>
<td>35% of the resources</td>
<td>20%</td>
</tr>
<tr>
<td>3</td>
<td>Next 20%</td>
<td>20% of the resources</td>
<td>60%</td>
</tr>
<tr>
<td>4</td>
<td>Next 20%</td>
<td>15% of the resources</td>
<td>80%</td>
</tr>
<tr>
<td>5</td>
<td>Most affluent 20%</td>
<td>5% of the resources</td>
<td>100%</td>
</tr>
</tbody>
</table>

The Resource Targeting Table, Table 2.2, indicates that the most affluent 20% of the schools receive only 5% of the available resources, whereas the poorest 20% receive 35% of the resources. The affluent schools receive less support from the government, based on the assumption that wealthy communities are better able to raise funds (Hall & Giese, 2008:37).

This quintile ranking of a school is very important because it determines the status of the school in respect of fees. The ranking of the school with regard to the quintile will enable the school to obtain no-fee status. The No-Fee Schools Policy abolishes school fees in the poorest 40% of schools nationally. A fee charging school can apply to the Provincial Department of Education (PDE) to be declared a no-fees school. These no-fees schools are entitled to an increased allocation of government funding (Ahmed & Sayed, 2009:206). The schools that do not charge fees will be apportioned a larger amount of funding from government (SA government policy guide) and the quintile ranking will determine the amount of money that will be allocated to the school. The said ranking of schools, reflecting national targets as well as the number of learners and schools in each quintile is summarised in Table 2.3.
Table 2.3: Distribution of schools and learners across quintiles, compared to national targets (Hall & Giese, 2008:37, as amended).

<table>
<thead>
<tr>
<th>QUINTILE 1</th>
<th>QUINTILE 2</th>
<th>QUINTILE 3</th>
<th>QUINTILE 4</th>
<th>QUINTILE 5</th>
<th>National target</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>26,1%</td>
<td>21,2%</td>
<td>21,9%</td>
<td>16,7%</td>
<td>14,1%</td>
<td>Learners</td>
</tr>
<tr>
<td>34,2%</td>
<td>23,9%</td>
<td>22,7%</td>
<td>10,4%</td>
<td>8,7%</td>
<td>Schools</td>
</tr>
</tbody>
</table>

In Table 2.3, the national target indicates the ideal percentage of total learners that should be allocated to a specific quintile. “National target” indicates a fair, even distribution between the various quintiles. “Learners” indicates the percentage of learners in South Africa that falls within specific quintiles for example only 14,1% of the learners falls within the scope of quintile 5, whereas 26,2% of the learners falls within quintile 1, the poorest (most disadvantaged) quintile. “Schools” gives an indication as to which percentage of South African schools is categorised under the specific quintile. The poorer quintiles (1 and 2) are no-fees schools, so that their allocation is greater than those in the other three quintiles. The middle quintile (3) is the adequacy benchmark.

It should be noted that although the quintile rankings are allocated to the schools, the proportions do not refer to the schools, but to the number of learners in each quintile. It is thus only possible to compare the learner numbers with that of the national target and not the schools’ numbers.

Hall and Giese (2008:37) state that on average, the schools in the lower quintiles are smaller than the schools in the upper quintiles. They mentioned that the mean number of learners in quintile 5 schools in the 2008 academic year was 700, whilst the mean number of learners in the quintile 1 schools was only 331.

The changes made to the Norms and Standards did have some positive influence on the allocation of funds, more specifically in effectively identifying schools in Quintiles 1 and 5. Since funding is based on the quintile ranking, a more effective ranking influences the amount of resources (funding) that will be allocated to the
school. According to Stott (2013:174), higher quintile schools tend to have a more affluent SGB, resulting in societal, material, as well as organisational advantages.

Although the schools in quintile 5 are receiving less funding support than the schools in quintile 1, the schools in quintile 1 are still worse off in terms of school resources and school composition. In the policy brief on no-fee schools, by Motala and Sayed (2009:4), it is stated that government schooling still consists of two tiers, one well-resourced and advantaged and the other poor and disadvantaged. This evidence of rich and poor schools and the difference between quintile 1 and 5 schools, might raise questions regarding the ability of government to erase past disparities. Disparities in education are not only a South African issue, but also a matter of concern in the USA. The latter’s national system is characterised by large disparities, which have historical, constitutional and social origins. Although states play a major role in financing education, the school districts bear significant responsibility for raising revenue for schools. However, property tax is the primary source of local revenue for school districts. Since the property wealth varies significantly between districts within a state, this furthers the disparity. As a result, the districts with a smaller property tax base find it harder to generate revenue for their schools than those with a larger property tax base (Ladd, Chalk & Hansen, 1999:1).

The study further found that the schools in quintiles 2, 3 and 4 may have resource needs as high as or even higher than those in quintile 1, which suggests that the quintile ranking system is misidentifying schools currently placed in quintiles 2-4. The schools in quintile 4 are equal or slightly above the national average in terms of the proportion of disadvantaged families, although this quintile receives much less funding than schools in quintile 1. The final conclusion is that the schools in quintile 2 (which receive less money than those in quintile 1), serve a greater proportion of disadvantaged learners and fewer affluent learners than their counterparts in quintile 1. Chutgar and Kanjee (2009:2) point out that there is an
...urgent need for the regular reclassification of schools to ensure that those in greater need are allocated into the correct quintile rank and thus qualify to receive sufficient levels of funding to meet their specific needs.

The inaccurate quintile ranking of many poor schools was also pointed out by Veriava (2007:188). This inaccurate ranking resulted in low state allocations and insufficient resource allocation.

Motala and Sayed (2009:4) also comment on the ranking of schools. According to them, in some of the provinces, schools that were deemed poor may find themselves located in less poor quintiles (more specifically those in quintiles 3 and 4). These schools receive substantially less funding than the no-fee schools. The poverty score considers both the economic status (poverty) of the community and that of the school. The poverty indicators that are considered when determining the poverty score are:

- income
- the unemployment rate and the
- level of education of the community.

The conclusion here is that the poverty indicators may not always capture the poverty of the learner population accurately. Many learners do not live in the close vicinity of the school and travel considerable distances to reach the school premises. These students are part of the school, but because they reside in a different community, they are not considered when the poverty score is calculated. For example, learners from informal settlements four or five kilometres away are not considered when the community where the school is located is assessed, thus drastically influencing the school’s quintile ranking. These learners frequently attend school in some of the more affluent communities. The economic status of this community is then used during the calculation of the poverty score, causing the school to be categorised in a higher category, and thus receiving less government funding.
The schools in quintile 1 and 2 were declared no-fee schools in 2006, as a result of the ANNSFF. In 2007, this new funding policy was implemented nationally. This implied that the poorest 40% of schools in South Africa were granted no-fee status (Hall & Giese, 2008:36). Under this changed policy, a fee-charging school can apply to its Provincial Education Department to be declared a no-fee school. This will ensure an increased fund allocation from the government to offset revenues previously generated through school fees (Motala & Sayed, 2009:2).

This situation was confirmed by Hall and Griese (2008:36), when they stated that the no-fees schools are not allowed to charge school fees and the funding allocations are skewed to ensure that these poorest schools receive the largest per-learner allocations. This per-learner allocation for the various quintiles is determined by the DoE and published annually in the Government Gazette. The per-learner amount that should be allocated by provinces, to schools in every quintile, is indicated in a national Table of Targets. The specific school allocation may then be calculated by multiplying the per-learner amount by the number of learners in the school. The calculation of the specific school allocation can be summarised as follows:

Specific school allocation

\[ \text{Specific school allocation} = \text{per-learner amount (from table of targets)} \times \text{number of learners in the school}. \]

It is intended that the allocations to these poorer schools should increase disproportionally over time, to the allocations to the upper quintiles, creating a more even distribution of the resources. These steps should alleviate the inequalities in education funding in South Africa. In contrast to these South African measures, the following are some steps that the USA government could take to overcome their inequalities:

- redistribute state and local funds
- increase state revenues or
• cap education expenditure in wealthy districts (Ladd, Chalk & Hansen, 1999:139).

Akin to the diversity in allocation of school funds, so the allocation of functions (more specifically financial functions) may also vary. SASA created two different categories, based on the allocated functions, i.e. Section 20 schools and Section 21 schools.

• Functions of section 20 and section 21 schools

As mentioned in par. 2.5.2.2, SASA intended a shift from the supply-driven service delivery mode in schools to a more demand-driven mode. This then requires that the greater school community (parents, learners, SGB, researchers and other stakeholders) should have a greater say in the structuring of the service delivery. However, based on an assessment by the PDE, a school may be categorised as a Section 21 school. SASA (in Section 20), clearly describes the functions allocated to all schools as a result of the decentralised approach to managing schools. Section 20 of SASA includes the following:

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

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

20(1)(b) adopt a constitution;

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

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

20(1)(e) support the principal, educators and other staff of the school in the performance of their professional functions;
20(1)(f) determine the times of the school day consistent with any applicable conditions of employment of staff at the school;

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

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

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

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

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

20(1)(l) discharge all other functions imposed upon the governing body by or under this Act (South African Schools Act, no. 84 of 1996).

By default, all public schools in South Africa carry out these Section 20 listed functions. These schools are referred to as so-called non-Section 21 schools. The advantage of being an ordinary section 20 school is that should the cost of a service provided to the school exceed the amount that was originally allocated by the government; the government must pay for the service (Mestry, 2004:130). Although this seems very advantageous, many schools may wish to be categorised as Section 21 schools. However, a school that possesses the capacity to effectively manage its own school fund and wishes to be categorised as a Section 21 school, must apply for additional functions (Bisschoff & Mestry, 2009:49). These are listed in Section 21 of SASA.
Swartz (2009:30) confirms that Section 21 of SASA makes it possible for the SGB of a school to apply for additional functions to be allocated or for the Provincial Head of Department to allocate such functions (detail of these is reflected in Section 21 of SASA). The granting (or withholding) of the said functions depends upon the capacity of the SGB. With regard to the additional functions, Section 21 of SASA states that:

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

21(1)(a) to maintain and improve the school's property;

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

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

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

To consider the written application from a school, the specific PDE (Gauteng Province in the case of this study) will measure the capacity of the school against a checklist developed by the PDE.

If the Section 21 status has been granted to the school, the provincial department will deposit the school's resource allocation directly into the school's banking account. Although these additional functions put an additional burden on the SGB and school staff, there are certain distinct advantages for the Section 21 schools, which Mestry (2004:130) points out:

- With regard to the purchasing of learner support materials, the SGB may select its own suppliers
• Should the school be unable to spend the entire government allocation in time, it is still possible for the SGB to process orders for services to be rendered and orders for the purchase of learning support materials, since the money that was allocated by the provincial department is still in the school’s bank account.

This study will focus on both non-Section 21 and Section 21 schools.

2.6.3 School fees

Since government funding is insufficient to run a school effectively, other sources of funding must be considered. In addition to the funding received from government, schools may charge school fees to supplement government funding. As stated under paragraph 2.4.2.3, SASA permits public schools to determine and charge school fees. The parents of learners are liable for the payment of these, but they may apply for exemption under certain conditions. Although these fees may be charged, Section 5(3) of SASA specifically states that:

*No learner may be refused admission to a public school on the grounds that his or her parent:*

(a) *Is unable to pay or*
(b) *Has not paid the school fees determined by the governing body under Section 39.*

This Section of the Act clearly states that learners may not be refused admittance to a public school based on the payment abilities of their parents. However, Section 36 of the same Act states that the SGB of a school must take all reasonable measures to supplement the resources supplied by government in order to improve the quality of education provided to the learners (Bisschoff & Mestry, 2009:55). A logical way to supplement the resources is by charging school fees. Although this is logical, the low payment rate at some schools has the potential to damage the fragile financial position of the school. The high unemployment rate of parents in certain districts has a negative impact on the
capacity of the SGB to maintain the school and improve the quality of teaching and learning in the school (Mathonsi, 2001:4).

The decision made by government actually to allow school fees to play a role in the funding of the education of school learners was very controversial. There were two distinctly different viewpoints among the various stakeholders. For some, school fees are an important way to supplement the limited amount of public resources being made available by government and further serve as a means of encouraging the middle-class and, more specifically, white parents, to continue sending their children to these public schools. These parents realise that it is possible to maintain a certain standard in the school since they supplement government funding via the payment of school fees. The influence of availability of resources on learners was indicated by Reddy (2005:136), who pointed out that better learning opportunities were determined by access to financial resources. Should individuals have access to resources and also access to resourced schools, they will benefit from improved learning opportunities and performance, which may result in better life prospects. However, others argue that charging school fees would discourage school attendance among poor learners and serve to perpetuate the existing inequities in education (Reschovsky, 2006:34). To support the latter, a study by Fiske and Ladd (2004)(as quoted by Bisschoff & Mestry, 2009:54) indicates that enrolment rates drop drastically from primary school to secondary school; it is suggested that one of the causes for this tendency could be the higher school fees charged in secondary schools. In this regard, Kattan, 2006, as quoted by Dieltiens and Meny-Gibert (2012:127), furthers the argument by referring to the situation in Kenya, where the introduction of fee-free schooling led to a dramatic increase in enrolments. Schools in South Africa should therefore grant exemption from school fees if the circumstances warrant it. A discussion of such an exemption follows.

- **Exemption from school fees**

As mentioned in par. 2.5.2.3, Section 39 of SASA states that parents may apply for partial or full exemption from school fees. In this regard, Reschovsky
(2006:34) notes that to prevent learners from being denied admission to a specific school because of the parents’ inability to pay the school fees, the NSSF specifically states that learners from lower-income families must be granted partial or complete fee exemptions. The extent of the exemption is determined by the relationship between the level of the income of the family and the size of the fee. Motala and Sayed (2009:3) support this by the following statement: “Parents may be granted a full or partial exemption based on their income in relation to school fees.” After receiving a written application from the parents, the extent of the exemption is calculated by applying a set formula. In order to be considered for exemption, parents must comply with certain requirements. The following is a list of requirements obtained from a specific secondary school in Tshwane:

- The application must be in writing and it should be on the prescribed application form;

- The following documents should accompany the application:
  
  o Certified copies of the identity documents of the parents or the caregivers;
  o Latest monthly salary advice and IRP5 form, or if such documentation is not available, the employer should verify the correctness and completeness of the information and statements made on the application form;
  o In the case of parents owning their own business, a copy of the last audited financial statements;
  o A copy of the latest income tax assessment (IT34);
  o Current bank statements for the previous 3 months;
  o Current bond or rental statement;
  o Current water and electricity account and/or assessment rate account;
  o In the case of a single parent, the latest court ruling in respect of child maintenance;
  o In the case of unemployment, proof of loss of employment, details of last employer, as well as an affidavit stating the current status of the parent;
  o Current statement of any liabilities stated in the application;
Applicant will be required to sign and submit a sworn affidavit to the effect that the information is true and all income declared (Pretoria Boys High School, 2012:2).

It should be pointed out that this exemption policy is applicable to fee-charging schools. The learners in quintile 1 and 2 schools (or so-called no-fee schools) are automatically exempted from paying school fees. This original school fee exemption policy, which applied to both poor and wealthy schools, was regarded as a method to ensure that no learner was denied access to a school (Motala & Sayed, 2009:3). Ahmed and Sayed (2009:207) also confirm this, noting that the fee exemption policy is a way “of ensuring that access was not denied to any pupil and parents of learners had the opportunity to apply for full or partial exemption at any school and applied to richer and poorer schools.” Although the aim of the exemption policy is to ensure equal access to all learners, the policy creates problems, since a substantial number of parents qualify for exemption in township schools. This leaves schools with very few effective means of collecting school fees from the remaining parents. Although, as mentioned, SASA does not allow school principals to withhold the school reports of learners whose parents have not paid their school fees, some schools are still reverting to this practice. In a study by Mncube (2009:93), one of the chairs of a SGB made the following comment in this regard:

_The decision we took was on what to do with those parents who do not pay school fees, as this caused dispute among those who paid and those who did not… We suggested that those learners whose parents had not paid the fees do not receive their end of year reports. Unfortunately, this contradicts the SASA, which states that learners should not suffer because of the wrongdoings of the parents. Unfortunately, our SGB is now left defenceless._

The exemption policy supports the whole principle of social justice in education, but it is evident from this quote that at the same time it creates practical implementation problems in many schools.
According to Bisschoff and Mestry (2009:58), there are diverse levels of exemption: complete/full, partial and conditional exemption. These are now defined.

- **Full or partial exemption**

Complete or full exemption means that the parents will not be expected to pay any school fees. The policy guide (SA government policy) states that The Exemption of Parents from the Payment of School Fees Regulation of 1998 sets out a means or income test for the granting of school fee exemptions as follows: *if the annual gross income of the parents is less than ten times the annual school fees per learner, the parent qualifies for full exemption.*

The income of the households, relative to the school fees charged at the specific school, is used to determine the eligibility of either full or partial exemption. Income refers to the gross salary or wages, money received from investments and profit gained from any form of business organisation. The following formula (Bisschoff & Mestry, 2003:60) is applied to the exemption:

\[
E = 100 \left( \frac{F + A}{C} \right)
\]

Where,

\( E = \) school fees as a proportion of the income of the parent/household;

\( F = \) annual school fees per child;

\( A = \) additional monetary contributions paid by a parent to a learner’s participation in any programme;

\( C = \) combined annual gross income of parents/household;

\( 100 = \) to convert the number in the brackets into a percentage.
The answer obtained from applying this formula must be checked against the prescribed table (Addendum C). This table reflects the number of learners in the household, as well as the value of $E$.

The following are some of the possibilities read from the table.

If $E$ is equal to or greater than 10%, the parents qualify for full exemption;

If $E$ is equal to 3%, the parents do not qualify for full exemption, unless they have one or more children at the same school or at another fee paying school.

If $E$ is smaller than 2%, the parents do not qualify for any exemption. If $E$ is equal to 2%, the parents do not qualify for exemption unless they have five or more children at the same school or at another fee paying public school.

In addition to these type of exemptions, automatic exemptions may also be granted.

- **Conditional exemption**

  In addition to the types of exemptions discussed earlier, the SGB may also grant conditional exemptions. This type of exemption should be based on equitable and transparent criteria. These should take the need to alleviate poverty into account. The SGB may grant such a conditional exemption to parents who are experiencing financial difficulty as a result of a specific reason, for example, temporary unemployment or death in the family (Bisschoff & Mestry, 2009:62).

As a result of the exemptions granted, limited government funding and the additional expenditure at schools, these institutions need to find additional funding to supplement the shortage. According to Campher (2003:60) each school, *under the guidance of the principal and the SGB, has to develop an ongoing culture to raise extra funds.*
2.6.4 Fundraising

2.6.4.1 General

After compiling the budget for the following year, schools are often faced with the dilemma of a shortage in available funds. In order to alleviate the problem, the SGB usually turns to the fundraising option. Proper fundraising may influence the fairness of distribution of income at schools, thus affecting the social justice principle. This situation exists even in some schools and colleges in the United Kingdom, where they are expected to generate income and resources through their own efforts. Such entrepreneurial activities may include fundraising projects. This move to entrepreneurialism in education is often associated with the movement towards school-based management (Anderson, 2000:41).

Although parents in South Africa are interested in the best possible education for their children, whenever they are approached by the school to assist with a fundraising project, they are typically too busy to become involved. The school needs to identify different and interesting methods to make learners, educators, parents, members of the broader community and business part of the fundraising efforts (Campher, 2003:60). It is interesting, however, that parental involvement in fundraising in schools in Kenya is different. In a study conducted by Koross, Ngware and Sang (2008:71), the planning and execution of fundraising experience a relatively high level of parental involvement. This level of involvement by the parents helps them to have a sense of ownership of the schools, which is a definite boost for the efforts of school managers, since they are sure of parental support in the area of fundraising planning.

The importance of fundraising in the South African context was reiterated in a study by Maake (2008:54), where several of the respondents in the study raised concern regarding schools not attempting to come up with ways of raising more money. According to the respondents, the schools should improve and focus on learner development and they need to develop on how to fundraise because they only depend on school funds.
Although fundraising aims to supplement the funding of a school, it is not an effective measure in poor communities. This is confirmed by Mkhwanazi (2009:56) who reported that SGBs try their utmost to supplement the allocated funds through fundraising. However, “…it appears that the high level of poverty is a stumbling block towards the attempts to raise funds.” Despite this being the case in poorer communities, most respondents in his study were of the opinion that SGBs are indeed trying to fulfil the financial obligations of the school, through fundraising. The fundraising projects included bazaars, concerts and celebration of important days, such as Heritage Day, Human Rights Day and Spring Day. A programme is offered on these important dates; learners and/or community members must pay an entrance fee to participate in the event while foodstalls sell a variety of food, to earn additional income for the school. In addition to these income-generating ideas, Bisschoff and Mestry (2003:66) list the following examples of activities that may raise money:

- Sales of brought in products, for example stationery or tee-shirts sold in the school shop
- Sale of the school’s own products, including plants, printed materials and art
- Sales of services, for example coaching, training, pre-schools and crèches
- Sales of advertising on the school property or vehicles
- Hiring out of school facilities
- Sales from the tuck-shop
- Proceeds from competitions.

There are multiple methods of supplementing the school fund through fundraising. However, with regard to insufficient school funding provided by government, and supplementing these funds in poorer communities, Naidoo, Joubert, Mestry,
Mosoge and Ngobo (2008:158) point out that insufficient government funding for education resulted in affluent communities subsidising their children’s education with private resources, while the disadvantaged communities have insufficient resources to fund an acceptable level of education provision. This does not support the principle of social justice in education at all. It is ironic, given the emphasis on removing disparities in education in South Africa, that the funding provisions stipulated in SASA seem to be functioning to the advantage of public schools under the patronage of the middle-class and wealthy parents of all racial groups. “Vigorous fund-raising by parental bodies, including commercial sponsorship and fee income, has enabled many such schools to add to their facilities, equipment and learning resources, and expand their range of extra-mural activities” (Mestry, 2013:170). Although fundraising, in poorer communities, is not always a viable choice for supplementing the school income, it is still a method opted for by many schools and thus fundraising projects need to be explained in more detail.

Firstly, a brief definition: a project is a temporary endeavour undertaken to create a unique product/service. Two important aspects of this definition by Brooks and Combrinck (2005:44) are “temporary” and “unique”. Temporary indicates that there is a definite point where the objectives have been achieved, the end point. Unique indicates that the product or service is different from all similar products and services. When attempting a fundraising project, these two aspects should be considered during the planning of the event.

The success of a fundraising project depends, to a great extent, on the ability of the principal to build strong relationships with the relevant stakeholders. With regard to their involvement, Lerotoli (2001:29) mentions that they are of paramount importance to the school, since they contribute school funds in various ways. The stakeholders include parents, donors, learners, educators and the wider community. In a study by Xaba and Malindi (2010:81) with regard to fundraising, it was found that principals’ strength lies in their ability to network with community structures and exploit opportunities. Shale (2009:29) postulated that because parents are not part of the teaching staff, they appear to be only remotely
involved in school financial management. They do, however, play a vital role in funding school activities.

The success of a specific fundraising project will influence the eagerness with which the stakeholders will become involved in subsequent fundraising projects. It is thus very important to keep the communication channels to the various stakeholders open. After the fundraising project has been completed, there should be a proper report-back to the community, thanking those involved and being transparent about the spending of the funds raised. It is furthermore necessary to allow those involved in the fundraising project also to have a say in deciding on the allocation of the funds (Campher, 2003:60). To ensure that the stakeholders take ownership of the project, it is advisable to set up a fundraising committee (FC), with representatives of the SGB, educators, learners, parent community, business community (where possible) and other stakeholders of the particular school.

2.6.4.2 Steps to a successful fundraising event

Although there are no guarantees regarding the success/failure of a fundraising project, the following very specific steps may enhance the success rate of a project. Diagram 2.5 reflects the five basic steps that should be followed when attempting a fundraising project within the school environment:
Diagram 2.5: Steps to a successful fundraising event. (Western Cape Education Department, 2006:67, as amended).

A discussion of Diagram 2.5, based on a summary of these steps set out by Western Cape Education Department (2006:67), follows. Amendments have been made where deemed necessary.

- **Step 1: Establish a fundraising committee (FC).**

This is the first and most fundamental step in the process. Teachers, parents, learner representatives and SGB members should be included in the FC. Members of the community, who have useful skills to contribute, may also be included in this committee. According to Campher (2003:62), this committee is pivotal to the success of the project. It is recommended that the principal is also part of the FC. The members of the FC could be re-elected at the beginning of each year. The principal should ensure that, without discouraging the members, they should realise the importance of fundraising and also exactly what would be expected from them. The members may be expected to commit themselves, preferably in writing, to be available for at least one year. Once the FC has been established, each member's capacity should be identified. This could be
determined if the members make a list of their five strongest and five weakest points, as well as their expertise, skills and interests. If a member is utilised to his/her full capacity this would positively contribute to the project as a whole. Based on this, portfolios can now be allocated to the members of the FC, based on their strong and weak points.

The decision to commit resources (including teachers and the principal) to one line of action brings with it certain costs (opportunity costs) in terms of other ways of employing the resources. The time that a principal and the teachers spend on the fundraising projects should be considered in relation to the time they spend teaching, which is their core business. There is a distinct opportunity cost involved in the efforts put into a fundraising project by teachers and the principal (Anderson, 2003:213). The positive contribution of the fundraising should outweigh the opportunity cost to make the fundraising worthwhile.

- Step 2: Plan the project.

Planning the project is the second step in the process. The concept of planning is defined by Du Toit et al. (2010:173) as giving direction to an institution (in this case a project) which forces the managers to be future-oriented and helps to deal with changes in the environment. The two main components of planning, according to these authors, are goals and plans. A goal, more specifically, a final goal, maybe described as the final outcomes that the system (project) attempts to achieve; progress in achieving these can be systematically assessed (Guthrie, Hart, Ray, Candoli & Hack, 2008:64). These goals for the fundraising should be set by the FC and should take the school development plan into consideration. However, even before attempting the fundraising project and setting the goals, the FC should identify the needs of the school. Once these have been identified, it is necessary to prioritise them. Those at the top of the priority list will be covered by the school budget. The needs that cannot be covered through the general school budget should again be prioritised, making a clear distinction between nice to have and need to have (Western Cape Education Department, 2006:67). Projects need to be paired with these priorities and the FC should choose those prioritised needs.
that fundraising is realistically able to address. In other words, the goals (targets) must be achievable. To determine the achievability of a goal, Campher (2003:61) notes that it is important that the estimated amount of a priority is determined, since this will provide an indication of the extent of the fundraising that should be attempted. Should the amount required be too extensive, it might call for a number of fundraising projects, instead of only one.

The planning stage further involves preparing a project budget, clearly indicating the estimated income and expenditure of the project. This budget, once approved by the SGB, becomes a control device so that all spending should be within the authorised limits (Jones, 1996:46).

It is important that members of the FC have knowledge of the “language” of business, i.e. accounting and finance. The FC members are the managers of the project and are required to manage a variety of resources/costs. It is their task to administer the project within defined cost boundaries, as laid down in the budget (Brooks & Combrinck, 2005:45). Once this has been accomplished, the project could be planned in a table format. This table could include the following aspects:

- Activity, what needs to be done?
- Cost, what is the estimated cost of the activity?
- Responsible person, who is responsible for handling the activity?
- Completion date, exactly when should this activity be completed?
- Means of verification, how will the effectivity of the activity be determined?

This table can only be finalised once the project background, outcomes and specific objectives have been written down. Each of the objectives needs to be broken down into the different column headings of the table (Campher, 2003:63). For example, if the objective is to advertise the fundraising project, the completed table may reflect the following:
Table 2.4: Example of a project planning table.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
<th>Responsible person</th>
<th>Completion date</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Place advertisement in local newspaper</td>
<td>R 800.00</td>
<td>Jacky Campher</td>
<td>20 April 2014</td>
<td>Check the newspaper to confirm that advertisement was actually placed</td>
</tr>
</tbody>
</table>

- **Step 3: Market/publish the project.**

The project should now be widely publicised. The parties that should be targeted by this marketing could include the school community (parents, learners and staff), broader community (organisations, groups and individuals such as churches and sports clubs), commerce and industry (businesses and other commercial organisations), official bodies such as local governments and lastly, charitable organisations (Bisschoff & Mestry, 2003:63). To persuade the right people to participate in the fundraising, the FC will have to be convincing. When planning one’s marketing, the following aspects need to be conceptualised in the strategy:

- **Target market, which consists of consumers with certain needs for products or services and who are willing to sacrifice something (money) to satisfy these needs** (Du Toit et al, 2010:367);

- **Unique selling points, or aspects that attract the attention to the specific project;**

- **Product, the specific type of fundraising project;**

- **Message, exactly what do we [the FC] want to tell the parties concerned;**
• Medium/ channel, what way are we [the FC] transferring the message; for example newspaper, pamphlets or radio;

• Means of presentation (Campher, 2003:80).

Although the stakeholders generally regard education as a worthwhile cause, good publicity is still needed to persuade them that the school is really worth supporting. Pamphlets, posters, radio, internet and face-to-face communication, are some of the methods that have proven effective (Western Cape Education Department, 2006:67)

• Step 4: Monitor the project.

This step ensures that the people involved in the project stay focused. This is also the step where the table, completed during step 2, can now be checked, to ensure that members of the FC keep to the completion dates. The treasurer of the project or the project leader should also ensure that the budget is strictly adhered to. The actual costs should be measured against the budget, as well as the estimated cost as reflected in the planning table.

• Step 5: Post-project analysis/reflection.

Evaluation of the project is essential, since the “success of each project will influence the success of the next project” (Campher, 2003:81). The criteria for the success of a project should be determined during the planning phase, although its success or otherwise will only be measured during the evaluation phase. The planning, implementation and the results of the projects should be assessed against the set criteria. The budgeted and actual figures should also be compared during this step and discrepancies analysed. Once the post-project analysis has been completed, a written report should be presented to the SGB.

Although post-project analysis is very important, it is advisable that critical reflection is continuously carried out throughout all the phases of the project and
not merely at the end of the process. Critical reflection, in a project management sense, entails the interpretation of experiences and data to create new insights and agreement on actions (Guide for project M & E, n.d.). During all FC meetings and interactions with stakeholders, active discussion is necessary to ensure that relevant information is shared, analysed and acted upon. This cannot be done only after the conclusion of the project, since problems/mistakes need to be rectified throughout the fundraising process. During these meetings the following questions need to be asked:

- What is happening?
- Why is it happening?
- What are the implications for the project?
- What should we do next?

It is thus clear that although reflection is needed after the fundraising project has been completed, critical reflection during the process should not be neglected. Although a fundraising project is a very popular way of supplementing the income of the school, it may also be supplemented by means of donations.

2.6.5 Donations

Schools, to a lesser extent than the above methods, rely on donations as another source of funding. Although donations are not readily available for all schools, the SGB or FC should approach various organisations in an attempt to raise such funds. It should be pointed out to possible donors that all public schools have been granted Public Benefit Organisation (PBO) Status. The PBO allows school donors to treat the donations as tax-deductible items (Western Cape Education Department, 2006:67).

In addition to ordinary donations, some more affluent schools have entered into partnerships with schools in disadvantaged areas. Jan van Riebeeck Primary School launched a community project together with Soyisile Primary School in Khayelitsha. A Mathematical Literacy programme was initiated and a library was
established. The Afrikaanse Taal en Kultuur Vereniging (ATKV) holds an annual competition where schools are encouraged to become involved in such partnership programmes. The schools running the best partnership programme are rewarded: this partnership between Jan van Riebeeck and Soyisile won the competition for 2013 (Taalgenoot, 2014:96).

2.6.6 In-school marketing

The last method of supplementing school income on which this study will focus is in-school marketing. This can be defined as corporate marketing activities directed at school children and are also referred to as in-school commercialism (Molnar & Garcia, 2005, as quoted by Cassim & McIntosh, 2011:55). Examples of in-school marketing include the tuck-shop, advertisements in the school magazine/year book, promotional materials on notice boards, corporately sponsored excursions, educational material sponsoring, sponsorship of school events, food/soft drink vending machines and billboards. Since schools are experiencing increased pressures on their budgets and businesses target the youth market in schools, the in-school marketing activities have been increasing. Cassim and McIntosh (2011:55) highlight the potential benefits to schools as:

- increased funding and
- access to free educational materials through sponsorships.

Companies also benefit from the in-school marketing arrangement, since schools provide them with the opportunity to meet the school-going consumers and grant them the chance of undertaking effective and efficient targeting. On the downside, in-school marketing may have a negative effect on the learners, including the following:

- viewing advertising in the classroom;
- marketing unhealthy food and drink;
- using children as market research subjects.
Since SASA specifically states that schools should take

\[
\text{\ldots all reasonable measures within [their] means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners at the school,}
\]

principals are often encouraged to engage in this in-school marketing. Although educationists have conflicting viewpoints on this activity, it is left to the discretion of the SGB to decide whether the school will engage in this relatively easy way of supplementing its funding.

Irrespective of the origin of the inflow of funds, for example school fees, fundraising, donations or in-school marketing, there are certain important steps that need to be followed to ensure the proper receipting of the inflow of funds.

The first is receiving the cash from the income source (for example tuck shop, fundraising proceeds and school fees).

When receiving the cash, a pre-numbered receipt should be issued immediately. There should not be a time-lapse between receiving the cash and issuing the receipt. From the duplicate receipt, the income received (cash) must be recorded in the Receipts cashbook (also called the Cash Receipts Journal). These actions comprise the second and third step.

The final step in the process is depositing the cash into the bank account. This should be done on the same day, or as soon as possible, to prevent the unnecessary risk of theft. These steps are summarised in Diagram 2.6.
Chapter 2: Literature review

Diagram 2.6: Receipting of income (Western Cape Education Department, 2006:27, as amended)

These different ways of funding a school are necessary to cover the expenses of operating the school. The outflow of funds (expenses) is addressed in detail below.

2.7 OUTFLOW OF FUNDS

This entails the application of funds for purposes of realising the educational goals of the school. The definition of financial management by Botha, Mentz, Roos, Van der Westhuizen and Kerken (2003:213) actually describes only the outflow part of financial management, i.e. the distribution and use of money for the purpose of providing educational services and supporting learner performance. A variety of these outflow/expenditure items are discussed.
2.7.1 Capital Expenditure

According to a report for National Treasury on administered prices, compiled by Pillay (n.d.: 8), physical facilities, which are regarded as capital expenditure, are vital for effective teaching and learning and have been identified as one of the strategic priorities of education in South Africa. A guide compiled by UNESCO (2014) confirms that the school environment and the school facilities exercise a strong influence on learners’ education. The classroom area, per learner and the playground area, per learner (both related to school facilities and environment), are also listed as additional indicators of the quality of education.

In 1999 already, after an agreement between educator unions and government over rationalisation and redeployment, provincial education departments had embarked on a strategy to contain personnel expenditure. The aim of this was to reduce the share of public spending on such expenditure for example limiting appointments of additional personnel, to ensure that the provincial departments could drastically increase the proportion of non-personnel inputs. Containing the personnel costs has ensured a strong recovery in non-personnel expenditure. In other words, funds are being redirected from personnel expenditure to capital expenditure. Although the additional capital expenditure has not yet resulted in the removal of the enormous backlogs in classroom and other infrastructure provision, at least some progress has been made (Inter-governmental Fiscal Review (IGFR), 2003).

Building schools or extending existing buildings, as well as the maintenance of the buildings, are all capital expenses covered by the state. Worldwide, the significance of these maintenance activities to school functionality is recognised and applauded (Victoria State Government Department of Education, 2006 & Albert Learning Facilities Branch, 2004, as quoted by Xaba, 2012:215). Keeping a record of the school’s physical facilities and material resources, including furniture and equipment, as well as the maintenance thereof, is also very important. These data are used in the regular organising and managing of the school’s activities and
are able to provide data to derive many indicators for assessing the quality of education in the school (UNESCO, 2014).

Facilities’ maintenance (as a part of capital expenditure) in the school context relates to the repair, replacement and general upkeep of physical features on the school grounds, in the school buildings and within the safety system of the school (Nhlapo, 2006:42). Facilities include buildings, grounds and service systems. Service systems include access control, fire control, plumbing, waste disposal, sanitation, electrical, safety and security and landscaping (Szuba & Young, 2003:75). The buildings refer to the external building envelope, comprising the building foundation and the external walls of the building (Coll & McCarthy Architects, 1998, as quoted by Xaba, 2012:216). The school grounds are defined by Akram, Anderson, Arent, Ashkin and Brittain (2004:306) as the grass areas, pathways, paved areas, trees, shrubs, planted areas, car parking, slopes, walls, fences, corridors and steps and any unimproved grounds as well as the playgrounds.

Although the funding for the facilities and the maintenance thereof are the responsibility of the State, as has been mentioned the maintenance of schools is often neglected. Of schools in South Africa, 50% are rated “very poor” and many educators work in classrooms marked by poverty, social problems and overcrowding (SASIX, 2006). A study by Xaba (2012:219), found that there are “poor systems for facilities maintenance inspection” and that these inspections were mostly conducted in an ad hoc manner, when equipment broke down or became damaged. The participants in the study also indicated that, although the Department of Education allocated money to the school for maintenance purposes, it was not adequate. All the participants indicated that of the total allocation granted to the school, a mere12% was allocated for maintenance. One of the participants from a suburban school mentioned that of his R2m budget, approximatelyR500 000 goes to maintenance. Xaba (2012:221) expresses the opinion that these suburban schools appear better maintained, because they charge higher school fees than township schools. This is confirmed by SASIX (2006), stating that learners in poor and rural districts, are at an increased
disadvantage and these learners continue to perform at a level inferior to those learners in the more urban provinces. From these studies it is evident that even in the maintenance of facilities, the lack of social justice in the education system needs to be acknowledged.

Although maintenance is often neglected, on paper at least the provincial government is responsible for extensions to buildings and other renovations, depending on the urgency of such requests. To assist with planning and decision-making, the provincial education departments should:

- maintain an accurate, prioritised, annually updated database of the construction needs of the school and

- undertake annually updated long-term projections of new school construction targets and funding requirements, based on these norms.

(Bisschoff & Mestry, 2009:62)

Although this indicates that the building of new schools and additional classrooms are the responsibility of the government, it appears that this task is often overlooked or neglected. Masemola (2010) reported that in March 2010, Tshwane alone needed 1881 classrooms to ease the pressure on overcrowded high and primary schools. Taking the whole of Gauteng into account, nearly 6000 classrooms were required. Although this seemed impossible to rectify, the GDE is reportedly spending R4.4 billion from 2010-2014 in order to address the situation. Hopefully the additional schools and classrooms will ensure smaller class sizes, since the evidence is strong that “smaller class size at the beginning of school experience does improve the performance of children” (Mosteller, 1995:113). The children who were in smaller classes at the beginning of their school experience also performed better in later school years. Capital expenditure is thus of the utmost importance for quality and equality in education.

In addition to capital expenditure, schools incur personnel and non-personnel expenditure.
2.7.2 Personnel Expenditure

Delivery of education is one of the most labour-intensive public services (Pillay, n.d.:7), a factor which causes a very high national personnel expenditure. In addition to the salaries of personnel, there are also “hidden costs”, not measured. The high rate of teacher absenteeism furnishes good example of such hidden costs. According to a survey carried out in the Eastern Cape, absenteeism costs the Eastern Cape education department an estimated R59 million a month (Department of Education Media Survey, 2003, as quoted by Pillay, n.d.:8). According to Motala (2006:85) the main equity drivers in personnel expenditure are educator expenditure and learner:educator ratios. Provincial Education Departments (PEDs) allocate up to 90% of their budget to:

- Salaries of teaching and non-teaching staff;
- Department officials.

In other words, the salaries of personnel appointed in departmental teaching or non-teaching positions will be paid by the PED. However, personnel expenditure (salaries) of teaching and non-teaching staff, appointed by the SGB, must be paid from school funds (Bisschoff & Mestry, 2009:44). In 2002, the redress principle was extended to personnel expenditure, by amending regulations on the distribution of educator posts in schools. The redressed teaching posts would be distributed to schools based on their relative poverty. Although this was the aim of the redressed teaching posts, research conducted by Motala (2006:85) concluded that “Equitable funding within a province has been driven mainly by equalization of the learner:educator ratios rather than by the redistribution of educators.” This implies that poor schools were not advantaged by the redress, since all schools with a skewed learner:educator ratio (irrespective of their financial position) were considered for the redress posts.

With regard to the expenditure on personnel for schools, the Minister of Education listed the following principles:
• Schools must be allocated an adequate number of educator and non-educator personnel;

• Personnel should be equally distributed according to the pedagogical requirements of the school;

• Cost of personnel should be sustainable within provincial budgets (Mestry & Naidoo, 2009:44).

Although these principles were listed by the Minister of Education, it appears that allocating an “adequate number” of personnel is debatable. More than 6000 of the 27 000 schools in South Africa have an average class size of 45 learners. This is on average 10 learners more per class than the requisite ratio of 35:1 (Chuenyane, 2008). In a comparison between South African government schools and private schools, the following characteristic of a government school was brought to the attention of parents:

Overcrowding is one of the biggest disadvantages and in some schools, the teacher:learners ratio is as high as 1:50. Children with learning difficulties are seldom able to receive the help they need in a classroom that is overcrowded (Colarababy, 2014).

Since the concept class size and teacher:learner ratio is often misinterpreted, it should be pointed out that class size is not the same as the teacher:learner ratio. The calculation of the teacher:learner ratio includes teachers who spend all or part of their day as librarians, principals, deputy principals or in other non-teaching positions. The teacher:learner ratio is a global measure of the human resources that directly or indirectly influence the children’s learning. However, class size is the actual number of learners taught by a teacher at a particular time (Ehrenberg, Brewer, Gamoran & Willms, 2001:1). Since the teacher:learner ratio includes those personnel not actually teaching, the ratio of teacher to class size is much higher than the teacher:learner ratio. The effect of this is that even with a
teacher:learner ratio of 1:35, the teacher will still be teaching a much higher number of learners than she is supposed to have in the class.

In a study by Reddy (2005:136), teacher shortages and teacher quality were indicated as problems contributing to the state of Mathematics and Science education and as necessitating the provision of high quality, structured learning materials. It is clear that proper government funding could assist with both the teacher shortages and the provision of the learning materials, thus improving the performance of learners.

Although the high teacher:learner ratio in South Africa is often thought of as only a deficiency in personnel provision by government, Duncan Hindle, the director-general of the Education Department (Chuenyane, 2008), also blames it on the lack of infrastructure: “It is no good having teachers and no classrooms as happens in some schools. This is usually the cause of overcrowding and not a shortage of teachers”. A balance should therefore be struck between infrastructure expenditure and personnel expenditure to ensure effective teaching and learning.

It should be noted that fee-paying schools may, in terms of Section 38A(a) of SASA, pay additional remuneration to employees. This should be done in accordance with detailed regulations and an official application should be lodged with DoE (Circular 36/2006).

2.7.3 Non-Personnel Non-Capital Expenditure

Effective teaching and learning rely not only upon educators, school buildings and facilities but also require various other inputs, such as stationery, teaching aids and textbooks. The decrease in the personnel expenditure, referred to in paragraph 2.6.1, as well as the strong growth in provincial budgets, has created space for increases in other non-personnel expenditure (Pillay, n.d.). Despite the increase in the expenditure on these cost centres, repeated problems with textbook provisions have been recorded. It would appear that the lack of sufficient textbooks was not only due to insufficient funding, but also due to poor
management and even fraud. A DoE Survey (2003, as quoted by Pillay, n.d.) exposed fraud, whereby tons of apparently relevant textbooks and unused answer books were found at a recycling depot in Mpumalanga. This mismanagement of resources has detrimental effects on the teaching at schools. However, as noted under par. 2.6.2.1, Section 21 schools are able to handle their own textbook provision. These irregularities do therefore not really affect these schools.

The non-personnel expenditure, as with personnel expenditure, is required to be paid by cost centres, for which funds are allocated by the PDEs. These costs are paid into the current bank accounts of Section 21 schools. In the case of Non-section 21 schools, the service providers are paid by the PDE, on behalf of the school. The PDE handles the budget allocation, and this is often referred to as a so-called paper-budget or paper allocation (Swartz, 2009:14).

According to Mestry (2004), as quoted by Swartz (2009:15), and mentioned earlier, one of the greatest advantages of a Section 21 school is that, should the school be unable to spend the budget allocation from the PDE in time, the SGB may still process orders for the payment of services, the purchase of goods, or for Learning and Teaching Support Material. This is possible because the money allocated by the PDE is residing in the current bank account of the school.

With regard to the handling of the income and expenditure of a school, someone has to be accountable for the various activities. The accountability of the parties involved in the management of the finances is addressed below.

2.8 ACCOUNTABILITY AND SCHOOL FINANCIAL MANAGEMENT

The concept of accountability is described by Van der Westhuizen (1997:173) as the educator’s obligation to give an account of the completion of work delegated to him [or her] by the principal or the head of department, in accordance with certain pre-set criteria and standards. However, this definition does not refer to the accountability of the principal or the SGB. Bisschoff and Mestry (2003:73) broadened the scope of accountability by describing it as: reporting on the control
and the use of resources by those accountable for their control and use, to those to whom they are accountable. Cameron (as quoted by Beckmann & Prinsloo, 2004:140), makes the concept even clearer, by defining accountability as being *answerable to one’s clients (moral accountability), liable to oneself, one’s colleagues (professional accountability), and responsible to one’s employers (contractual accountability)*.

A clear distinction should be drawn between accountability and responsibility, since these terms are often confused. Responsibility, in the school context, is a particular obligation or commitment on the part of the principal and the staff members to achieve the school’s outcome, whilst accountability is considered as the educator’s obligation to give an account of having performed work delegated to him/her by the manager in accordance with set criteria and pre-determined standards (Van Deventer & Kruger, 2003:119). Although responsibilities and accountability should be reflected in job descriptions, it is ultimately the structure within the organisation that dictates this.

### 2.8.1 Organisational structure at schools

An organisational structure is often represented schematically as an organogram, which is functional in design (Van der Westhuizen, 1997:164). According to Bisschoff and Mestry (2003:69), it is a management structure that reflects the hierarchy from top management down to employees, clearly indicating the channels of authority within the organisation. The development of an organisational structure ensures the co-ordination of the activities of the whole business (school) into complete, uniform, harmonious units (Du Toit et al., 2010:193). The following are some of the forms of organisational structures referred to by Van Deventer and Kruger (2003:111) and Bisschoff and Mestry (2003:69):
2.8.1.1 Hierarchical or line organisational structure

The line organisational structure is the most common form of this type of structure. This is a so-called top-down structure, where the authority rests with one individual at the top, responsible for decision making and the allocation of tasks to those below him/her. The principal is the one whose authority extends from the highest to the lowest level. The following characterises the line structure:

- Authority is vested in one person to whom staff are responsible and from whom they receive their instructions;

- One person, for example the deputy-principal, is responsible for/in charge of a specific assignment;

- Lines of authority are clearly defined and the responsibilities and tasks of every person are set out clearly.

2.8.1.2 Line and staff organisational structure

This horizontal organisational structure ensures that specific knowledge and skills from certain individuals (experts) can be filtered through to all staff. These experts, like a subject committee, are indirectly added to the line organisation. This sharing of knowledge will be to the benefit of the organisation, but the experts can only act in an advisory capacity. They do not hold actual authority.

2.8.1.3 Functional organisational structure

In this structure the expert or advisor actually has the authority to implement the advice that he/she is giving to the school. He attends meetings, for example SGB ones, and makes formal visits to the school. Teamwork is important here and the principal should create an atmosphere that is conducive to teamwork. According to Smit and Cronjé (1999:214) the principal should assign tasks to ensure that staff members do their work efficiently and create an atmosphere suitable for applying
the principles of educational management; for example: support, unity, cooperation and delegating, to ensure the provision of the necessary resources to individuals and departments.

2.8.1.5 Project organisational structure

This temporary structure is aimed at projects with a specific completion date. Staff specialists are used by the project manager in order to complete a specific project. As soon as the project is completed, the project/task team is disbanded and the personnel may then join a new project team. This is relevant to fundraising projects and capital expansions, such as building additional classrooms.

2.8.1.6 Matrix organisational structure

This structure is also applicable to projects; however, after completion of the project, the team members need not be transferred back to their original department/section. In this structure the project moves from one specialist department/section to another. This specific structure can be used at schools when for example the Accounting teachers meet together to compile a budget for a fundraising event, where after the Arts department will then handle the marketing/advertising of the project.

It is the prerogative of the principal to decide on the structure(s) that is/are most suitable to the specific requirements of the school. Irrespective of the structure(s) put in place at the school, the following aspects should be clearly indicated for each:

Firstly, the designation of the authority to perform certain functions. Secondly, detail concerning the delegation of activities by management should be specified and finally, the staff member(s) responsible and accountable for the performance of certain duties should be indicated (Bisschoff & Mestry, 2003:70). Van Deventer and Kruger (2003:111) also note that once the school structure has been completed, responsibility and authority must be allocated to each position in the
organisational structure. According to these authors, the principal should stipulate the following:

- The person from whom the educator /financial officer/treasurer receives instructions or responsibility. This implies that the educator (financial officer) is also accountable for what he has done or left undone.

- The person to whom the educator/financial officer/treasurer reports or authority. Authority entails the right to make decisions and also enforce those decisions.

- The person to whom and for what, the educator/financial officer/treasurer is accountable. Accountability implies that the person will accept credit or blame for the results achieved during the execution of the specific task.

The following is an example of an organisational structure that indicates the parties involved and the delegation/authority channels within a school:

The lines of authority and the route to follow when delegating activities are clearly reflected in Diagram 2.7. The ultimate authority rests with the Department of Basic Education (DBE). Authority is delegated from the Department to the SGB. The SGB will delegate the financial functions to the Finance Committee (FC), who will then in turn delegate to the various sub-committees. Although there is a delegation of activities and authority, the principal and SGB remain ultimately accountable for the finances of the school.
The SGB may, in terms of Section 30 of SASA, set up a FC, as reflected in Diagram 2.4. They are further allowed to set up sub-committees such as a school fees committee or fundraising committee. The responsibility of the handling of the school finances will then be delegated, in writing, to the FC. At the discretion of the SGB, non-SGB members, with the necessary financial knowledge and skills, may also be appointed to the FC. However, the chairperson of every committee should be a member of the SGB. The FC should co-ordinate the activities of the different committees.
sub-committees. Constant communication/feedback between the SGB, the FC and the sub-committees is essential to the effective management of the school finances. It should be pointed out that all decisions taken by the FC should always be ratified by the SGB. Although the various committees make the decisions, and the activities/functions have been delegated to them, the SGB is still accountable for the school fund (Mestry, 2004:126). The financial committee should draw up a financial policy, which should include an explanation of the involvement of every FC member in the school’s financial functions. It should, furthermore, indicate exactly what each function entails (Bisschoff & Mestry 2003:78). The accountability and responsibility of the various parties involved in the finances are clarified below.

2.8.2 Financial responsibilities and accountability

2.8.2.1 Principal

According to Swartz (2009:21), the principal is responsible for the professional management of the school under the direction of the Superintendent General. However, the principal actually has a dual role to play, one as an _ex-officio_ member acting on behalf of the Department of Basic Education and the other as a SGB member. Whenever the Head of Department has to act against the principal of the school, these two roles will be considered (Mestry, 2008(a):8). This means that the principal’s rights will stem from both his/her position as the principal of the school, as well as that of a SGB member.

Both as principal and as a SGB member, financial management is one of the most important responsibilities that a school principal has been faced with since 1996 - the implementation date of SASA. According to Bisschoff and Sayed(1999:311), SASA has in essence changed the role of the principal with regard to school financial management to one of incorporating this dimension as an important aspect of the overall management of the school.
Chapter 2: Literature review

Research completed by Bush and Heystek (2006:69) concludes that school principals consistently demonstrated their anxiety about carrying out this function and their need for additional training to do so effectively. Although the financial responsibilities of principals in the South African context have changed drastically over recent years, Tronc (1977:1) had already recognised the need for principals to acquire financial knowledge and skills as early as 1977, when he observed that knowledge of basic accounting principles and basic financial management skills were likely to become part of the necessary expertise of a school administrator (principal). The problems with which principals are faced are also reiterated by Kitavi and Van der Westhuizen (1997:251), when they note that:

The most serious problems facing beginning school principals in developing countries like Africa include: students who cannot pay school fees and buy books; shortage of school equipment; shortage of physical facilities....

These problems are all related to the financial management of the school.

Tsukudu and Taylor (1995:108) argue that “…head teachers come to headship without being prepared for their new role...”. This results in school principals having to rely on their common sense and experience only. The demands being made upon principals require more than common sense and character alone: “management development support is needed”. According to Williams (2014:5), a possible solution to the desperate need for management development in the education context is a partnership between business leaders and school principals. A partnership in the business world can be described as an association of two or more persons engaged in a business enterprise in which profits and losses can be proportionally shared (Partnership, n.d.). According to Whitlock (2005), a partnership is an informal business entity and could be formed by a handshake or by merely referring to each other in public and business as partners. An important aspect in a partnership is the contribution and commitment that all partners make. Two of the advantages of a partnership which are applicable to these partnerships in the educational context are that:
Two heads (or more) are better than one and
High-calibre individuals can be made partners (Starting a business, n.d.).

Dr. van Rhyn, a social entrepreneur, has asserted that the leadership and change required to solve the educational challenges in the country are similar to those in the business world. Through the non-profit organisation, Partners for Possibility, she has already established 155 partnerships between business people and school principals in the Western Cape and Gauteng and intends expanding to a further 300 schools. Companies are convinced to utilise their leadership development and corporate social investment budget to cover the participation of the business leader and that of the principal. Since the government does not have sufficient funds to send principals to leadership training at business schools, this cross sectoral approach is innovative and has already proved its worth overseas (Williams, 2014(a): 5). Another partnership initiative was suggested by Paul Harris, retired CEO of FirstRand. According to him, business should not endeavour to solve the bigger education problem, but individuals and businesses should instead assist government through offering their time, skills and money (Williams, 2014(a): 2).

Although this study is focused on schools in Tshwane and the South African context, it should be noted that the roles of principals in other countries have also changed. According to Larusdotter (2014:9) this is also a problem in Iceland. The role of school principals in Iceland altered from being primarily focused on leadership with an emphasis on teaching and learning, to a focus on management of finance and operations. The role of principals in Hong Kong also changed, since the implementation of school-based management in 2000, which resulted in the power of financial planning and control of a school being decentralised to the school principal. Aspiring principals in Hong Kong perceived their inadequate experience in resource and financial management as a deficiency in preparing themselves for principalship. In a study conducted by Ng (2013:282), it was concluded that:
…given the fact that financial management is an essential element in school-based management, a lack of such leadership capacity may cause difficulties in managing a school.

Ng (2013:282) recommends that since the management of finances is very challenging for the aspirant principals, it should be addressed by policymakers and programme providers in preparing principals for their job. This is consequently more an international trend than a local trend and, locally, policy makers may learn from the advice given to Hong Kong policy makers. The situation in South Africa corresponds to this trend.

Returning to the local situation, if a school changes from a Section 20 to Section 21 School this makes great demands on the principal’s time. It has, in some cases, made life harder for principals by increasing their administrative and financial management role. The reason for the greater reliance on the principal to take financial responsibility is due to the lack of financial skills on the part of many communities (Hansraj, 2007:52).

The functions of the school principal are clearly described, through the amendment of Section 16 of SASA. Mestry (2008 (a):7) notes the following regarding these changes:

The principal should:

- On an annual basis, prepare and submit a report to the HoD, in respect of:
  - The academic performance of the school;
  - The effective use of available resources.

- Handle the professional management of a public school and perform the following duties:
  - Implementation of all educational programmes and curriculum activities.
(b) Management of the use of learner support material and other equipment.
(c) Safekeeping of all school records (implying financial records as well).
(d) Implementation of policy and legislation (implicating also financial policy).
(e) Other functions delegated by the HoD.

- Attend and participate in all SGB meetings.
- Inform the SGB about policy and legislation.
- Provide accurate information to the HoD when requested to do so.
- Assist the SGB with the execution of its responsibilities and functions. This should not conflict with the instructions from the HoD, legislation or policy, an obligation towards the HoD or the Member of the Executive Council (MEC), a provision of the Employment of Educators Act or the Personnel Administration Measure.

It is clear from this list of functions that being a principal is a specialist occupation that requires specialised preparation and training (Bush, 2010:113). Should principals not perform these functions adequately, steps will be taken to rectify the situation. The MEC of Education in Limpopo recently reprimanded the principals of poorly performing schools. When facing harsh criticism from SA Democratic Teachers’ Union (SADTU), her spokesperson said she would not be intimidated by SADTU: “Where there is no productivity, there should be accountability”. She also spoke to them about commitment and stressed the fact that they needed to ensure that the teachers are in class, teaching (Masondo, 2014).

The functions (Mestry, 2008(a):7), resulting from the amendment of Section 16 of SASA, are very general; however, with respect to the functions of principals regarding the organising of school finances, Van Deventer and Kruger (2003:240) comment that the principal should be familiar with the following financial activities: handling the school fund account, receiving, recording and administering school finances and financial accounting and reporting. Deputy principals and senior staff
could, however, assist the principal with these activities. According to Du Plessis (2013:125), “Their role will be the mirror image of the principal’s role”. As the role of the principal lessens, that of the deputy principal and senior staff will increase. Financial management, and more specifically the financial activities, are well suited to being delegated to a deputy or senior teacher. Delegation is a process whereby responsibility and authority are entrusted to other people (Morake, Monobe & Mbuluwa, 2012:153). These staff members will handle the financial management aspects, as part of their professional management tasks and not as part of governance.

When one is identifying the responsibilities of principals and that of SGBs, the differences between governance and professional management always come to mind. School governance involves the “creating, implementing, supervising and evaluating of policies and rules, which guide and govern the actions of the school and its members” (Motomele, 2005:2). This entails creating policies and ensuring that the school is managed and run according to these. Professional management, on the other hand, includes activities such as effectively delegating powers to organise and control teaching and learning, as well as other associated activities at the school (Mestry, 2004:127). In order to achieve more clarity on the differences between the two aspects, Potgieter (as quoted by Mestry, 2004:127) compiled the following table:
Table 2.5: Difference between professional management and governance.

<table>
<thead>
<tr>
<th>PRINCIPAL</th>
<th>SCHOOL GOVERNING BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional management (under the authority of the HoD)</td>
<td>Governance</td>
</tr>
<tr>
<td>• Perform and carry out professional (management) functions.</td>
<td>• Adopt (accept) a constitution, adopt a code of conduct and develop a mission statement of the school.</td>
</tr>
<tr>
<td>• Administer and organise day-to-day teaching and learning at school.</td>
<td>• Control and maintain school property, buildings and grounds.</td>
</tr>
<tr>
<td>• Perform the departmental responsibilities prescribed by law.</td>
<td>• Buy textbooks, educational materials or equipment for the school.</td>
</tr>
<tr>
<td>• Organize all the activities which support teaching and learning.</td>
<td>• Supplement the funds supplied by the state to improve the quality of education in the school.</td>
</tr>
<tr>
<td>• Manage personnel and finances.</td>
<td>• Start and administer a school fund.</td>
</tr>
<tr>
<td>• Decide on the intra-mural curriculum, which is all the activities to assist with teaching and learning during school hours.</td>
<td>• Open and maintain a bank account for the school.</td>
</tr>
<tr>
<td>• Decide on textbooks, educational materials and equipment to be bought.</td>
<td>• Prepare an annual budget that is planning the school finances for the next year.</td>
</tr>
<tr>
<td></td>
<td>• Submit the budget to parents and get their approval.</td>
</tr>
<tr>
<td></td>
<td>• Ensure that school fees (school funds to be paid by parents of learners) are collected according to decisions made by stakeholders.</td>
</tr>
<tr>
<td></td>
<td>• Keep the financial records of the school.</td>
</tr>
</tbody>
</table>

Table 2.5 indicates that the responsibility for the handling of the financial matters of the school rests upon the SGB. However, the school principal is also a member of the SGB; hence the burden of the finances still forms part of his portfolio. The organisational structure, as discussed in par. 2.8.1, of a typical public school gives an indication of the parties/individuals involved in the handling of activities related to professional management and those involved in governance. This organizational structure, reflecting the parties concerned, is clearly illustrated in Diagram 2.8. The left-hand side reflects the professional management of the school. Professional management revolves around the school staff. The staff
involved in finance is: the principal, often also a deputy principal and the non-teaching staff, such as an administrative or financial officer. On the right hand-side, the parties/individuals involved in activities related to governance, are reflected. The treasurer (as part of the SGB) and the members of the FC are involved in running the school finances from a governance point of view.

Diagram 2.8: Organisational structure of a public school (Van Rooyen, 2013:34)

In addition to governance, it should suffice to briefly also refer to corporate governance. Swartz (2009:6) concludes that although schools are bound by SASA, since government schools are public institutions, they should also comply with the stipulations of the Public Finance Management Act (PFMA)(Act 1 of 1999 as amended). Compliance with PFMA and also the King Report on Corporate Governance are essential to ensure good governance. The King Committee, headed by Judge Mervyn King, was commissioned in 1992, amidst a period of tremendous political and economic turmoil. The mandate of this Committee was to
promote the highest standards of corporate governance in South Africa whilst
taking into consideration global trends (Schulschenk, n.d.:6). The King Report
made recommendations relating to ethical standards, as well as corporate
governance for South African entities. It further includes a set of principles and
guidelines for the good and proper governance of organisations. In addition to the
King Report, the King 2 Report made certain recommendations by means of a
Code of Corporate Practice and Conduct. This code is applicable to all public
institutions, therefore including government schools. It clarified the duties,
functions and responsibilities of governors, aiming to ensure effective governance
of the institutions (schools). The following principles are found at the core of this
code:

- Fairness, which entails conformity with rules and standards;
- Accountability, as referred to in paragraph 2.8;
- Responsibility, as explained in paragraph 2.8;
- Transparency, making information available (Swartz, 2009:7).

In addition to the King II report, during 2009, the King III report was released. This
report placed strong emphasis on leadership, sustainability and corporate
citizenship. A key recommendation of the King III report is that all companies
should produce integrated reports (Schulschenk, n.d:6).

With government schools attempting to become more self-reliant and adopt more
business-like approach to the managing of the school finances, compliance with
SASA, PFMA and the King Reports is unavoidable.

With regard to the applicability of the PFMA to the government school situation,
Mestry (2008(a):10) has a different opinion. According to him, the PFMA has no
applicability to the management and governance of a school. In the view of this
author, the PFMA does not specify that schools should have an accounting officer.
Sub-section c (1) of section 36 of the PFMA clearly states that every department
and constitutional institution must have an accounting officer. Since mention is
made only of the concepts department and constitutional institution, these do not
include government schools as such. Mestry (2008(a):10) also concludes that “…neither Schedule 2 nor Schedule 3 to the PFMA indicates that schools fall within the ambit of the particular act.”

With these two approaches at hand, I am of the opinion even if, technically, the PFMA does not apply to schools (as reasoned by Mestry, 2008(a):10), it is still the responsibility of every school principal to attend to the requirements of good corporate governance and ethics, as outlined in the three King reports and the PFMA.

Regarding governance (including corporate governance as referred to in the previous paragraph) and professional school management, some responsibilities within the school overlap. The SGB and school managers are equally responsible for protecting the rights of all learners to education, for maintaining discipline and for financial management. It is thus very important that the SGB and the school management team work together and respect each other’s areas of responsibility (Motimele, 2005:2).

The issue about the accountability of the school principal in respect of school finances has been widely debated. However, the case of Schoombee and others v. MEC for Education and Another (as quoted by Mestry, 2008(a):10) sheds some light. The following were some deliberations noted by Mestry (2008(a):10) in this particular case:

The principal may not be held liable for the SGB’s obligations. It was indicated by the judge that since the responsibility of the school’s financial management rests upon the SGB, the principal could not be accused of financial irregularities. The judge stated that:

_The principal is an educator who manages the school professionally. Managing the finances is something you cannot expect from him (the principal). The contention that the principal should be held accountable for the finances is an absurd proposition._
The roles of the principal in his/her capacity as SGB member and also as an employee (in terms of the Employment of Educators Act) are confusing. The employer (DoE) may hold the employee (principal) liable and accountable for the professional development of the school, but the employer may not prescribe to employees or hold them liable for any statutory obligations, related to assets, liabilities, property and the overall financial management of the school, that are vested in the SGB.

Although this was the conclusion in the specific case, should a principal be negligent or fraudulent in any way, when conducting his/her financial activities, this may have a detrimental effect. It was reported that more than 30 principals were being investigated for the misappropriation of school funds. The MEC, Senzo Mchunu, stated that his department would take drastic actions against principals who were found guilty of misusing funds. He requested that:

*We would therefore like to urge SGBs to play a meaningful role in ensuring that school funds are protected at all cost. They need to establish strong Finance Committees that are going to ensure that all schools deal judiciously with school funds* (City Press, 2012).

These overlapping and often confusing responsibilities of the principal and SGB call for a closer look at the functioning of a SGB. The SGB was briefly discussed in par. 2.3 and par. 2.4.3 respectively, but a detailed discussion follows.

### 2.8.2.2 School Governing Body

As mentioned in par. 2.5.2.2 the SGB is a major participatory management tool in school-based management in South Africa. Subsections 16(1) and 16(2) of SASA cover the governance of public schools. According to these subsections, “governance of every public school is vested in its governing body and may perform only such functions and obligations and exercise only such rights as prescribed by the Act. A governing body stands in a position of trust towards the...
school.” This indicates the fiduciary role and responsibilities of a SGB regarding the finances of such a school (Van Rooyen, 2013:32).

Good governance is expected from the SGB. A goal of such governance that can be applied to the school context, is that governance of this type should enable an organisation (school) to do its work and fulfil its mission, and should result in organisational effectiveness. Combating corruption, supporting leadership, transparency, accountability and achieving results in the right way are all part of good governance (Jonas & Cloete, 2006:109). To ensure the latter in the SGB, it should be representative of the school community.

There are three groups of members represented in the SGB, including

- elected members, which may include parents of the learners at the school, educators, non-educational staff members, for example secretaries, learners at the school (elected by the representative council of learners),
- the principal and
- co-opted members. These members do not have a vote and may include members of the community or a knowledgeable person on a specific aspect, for example a school psychologist.

From these groups of members it is evident that the principal must be a member of the SGB. Although, in the South African dispensation, the principal must be a member of the SGB, the head teacher (principal) in England can choose to be a member (James, Brammer, Connolly, Fertig, James & Jones, 2011:417). In South Africa, the chair of the SGB must be a parent and the majority of the members should be parents. However this is not the case in England. Evidence suggests that England has problems in securing parental membership of governing bodies in areas of low economic status. The individual capabilities of members become an issue in need of consideration. Developing the capacities of members of governing bodies is an international trend and in Switzerland, members of the
governing body all have to develop competencies in quality management (Connolly & James, 2011:506). Competencies in South African SGBs are also problematic. In this regard, Heystek (2011:455) notes that governing bodies in South Africa are less successful because of such factors as literacy of parents, expectations of parents, negative perceptions of principals and parents and the availability of parents to attend SGB meetings. It would appear that putting the right people in the SGB and “providing high-quality and sound governance structures was less important than granting parents some democratic participatory rights in schools” (Heystek, 2011:458).

The members of the SGB should elect so-called “office bearers”, from themselves. These include a chairperson, treasurer and a secretary. It is recommended that the treasurer serves as chairperson of the FC (Western Cape Education Department, 2006:4). Additional “office bearers” such as a vice-chairperson may be elected, at the discretion of the SGB. Although the SGB members may serve for a term of not more than three years, the office bearers are not allowed to serve for a period of more than one year without re-election. There are however no limits on the number of times that a person can serve as an office bearer. Although the tri-annual re-elections may not provide sufficient time for SGB members to develop their potential or play an important role in the provision of quality education, this sends a strong democratic and representative message. It is unrealistic to expect SGBs to make a sustainable and positive contribution to the quality of education in the short to medium term. Should they, however, receive proper training and more power to support schools, they could contribute to quality education for all. Parental governors’ competence to support their school may be the most significant stumbling block to achieving quality education (Heystek, 2011:465). Where governors in South Africa serve only a three year term, the Governing Bodies in England have four year term of office. Even with this extended term of office, “recruitment to fill vacancies is likely to be a constant concern” (James, Brammer, Connolly, Fertig, James & Jones, 2011:417). The following attributes are important for potential governors: support for the ethos of the school and how it functions, relevant skills, functional and strategic capabilities and specialist expertise, are more central than community representation (James
et al. 2011:417). Although these attributes are very relevant, taking cognisance of the comments of Heystek (2011:465), they are currently not attainable in the South African context.

The mandatory functions of the SGB in South Africa include the following:

- **Policy matters**, including functions such as adopting a constitution, compiling a mission statement, deciding on the language policy, creating and maintaining a code of conduct for learners, compiling a financial policy and making recommendations regarding appointments of personnel.

- **Day-to-day matters**, including furnishing support to the principal, educators and other staff members, administration and control of the school’s property, buildings and grounds and determining the times of a school day.

- **Financial matters**, such as establishing a school fund, supplementing financial resources, appointing an accountant, preparing a budget, collecting/administering school fees, financial record keeping (Joubert, 2000:2).

These are the mandatory functions that the SGB performs in terms of Section 20. However, should the school obtain Section 21 status; this would imply additional functions for the SGB. These have been discussed in detail under par. 2.6.2.

Although the functions that should be performed by the SGB are clearly indicated, the ability of the SGB members actually to perform the duties is debatable. In a study conducted by Mestry and Naidoo (2009:122) on budget monitoring and control in South African township schools, they concluded that without properly trained members on the SGB, the temptation for the people involved with the cash and other assets of the school to engage in fraudulent activities or behaviour increases. They assert that: “...a financially literate governing body will bring sufficient pressure to bear on those responsible for financial management to also be accountable”. They stress the importance of training, mentioning that it should
be extended to all the SGB members and offered in languages that are accessible to everybody.

As noted in paragraph 2.8.1.6, the SGB may set up committees such as a financial committee, fundraising committee and sports committee (SAQA, 2008:1). In addition to these committees, SASA further states that if a public school is providing education to learners with special needs, the SGB must also establish a committee on special needs (Van Rooyen, 2013:33). Although at times, specifically during decision making, all SGB members may be involved in certain aspects of school finances, the SGB usually sets up a FC to handle financial aspects. Parental involvement in school financial management, via for example the FC, is expected to improve financial accountability and transparency (Koross, Ngware & Sang, 2008:76).

2.8.2.3 Finance committee

Since financial management and the handling of school fees occupy most of the time of the SGB, the SGB delegates the management of school finances to the FC. The delegating of the financial matters should be done in writing. In a review undertaken by the Ministerial Review Committee (Department of Education, 2004:104), financial management was ranked as the most important function of the SGB. In research carried out in the United Kingdom, it was also found that financial management is one of the key roles of the governing body. Anything that has an impact on how schools are financed, and the funds managed, “will have an impact on the learners; poor financial management will directly impact on those the school seeks to serve” (Fitzgerald & Drake, 2013:97).

SGBs, through the FC, have been mandated by SASA to perform financial duties in the areas of school fund and assets, school budgets, financial records and statements and the annual financial audit (Mbatsane, 2006, cited in Joubert, 2000:11).
In addition to these areas of responsibility, the Western Cape Department of Education (2006:5) listed the following as possible duties of the FC:

- Supporting [sic] the treasurer in the performance of his/her duties;
- Compile the annual budget;
- Give advice on fundraising;
- Advise on investment possibilities for surplus money;
- Give advice regarding the amount of school fees to be charged;
- Advise the SGB on exemptions from school fees;
- Assist the financial officer in compiling the set of financial statements;
- Make suggestions with regard to the appointment of an auditor.

In support of Mbatsane and the Western Cape Department of Education, the following functions of the FC are ranked by Mestry (2004:131) as most important:

- Develop and implement a finance policy;
- Construct and control the budget;
- Monitor and control all expenditure;
- Ensure that all procurement is done through correct quotation and tendering procedures.

Although these functions listed by Mbatsane (2006, as cited in Joubert, 2000:11), the Western Cape Department of Education (2006) and Mestry (2004), correlate and overlap, a very important function, only noted by Mestry, is the development and implementation of the financial policy. The latter guides the whole financial function and is discussed in full detail in par. 2.9.1.

Mestry (2004:131) further mentions that the finance committee of the school plays a pivotal role in managing the finances. The importance of this aspect calls for
appropriate training that should be pursued with the vigour that it deserves. Mestry and Naidoo (2009:122) reiterate the importance of training by stating that an SGB that is financially literate will bring sufficient pressure to bear on those responsible for financial management to also be accountable. Should the training not be sufficient and the members do not have adequate financial knowledge, Mestry (2004:131) advises that the SGB should solicit the services of an expert with sound financial knowledge from the parent community.

The appointment of non-SGB members to serve on the FC, on the grounds of their financial expertise, is also promoted in Section 30(1) of SASA. Section 30 (1)(b) specifically states that a SGB may “appoint persons who are not members of the governing body to such committees on grounds of expertise, but a member of the governing body must chair each committee”. It is however worrying that in a study done by Maake (2008:46), it was found that only 52% of the respondents agreed that people with financial expertise should be appointed to serve on the FC. Some respondents even expressed their concern as follows: “How can people who are not democratically elected members of the SGB be involved with the school finances”? It is evident that the importance of sound financial knowledge for the smooth running of the school finances, is not regarded as an essential trait of the members of the SGB or FC.

Heystek (2006:482) reported that should parents be unable to manage the finances, the principal must take responsibility to ensure that the school has funds and that there is effective financial management in the school. If parents are illiterate and unable to draft or manage the budget, the principal should take the responsibility. The parents should, however, still be part of the democratic decision-making, a nearly impossible task, because if they cannot read, the figures in the budget mean nothing to them. An illiterate SGB, resulting in an illiterate FC, puts unnecessary pressure on the principal and finance officer.

Although functions have been delegated to the FC by the SGB, decisions taken by the FC should always be ratified by the SGB (Mestry, 2004:131 and Western Cape Education Department, 2006:6). The organizational structure of a school, as
reflected in Diagram 2.6, indicates how the FC fits into the organisational structure of the school. The FC usually consists of the following members:

- Chairperson, who must be elected by the SGB;
- Deputy chair, who may be elected or co-opted;
- Secretary, who may be elected or co-opted;
- Treasurer, who is usually the finance officer of the school and who may either be elected or co-opted;
- A maximum of three additional members, who may also be elected or co-opted (Van Rooyen, 2013:34).

The financial officer of the school, who is also a member of the FC, plays a vital role in the school financial activities. The role of this FC member is expanded on below.

2.8.2.4 Financial officer

Financial managers keep a business’s finances on track; a school financial officer does the same for a school. School financial management has brought the role of the administrative officer to the fore. It is argued that financial management areas, such as: finance, goods and services, transport, income generation and fundraising, are better managed by someone with a background in commerce and administration, rather than a person with only teaching experience (Du Plessis, 2013:126). The administrative aspect of school finances is time consuming. Very often the school principal and the treasurer are too busy to attend to the money matters of the school on a daily basis. Should this be the case, it is advisable that the SGB delegate (in writing) the day-to-day administration of the financial matters to a financial officer, suitable to fulfil the position. The financial officer should also have the assistance of a finance clerk.

The extent of the financial function at larger Section 21 schools warrants the services of a well-qualified financial officer. As a benchmark, the basic requirements in the job description of a financial officer at a municipality include
both knowledge and skills. The incumbent should have knowledge of accounting programmes, accounts payable and receivables, generally accepted accounting principles, fund accounting, preparation of financial statements and reports, office administration, relevant municipal legislation, policies and procedures (Job description: Finance officer, 2005:3). In addition to the knowledge required, the incumbent should also demonstrate certain skills, including accounting and bookkeeping skills, analytical and problem-solving skills, decision-making skills, computer skills, effective written communication skills and time and stress management skills. In support of and in addition to these attributes listed, a study by Baker and Phillips (2000:194) identified eight personal attributes important for a person to succeed in financial management. Ranked from the most important to least important they are: decision making, computer literacy, ethics, interpersonal skills, oral and written communication skills, mathematics/statistics and social ethics. By studying the responsibilities of a school financial officer, listed below, it is evident that to be able to effectively staff the school finance office, these knowledge, skills and personal attributes required by the position, are also relevant to the school environment.

The financial officer may be a co-opted member on the SGB, a parent, an educator or an administrator (non-educator at the school). The delegated responsibilities involve the recording of all financial transactions, including, but not restricted to the following:

- Receipting of monies received;
- Preparing the cash book of the school;
- Doing a monthly bank reconciliation statement;
- Ensuring the completion of reports (monthly and quarterly);
- Monitoring the budget;
- Maintaining the various registers;
- Drafting the annual financial statements;
- Other related tasks delegated by the FC (Western Cape Education Department, 2006:6).
The following responsibilities are also listed by Russell (n.d.:2): keeping accounts and records, cash management, implementing cash management strategies and financial planning. A school financial officer should update the financial records by documenting each transaction and processing invoices and orders. The financial officer should also monitor financial distributions and investments, as well as administer and control the school fund. Financial planning (budgeting) is also an important task of the financial officer. He/she should collaborate with the school management to determine the school’s objectives and how the finances could be applied towards reaching these objectives.

Appointing a financial officer with clearly demarcated duties is very important for the smooth running of the finances of a school. In this regard, Mestry (2004:131) notes that the separation of powers is one of the most important principles in school financial management. The SGB should ensure that various tasks are delegated to different people who have the necessary knowledge and skills to perform these tasks efficiently. The importance of a capable and efficient finance officer to properly handle the school financial activities, can thus not be overemphasised.

2.9 SCHOOL FINANCIAL ACTIVITIES

2.9.1 Compilation of financial policy

As mentioned in par. 2.8.2.3, the FC is responsible for the compilation of a school finance policy. This should either form an integral part of the school policy, or it could be a totally separate policy (Du Plessis, 2013:101). Since the financial policy guides all the activities within the scope of school finances, a separate financial policy is advisable. According to Campher (2003:25) the following essential aspects should be considered when compiling a financial policy. Firstly, the mission statement and objectives of the school should be taken into account. The management of resources to ensure maximum benefit should then be considered. Another aspect that needs consideration comprises the learners and more specifically their needs, for example textbooks, learner teacher support materials.
and extra-mural activities. The next consideration is the community and their needs. The last aspect to consider is quality control, which includes a quality insurance policy.

In addition to these four aspects identified by Campher (2003:25), Swartz (2009:6) concurred that as a minimum requirement, the school financial policy should comprise the following:

- Cash management including safe storage of cash, depositing of money received on a daily basis, proper record keeping of cash, recording of transactions and reconciliations.

- Internal controls, for example member checking, where one person checks the work completed by another, as well as splitting of duties, and internal audits.

- Audit trails, such as the ability to follow a transaction through from the source document to the financial statement. According to SASA requirements, the financial records of a school should be retained for at least 7 years.

- Procurement procedures including approving of transactions by the FC, SGB authorisation for transactions above a specific limit, obtaining three quotes or putting out tenders for expenditure above a pre-determined limit.

- Asset management, for example stock registers, safekeeping of assets, stock-taking on an annual basis.

- Reporting should include at least the following: monthly budget variance, Income and Expenditure to be forwarded to the Circuit on a monthly basis, Income and Expenditure and budget variance to the Education District Office on a quarterly basis and the audited Financial Statements to the Provincial Head Office on an annual basis.

In addition to the minimum requirements listed by the previous authors, Ntseto
(cited in Shale, 2009:43) and Van Deventer and Kruger (2003:12) further note that the following characteristics are essential to any effective financial policy:

- Legislation: it is of the utmost importance that policy should constantly be adapted to any legislative changes by government.

- Flexibility: although a policy should have some degree of stability, it should also be flexible, thus easily modified, should circumstances require it.

- Co-ordination: before compiling the policy the inputs of all stakeholders/ departments should be taken into account. All departments should follow the same financial goal.

- Clarity: the policy should be written in understandable, clear language. It should indicate specific actions, methods and limitations of actions.

In addition to the compilation of the financial policy, the financial activities at a school also include the process of budgeting.

### 2.9.2 Budgeting

A basic introduction to budgeting was provided in par. 5.2.2.3. and is elaborated upon in this paragraph. The word budget is derived from the word *bougette*: the French word for a leather bag or case. Initially this concept referred to the leather case in which the Minister of Finance carried his annual budget (Lambrechts, 1990:147). More specifically, budgeting is the planning phase in the process of school financial management (Thwala, 2010:49). The *Oxford Dictionary of Business and Management* (2006, s.v. “financial planning”) describes financial planning as the formulation of short-term and long-term plans in financial terms for the purpose of establishing goals for an organisation to achieve, and against which the actual performance of the organisation may be measured. Erasmus, Strydom & Rudansky-Kloppers (2013:458) describe a budget as a formal written plan of future action, which is expressed in monetary terms (sometimes physical
terms) to implement the strategy of the organisation (school) and achieve the set goals with limited resources. The question why should we budget? is often tabled. The following are some of the reasons for budgeting as set out by Flynn (2008:281):

Firstly, budgeting enhances the quality of planning. It forces consideration of the future and serves as a valuable tool for coordinating business activities. Secondly, it makes the measurement of performance possible. The budget will serve as a benchmark. The financial performance of different departments within the school and the overall performance is measured against the budgeted amounts. The third reason is that it makes control possible. The budget reflects amounts that should be achieved by either constraining expenditure or achieving revenue, or a combination of these. The actual amounts can be clearly measured against the budgeted figures. By regularly comparing the budgeted amounts with the actual figures attained, any discrepancies can be identified and the necessary steps implemented to rectify the situation, thus controlling the finances.

The next reason entails management by exception. Once a budget has been constructed and approved (by the SGB and parents), the organisation should stay within the constraints of the budget. When comparing actual figures with budgeted amounts, variances are generated. Generating variances on a regular basis, but only responding to those variances which are material, enables the management team to concentrate on problem areas, in other words to manage by exception. The final reason for budgeting is its goal orientation. It gives direction to the energy and activities of all employees. The budget clearly reflects what needs to be achieved, and if it is applied correctly, it will serve as a motivator for productive activity (Flynn, 2008:281). Derived from these general reasons for budgeting, the following is a list of functions of a school budget specifically; it:

- Provides a foundation for planning and implementing the financial strategy of the school;
- Provides an operational cost-time framework for the implementation of the school curriculum and activities;
• Reflects the relationship between expenditure and income;
• Controls and authorises expenditure;
• Measures performance against the budget;
• Provides a basis for delegation;
• Provides standards for performance measurement;
• Assists in systematic planning (Education Facilitators, 1997:86).

From the reasons for budgeting, indicated in Diagram 2.7, it is clear that a budget is both a planning and control tool. A budget can be described as a formal plan reflecting how resources will be applied in order to achieve goals. It also assists with deciding how resources should be used to achieve the long-term plan (strategy). The aforementioned all relates to the planning function of the budget. The control function of the budget entails comparing the budgeted figures with the actual figures and then determining the budget-variance. The reason for the variance should then be determined and corrective action taken (Kew & Watson, 2012:671).

Du Plessis (2013:79) presents the functions of a budget by means of a diagram. Diagram 2.9 simplifies these as follows:

Diagram 2.9: The functions of a budget (Du Plessis, 2013:79)
The budget planning of a school should incorporate the strategic plan of the school. The long-term and short-term planning of the school should form the basis of the budget. Diagram 2.10 demonstrates the budget process. The diagram reflects the various steps in it. The first (Diagram 2.10) is the identification of the objectives and strategies of the institution. The last three steps in the process comprise the control part of the budgeting process, including measuring and assessing performance against the budget, taking corrective action or adjusting budget to account for deviations. The final stage of the budget process, as reflected in the diagram, is re-evaluating objectives, goals, strategy and plans.
Diagram 2.10: Budgeting process (Kew & Watson, 2012: 673)
Diagram 2.11: Budgeting process (Key & Watson, 2012:673) as adapted to the school environment

Identify school’s objectives, strategies and options

Determine long-term plans, co-ordinate and quantify plans

Develop short-term goals and plans

Communicate budgeting policy and guidelines to all people involved in the

Determine the major limiting factors

Develop budgets based on the availability of the main limiting factor (often

Draft detail budgets for all departments (e.g. science, sports, culture)

Finance committee negotiate budgets with departments

Finance committee co-ordinate and revise budget and submit to SGB

SGB accept the final budget and present at parents meeting

Parents approve budget

Finance committee & SGB measure and assess performance against

Take corrective action or adjust budget to account for deviations

Re-evaluate objectives, goals, strategy and plans

Diagram 2.11: Budgeting process (Key & Watson, 2012:673) as adapted to the school environment
In diagram 2.11, the steps in the general budgeting process reflected in diagram 2.10, have been adjusted to those that specifically relate to the school environment. The process followed by the school deviates only slightly from the process followed by a business organisation. The steps that do not correlate exactly with that of the latter are reflected in the blue-coloured boxes in Diagram 2.11. The parents are involved in the budgeting process by means of the budget meeting. A 30-day notice of the meeting should be sent to parents, informing them well in advance. The Western Cape Education Department (2006:11) summarises the school budgetary process (as this Department calls it) into four major steps:

- Preparation of the budget, including aspects such as obtaining input from different departments; FC draws up draft budget.
- Submission of the budget to parents, which includes the notice to parents regarding the budget meeting and the approval of the budget by the parents.
- Acceptance of the budget; once the budget has been approved and accepted, it will form the framework within which all expenditure is effected over the budget period.
- Monitoring of the budget, which entails the FC managing the budget in consultation with the SGB, as well as deviations from the budget that need SGB approval.

There are a number of different approaches to budgeting. The following are some approaches that may be followed by a school:

- Incremental budgeting

When using this approach, the SGB builds the annual budget on that of the previous year (Van Deventer & Kruger, 2003:237). Historically this is the most common approach used in budgeting. This approach assumes that the expenditure and income level of the previous financial year offers a reasonable
base for forecasting as regards the following financial year. Increments are merely added to the amounts reflected in the previous budget to produce the subsequent budget. The inflation rate is usually the factor/increment used. Very few schools presently rely only on incremental budgeting (Du Plessis, 2013:87).

- Zero-based budgeting

This is the most comprehensive approach to budgeting. It is very time-consuming, since every expense of the school is re-evaluated and reconsidered on an annual basis (Van Deventer & Kruger, 2003:237). According to Anderson, Briggs and Burton (2001:30) budget holders, making use of this approach, must justify all planned expenditure, not only the new initiatives or those at the margin of existing provisions. This budgeting process will start from a zero base, not relying on figures of the previous financial period (Du Plessis, 2013:88). Nieman and Bennet (2006:191) support this by noting that zero-based budgeting requires that each item reflected on the budget should be explained.

- Activity-based budgeting

The school activities are the main focus of this approach (Van Deventer & Kruger, 2003:237). Both curricular, extra-curricular activities and the school programme will be considered when using this approach.

- Line item budgeting

This approach is more specific than the incremental budget, since each line item in the budget receives separate consideration. Cost items are the focus of analysis, authorisation and control (Bisschoff & Mestry, 2003:110 & Du Plessis, 2013:87). Authority to move money from one line to another must be granted by a higher level in the school environment: this would be the SGB.
• Programme budget

This is a more sophisticated and modern approach to budgeting. The school plans strategically. After this strategic planning, programmes to achieve its objectives are identified and the costs of each programme determined. This approach makes it easier to see the relationship and interdependence between the school activities and the budget (Mestry, 2008:176).

• Limited plan approach

This approach also uses the historical budget (from the previous year) as a foundation, and is similar to the incremental budget. It differs from the incremental approach in that it is limited to those items needing change and is based upon priorities. Improvements and desirable changes will be highlighted through this approach (Bisschoff & Mestry, 2003:112).

• Rolling budget

This budget operates within a system whereby the twelve month (financial year) budget, of resources and targets, is divided into quarterly periods. Budget holders are not concerned with the whole year ahead and school managers are allowed to divert resources from one part of the school to another without the typical problems of ownership and demotivation found in the other approaches (Du Plessis, 2013:89). According to Bisschoff and Mestry (2003:112) the advantage of this approach is this diversion of resources, making it very flexible. This study should determine the approach towards budgeting used by schools in Tshwane.

It will be recalled that the focus of this study falls on schools in the Tshwane Metropolitan Area, which includes schools in certain township areas. With regard to the participation of parents in SGB activities, including budgeting, parent governors are not all participating fully, since many of them lack the necessary skills to perform the duties assigned to them (Mncube, 2009:85). In this regard, Adams and Waghid (2003:19) noted that most SGB members from disadvantaged
communities, including certain townships, lack the necessary education to play their role as school governors. As a governor, budgeting is one of the functions to be undertaken. The following aspects regarding budget monitoring and control in South African township schools should be noted. Budget monitoring and control is a specialised activity within the school environment and should be undertaken by people with *expert knowledge and skills*. It was however found that many of the SGB members in township schools do not have the necessary financial knowledge, qualifications and skills needed to manage the school finances efficiently (Mestry & Naidoo, 2009:108).

Although SASA allows the SGB to co-opt qualified accountants and/or auditors from the parent community to assist with the finances, these people are either hard to find in the townships or unwilling to assist. The parents are often not very positive regarding the appointment of non-parents on the SGB, even if the skills are much needed. As mentioned in paragraph 2.8.3, some respondents in a study by Maake (2008:46) even expressed their concern as follows: “How can people who are not democratically elected members of the SGB be involved with the school finances?” The capacity of the SGB to monitor and control budgets in township schools is a major concern and a study performed by Mestry and Naidoo (2009:108) concluded that the Department of Education should provide training and support to overcome this problem. They also noted that monitoring and control mechanisms should be provided for in the financial policy. According to them, “…if monitoring and control of budgets is applied conscientiously, schools can remain liquid in terms of cash flow and operate within the confines of the approved budget.”

It should be noted that according to SASA (Section 38 (1) the budget should be presented to the parents at an annual general meeting of parents. This meeting should be convened on at least 30 days’ notice. Once the majority of parents present at the meeting have approved the budget through voting, it is approved by the SGB (Mkhwanazi, 2009:31).
The information needed to ensure a trustworthy budget, relies on information obtained from the accounting system. The school accounting system is explained in more detail in the following section.

2.10 SCHOOL ACCOUNTING SYSTEM

According to the regulations contained in SASA, the SGB and the principal are responsible for administering the school funds effectively. Accounting is regarded as an important aspect of managing these (Van Deventer & Kruger, 2003:241). A school accounting system maybe described as the procedures that deal with the controls and organising needed to identify and record transactions in the school’s journals and ledgers, while systematically providing the source and supporting documents for all the journal entries (FSA, 2013:87). Many people are under the impression that the aim of accounting is to determine the profit of a business organisation. This misconception maybe rectified by looking at a definition of accounting. According to one by Kew and Watson (2012:7), accounting is a system whereby the financial effects of previous decisions made by a business are communicated to those interested in hearing the message. They further indicate that accounting is the “…means of placing a financial measurement on the decisions taken by the business.”

School accounting is an important vehicle for the provision of information to the public. This information is used to formulate basic policy for specific issues relating to the operation of schools (Du Plessis, 2013:121). Although teachers are part of the budget and other financial activities in the school, Thompson, Wood and Honeyman (1994:347) note that most teachers are completely unaware of the scope and nature of the school’s accounting activities and functions. They are naïve about how the budget operates and even less informed of the purpose and operational assumptions that underlie the accounting function. Knowledge of the accounting function could bring better understanding of the merits of funding allocations to the teachers involved.
Before proceeding with the discussion of the accounting system, some terminology should be clarified:

- **Assets**

An asset is a possession of the business or school and can be divided into two broad categories: fixed (non-current) assets and current assets. Fixed assets include land and buildings, equipment, vehicles and machinery. The school’s fixed assets are purchased by the school and generally have a life-span in excess of twelve months. These assets are reflected in the financial statements at their original cost, less accumulated depreciation (Nieman & Bennett, 2006:211). Current assets include cash in the bank, as well as possessions of the business/school that will be converted into cash within twelve months (one year), for example inventory and debtors (Erasmus et al., 2013:434 and Coetsee, Stegmann, Van Schalkwyk & Wesson, 2000:85). If some government schools purchase fixed assets for the school, these are not reflected as such, but, rather, written off in the Income Statement, during the year of purchase. Fridson (1995:25) points out that the balance sheet contains two fundamental shortcomings. Firstly, although in theory it seems useful to have a summary of all the assets owned by the school, these values frequently prove elusive in practice. Secondly, many things possess value and can be construed by the principal as assets, but not all of them can be assigned a specific value and recorded on the balance sheet.

- **Liabilities**

A liability is an obligation to settle a specific outstanding amount owing by the business/school. According to Kew and Watson (2012:35) this obligation must have arisen due to an event that occurred in the past and it will lead to the outflow of an economic benefit from the business/school. Examples of liabilities include creditors, where the business/school received goods or services and has not paid for it, amounts being owed to someone who has lent money to an entity, such as a
bank overdraft, and long- or short term loans. Liabilities are often repaid or settled in cash.

- **Equity**

The concept of equity also needs to be explained. Equity is the owner’s claim on the business and can be calculated by deducting the liabilities from the assets. To determine the value or equity of a school or business, the total liabilities will be deducted from the assets. The amount calculated represents the net asset value (NAV) or equity of the school/business. It could be illustrated more clearly as follows:

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OWNER’S EQUITY/ASSETS - LIABILITIES
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Diagram 2.12: Accounting equation (Researcher)

The illustration in diagram 2.12 of Equity (Nett Asset Value), Assets and Liabilities is referred to as the Accounting equation. After each transaction that is reflected in the financial records of an organisation, the accounting equation should still balance. To ensure that this is attained, each transaction will be reflected in two different accounts. An entry will always reflect on the debit side of one account, in the general ledger and on the credit side of another account. This is known as the double entry system (Kew & Watson, 2012:55). An example of a transaction in the school context is when the school is buying stationery for cash. The Stationery account in the general ledger is debited with the amount of the transaction and the Bank account is credited with exactly the same amount. Stationery is an expense and will decrease the equity (Reserves). The outflow of cash will decrease the Assets. In other words, the equity will be a minus and the Assets will also be a minus. The minus on both sides of the equation will keep it in balance.
With this basic accounting terminology covered, the accounting cycle calls for an explanation. For every financial transaction, a source document should be completed or obtained. This is a form of paper evidence that proves that a transaction has actually taken place. These include till slips, receipts, invoices, bank statements, cash register rolls and petty cash vouchers. The source document is the very first step in the accounting cycle. No transaction may be recorded without a valid source document. Using the information reflected on the source document, the transaction is entered in the relevant journal. A journal is also referred to as a *book of first entry*. These journals include a Cash Payments Journal, Cash Receipts Journal, Petty Cash Journal, Debtors and Creditors Journal, Debtors and Creditors Allowances Journal and General Journal. At the end of each month the transactions are posted (transferred) from the Journals to the General Ledger. The accounts in the General Ledger are closed off at the end of the month and a Trial Balance is compiled, to ensure that the double-entry principle was applied to each transaction. These financial records are then used to draft a set of Financial Statements at the end of the financial year (Lodewyckx, Lotter, Rhodes, Seedat & Claase, 2009:46).

In the school environment the following example should explain the cycle for the receipt of cash for the payment of school fees by a learner. Firstly, the learner will pay the school fees with cash and a receipt will be issued to the learner. From this source document (duplicate receipt), the transaction will be reflected in the Cash Receipts Journal or Cash Book. At the end of the month the totals from the Cash Receipts Journal will be posted to the Bank account and school fees account in the general ledger. The school fees account will be credited with the amount received from the learner while the bank account will be debited with the same amount. After the transactions have been posted to the general ledger, a Trial Balance is compiled, which is a list of all the balances in the general ledger (either debit or credit). The total of all the debit balances in the Trial Balance should be equal to the total of all the credit balances. If these two sides are equal, it is usually an indication that the entries were done correctly. There are, however, certain errors that do not cause a difference between the debit and credit sides: for example if the same incorrect amount is reflected on both the debit and credit
side, it will not influence the balancing of the two sides. At the end of the financial year, the school will draft a set of financial statements, incorporating all the transactions that occurred during the financial period. The financial period for a school is from 1 January until 31 December. Diagram 2.3 gives a clear picture of the Accounting cycle:

Diagram 2.13: The accounting cycle (Flynn, 2008:75, as amended)

Diagram 2.13 provides a summary of the steps that have to be followed in the Accounting process, from step 1, the obtaining (or creating) of source documents, up to step 5, which entails the compiling of the annual financial statements. The first four steps were briefly discussed, and now call for an explanation of step 5, the financial statements.

According to Section 286 of the Companies Act, an annual report should be prepared. This requires the preparation of a full set of Financial Statements, which should be presented at the annual general meeting. This comprises the following documents:
Balance sheet;
Income statement;
Statement of change in equity;
Cash flow statement;
Directors’ report;
Auditors ‘Report.

These documents should be prepared in accordance with Generally Accepted Accounting Practice (GAAP) (Flynn, 2008:144). Although these are the full set of Financial Statements required by GAAP for companies, only the following should be included in the set of Financial Statements of a school:

A statement of financial performance: Balance Sheet:

A balance sheet lists and provides information about the assets, liabilities and equity or fund accounts of the entity. It provides a detailed breakdown of the school’s assets and liabilities at the end of the financial year, i.e. 31 December. The main purpose of this document is to reflect the stability or instability of the financial position of the school (Glynn, Perrin & Murphy, 1994:52).

A statement of the financial position: Income Statement:

The Income Statement reflects the income and expenses of the business/school for the financial period under review. It furnishes details about the manner in which the profit or loss for the financial period was arrived at and how it has been distributed (Du Toit et al., 2010:427).

A Cash Flow Statement:

This document provides aggregate data regarding all cash inflows from ongoing operations and investment sources, as well as cash outflows that pay for business/school activities and investments (CFA Institute certificate, 2014).
Chapter 2: Literature review

- Audit report:

A report is issued by the external auditors once the audit has been completed. The auditors express an opinion on whether financial statements are a fair representation of the financial position of the organisation (school, in this case).

- Notes, including a summary of significant accounting policies and other explanatory notes.

The accounting policy reflected in the notes to the financial statements should be a reflection of the aspects incorporated in the school financial policy.

The following schedules also need to be included as part of the set of financial statements of a school: asset verification certificate, bank reconciliation, statement of investments or a note to this effect, statement of outstanding debtors or a note to this effect, copy of bank statement, certificate of sound financial management, declaration of other accounts, certificate of verification of computerised receipting (Western Cape Education Department, 2006:57).

The financial statements are compiled for the use, benefit and decision making of the stakeholders of a school, which include the parents, learners, SGB, school community, financial institution, donors, suppliers, Department of Education and researchers. It is thus important that the financial statements should in fact be adequate to provide the users with the information needed. To ensure that the financial statements will satisfy the information needs of the stakeholders, the statements should adhere to the following requirements:

- Understandable: This is perhaps the most important feature of the financial statements. In the school environment the financial literacy level of the stakeholders should be taken into account when drafting these statements. This is particularly relevant to the SGBs at most of the African schools, since a large number of these SGB members do not have the necessary literacy level to "read legislation, draft policies and manage budgets" (Heystek, 2011:458). It
is thus imperative that the lay-out of the financial statements and the accompanying notes, should be carried out in such a manner that even the illiterate could make some sense out of it. Should the information not be understandable to the illiterate parents, the principles of the democratisation of education and social justice in education are not being upheld.

- Neutral: The financial statements should be unbiased, serving accounting principles alone and not the interest of any individual.

- Reliable: The information reflected in the financial statements should be a true reflection of the financial position of the organisation.

- Complete: Complete information often includes descriptions in words and numbers, as well as categories and sub-categories, for example non-current assets and current assets.

- Comparable: Stakeholders will want to compare the current performance of the organisation with its performance in the previous financial year. This necessitates the inclusion of comparative figures (amounts for the previous period). They may also want to compare the financial statements of different entities. It is thus important that similar accounting methods are used when preparing the financial statements.

The stakeholders need the financial statements in order to analyse and interpret the financial position of the organisation. Financial analysis is an involved process, which calls for an in-depth discussion thereof.

2.11 FINANCIAL ANALYSIS

A business is a business is a business. If you can read the financial statements, you can manage anything. The people, the products and services are simply those resources you have to align to get good financial results (Peters & Waterman, 1982:44).
The same principle is applicable to the school environment. The importance of financial analysis should never be underestimated.

Such analysis is a process whereby relevant information about an organisation (school) is extracted from all the information that is available and then converted into a more useful format. This information is subsequently interpreted to meet specific needs (Kew & Watson, 2012:553). Erasmus et al. (2013:448) expand on this definition by pointing out that financial analysis is needed to monitor the overall financial position of the organisation. This will reveal certain trends, weaknesses and strengths, so that where applicable, corrective measures could be taken. If, for example, the debtors’ collection period for the financial year was very long (the parents take a long period of time to pay their outstanding school fees), the financial officer may tighten the grip on collections and keep better control of these. The financial policy may even be adapted to ensure that stricter measures are taken when debtors are not settling their debts on time. The various stakeholders of the school, mentioned in paragraph 2.10 (parents, learners, SGB members, the school community, financial institution that the school deals with, donors, suppliers, Department of Education and researchers), all need to analyse the financial results of the school in order to make informed decisions. To conduct an effective financial analysis, the following statements and calculations will be of help:

- Income statement;
- Balance sheet;
- Cash flow statement;
- Financial ratios.

Although a variety of different techniques are available to the stakeholders for the completion of the financial analysis, comparability and ratio analysis are the two main techniques (Kew & Watson, 2012:555).
2.11.1 Comparability

As mentioned in paragraph 2.10, comparability is one of the requirements of a good set of financial statements. Comparability in a financial context could be applied in the following ways:

- Comparing the current figures with that of the previous year(s).

This comparison will enable the stakeholders to identify amounts that differ substantially from the previous period. Reasons/causes for the difference need to be identified. If it was a negative change, for example a decrease in the school fund account, the necessary corrective steps should be taken to rectify the situation in the following financial period.

- Comparing the actual year-end figures with the budgeted amounts.

The stakeholders should perform this comparison and consider the variances. Corrective steps should be taken and these discrepancies should be considered when compiling the budget for the following financial period. If this comparison is not carried out, the school budget for the following year will eventually contain the same incorrect budgeted amounts, causing the identical budget variances.

- Comparison with another similar entity (school).

This will enable the user of the financial information to determine how the school is performing in relation to others: is it performing better or worse than other schools? Comparison with others may give the stakeholders a clear indication of how the school is performing with regard to finances, while the figures of other schools may encourage the school to attempt to improve its own financial position.
• Comparison with industry.

This entails a comparison of the averages of the industry in which the organisation (school) operates. For purposes of this study this will be the school education industry. An average school fee amount for all the secondary schools in Tshwane could be determined and the specific school’s fees can then be compared with that amount. This gives an indication of whether the fees charged are average, below average or above average. The SGB could use this information should they wish to encourage parents to accept an increase in the school fees.

In addition to comparisons, as an analysis technique, the calculation and interpretation of financial ratios may be performed (Kew & Watson, 2012:567).

2.11.2 FINANCIAL RATIOS

Ratio analysis, according to Flynn (2008:173) is the most popular of all analytical techniques and can be described as “The selection of two line items which have a meaningful relationship and reflecting that relationship as a ratio.” Diagram 2.14 indicates that the first step in any financial analysis is determining the purpose of the analysis. Once the purpose has been clarified and the tool(s) most suitable for the analysis decided upon, the second step of the analysis (compare) is attempted. This step, indicated in the green blocks, involves a comparison with various aspects listed, for example comparing a ratio calculated by a government school, with the same ratio calculated by a private school. The next step is evaluation, which involves assessing whether the result is good or bad and establishing reasons for the specific result. The final step involves the prediction of possible outcomes, should no action be taken to improve a bad result. This also includes identifying possible corrective actions. The diagram indicates that when conducting a ratio analysis, selection, comparison, evaluation and prediction are the four essential steps to follow. Diagram 2.14 illustrates these steps, which could also be followed for other analyses:
There are numerous ratios that may be applied to the figures of an institution, based on the purpose of the analysis. For purposes of this study, the focus will however remain on the following, which are more relevant to the school environment:

**2.11.2.1 Ratios measuring liquidity**

The concept of liquidity was defined in par. 2.3. These liquidity ratios help to determine whether the organisation (school) will be able to meet its financial obligations in the short term, in other words, the organisation’s ability to pay short-term debt (Lodewyckx et al., 2009:467 and Flynn, 2008:181). In addition to these descriptions, liquidity refers to the speed with which current assets are converted...
into cash, which can be used to finance short term debt (Kew & Watson, 2012:568). Du Toit et al. (2010:443) concur that these liquidity ratios provide an indication of the degree to which a business/school can meet its debt obligations fully and punctually in the normal run of the business/school. Two liquidity ratios are discussed:

- **Current ratio**

This ratio is always expressed as *times*. If the current ratio is high, it is more likely that the organisation is able to settle debts as they become payable. The current ratio is calculated as follows:

\[
\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}
\]

If the current ratio is for example 2.30:1, it means the school has R2.30 of current assets available for each R1.00 of its current liabilities or short term debt. A small ratio indicates that the school will not be able to meet its obligations without curtailing or ceasing its normal activities. Normally a current ratio of 2:1 is recommended.

- **Quick ratio**

This ratio is also called the acid test ratio. This ratio also takes the current assets and current liabilities into account, but inventory is excluded from the current asset amount. If the amount invested in inventory is high, there will be a big difference between the current and quick ratios. Flynn (2008:182) mentions that the acid test ratio is the *real test of liquidity*. The reason for this is that inventory, which is not easily converted into cash, is removed from the current assets. It is determined as follows:

\[
\text{Quick / Acid test ratio} = \frac{\text{current assets}-\text{inventory}}{\text{current liabilities}}
\]
If the acid test ratio is 1.60:1 it indicates that for each one Rand of current liabilities, the school possesses R1.60 of current assets (inventory excluded). A normal acid test ratio is 1:1. A smaller ratio is an indication of a less healthy liquidity position. Since many schools do not have vast investments in inventory, the ratio is not very relevant to the school environment.

2.11.2.2 Ratios’ measuring efficiency

There are a variety of different efficiency ratios.

- Days inventory on hand

This ratio will be expressed in days and indicates the number of days the inventory is expected to be held before being sold. The ratio is:

Days inventory on hand = Inventory / cost of sales x 365

This calculation should be done for the school’s tuck shop, clothing shop or any other items being sold by the school, for example study material. This will indicate for how many days the stock may be to be stored before it is actually sold. The person in charge of the tuck shop needs to consider this to ensure that the correct amount of perishable goods is ordered. This will prevent goods reaching their expiry date before being sold. If storage space, either for the clothing shop or the tuck shop, is limited, the ratio will assist the manager to ensure that only enough goods are ordered to fit into the storage space. This ratio could be applicable to those schools who manage their own tuck shops and clothing shops.

- Inventory turnover ratio

The inventory turnover ratio measures the number of times existing inventory was sold during a specific financial period. This is indicated by the following ratio:

Inventory turnover ratio = cost of sales / average inventory
Average inventory is computed by adding the opening (beginning of financial period) inventory to the closing (end of financial period) inventory and dividing by two. This ratio also assists in determining the re-order quantities and the number of times that inventory needs to be ordered for the tuck shop or clothing shop. If this ratio is too high, it may lead to stock shortages and dissatisfied customers/learners. If, on the other hand, the stock turnover is too slow, it may be the result of bad buying or carrying too much stock.

- **Debtors’ collection period**

The following efficiency ratios are very relevant to the school environment. The debtors’ collection period is reflected in days. This ratio measures the time period it will take to collect the remaining debts from the debtors. This ratio answers the question, how quickly does this organisation collect the cash from the credit sales? In the school environment the question is rephrased to, how quickly does the school collect the cash for outstanding school fees? The ratio applicable here is:

\[
\text{Debtors’ collection period} = \frac{\text{trade receivables}}{\text{credit sales}} \times 365 \text{ days}
\]

The stakeholders should, based on this ratio, decide whether the school collects its debts according to its debtors’ collection (credit) policy. This policy, compiled by the FC, should be incorporated in the school financial policy. If the collection period, reflected in the policy, is for instance, 30 days, this ratio should serve as proof that the collections were carried out in accordance with the policy, in other words within a 30 day period. Should the ratio be much higher than that proposed in the policy, stricter measures regarding debt collecting should be implemented in the following financial year. In addition to this ratio, it is also advisable to calculate the % change in the irrecoverable debts from one year to the next.

- **Creditors’ payment period**

The creditors’ payment period is also relevant to the school environment. This ratio measures the time the school takes to pay its creditors. It is preferable that
this ratio will be high, which indicates that the school takes as long as possible to pay creditors. The ratio is calculated as follows:

Creditors’ payment period = trade payables (or outstanding creditors) / credit purchases x 365

The question to be answered by means of this ratio is, do we pay our suppliers on time? The repayment of creditors is also carried out according to the requirements in the financial policy. The school usually attempts to pay at the latest possible date, without accumulating interest on the account. Due to restricted cash flow, the school should endeavour to keep cash in the bank account as long as possible.

2.11.2.3 Debt management ratios

If an organisation/school accumulates too much debt, it may find it problematic to repay the loans and interest. It is thus important to manage the debt of the school. Although debt could be a problem within an organisation, Kew and Watson (2012:576) point out that debt is not necessarily bad for an organisation/school. If the debt is managed efficiently, it can actually increase returns.

- Debt ratio

The first ratio to consider is the debt ratio that calculates the percentage of debt used to fund the organisation’s assets. This ratio is expressed as a percentage. The higher the percentage, the higher the proportion of debt and the higher the financial risk. The ratio is computed as follows:

Debt ratio = total debt / total assets x 100

A maximum debt ratio of 50% is normally required. This means at least 50% of the assets of the business were financed by debt. Since many schools do not own many assets, this ratio might be higher for a school. The researcher was unable to find a prescribed % acceptable for schools in any literature. It is consequently
necessary that each school will decide on an acceptable ratio for their specific circumstances.

The debt-equity ratio and interest cover ratio, both of high importance to any business, are not relevant to the school environment. These ratios measure the percentage debt relative to the equity and how well interest is covered by profit from operations. These ratios are thus not covered in this study. Although there are a vast number of ratios, the ratios covered will suffice in the school context.

Whilst the calculation of these ratios for purposes of analysing and interpreting the financial position of an entity is very important, there is only limited literature on these aspects available as regards the school environment. Any negligence in determining and applying these ratios may influence the long-term efficiency of an organisation/school.

2.12 AUDITING

Auditing is a public interest activity providing the stakeholders of the entity with the assurance that an independent professional has conducted a sufficient examination to express an opinion on the fair presentation of the financial statements (Hendrikse & Hefer-Hendrikse, 2012:344). The audit gives the users of the financial statements the confidence to rely thereon. It basically implies that an independent check has been done to ensure that what has actually happened in the organisation is reflected in the financial statements. Auditing contributes to good corporate governance.

As discussed in par. 2.8.2.1, after investigations by the King Committee, the concept corporate governance was first introduced into South Africa, when the First King Report (King Report on Corporate Governance) was published in 1994. In the following years, a King II Report and later a King III Report were published. With the publication of the King III Report in 2009, greater emphasis was placed on strategic planning within organisations, as well as risk management. With
regard to the King reports and overall corporate governance, the following seven primary characteristics of corporate governance should be mentioned:

- Discipline;
- Transparency;
- Independence;
- Accountability;
- Responsible management;
- Fairness;
- Social issues (Kew & Watson, 2012:446).

Flynn (2008:170) notes that auditors should establish whether the organisation/business is a going concern and whether the financial statements fairly present the published results of the entity. The aim of the auditing of the financial statements of a school is no different from that of a business. In order to express such an opinion on the financial state of affairs of an entity, a number of different techniques are used, including an analytical review of the entity. The auditor should seek to establish the *level of consistency from period to period and investigate any apparent deviations*.

There are basically two distinct types of audits, namely the internal and the external audit. The former is performed by an independent advisor who can challenge current practice, champion best practice and be a catalyst for improvement, with the objective of ensuring that the organisation (school) as a whole can achieve its strategic objectives (Institute of Internal Auditors South Africa, n.d. and Deloitte, n.d.) Although the internal audit offers various advantages for a business or school, it is not required by the Companies Act or by SASA. Both these Acts do however require an annual external audit.

Since very few schools have the luxury of employing an internal audit function, only a few aspects regarding internal auditing will be discussed. The role of the internal auditor is three-fold: firstly, assurance, i.e. checking on systems and
procedures. He or she will check the accounting systems in place at the school as well as the functioning thereof. Secondly, the internal auditor also plays a consulting role, which includes recommending improved systems, controls and procedures. Should he or she identify shortcomings in the system currently in place at the school, he/she will make recommendations as to how the systems and procedures can be improved. Finally, the internal auditor is required to communicate with the audit committee and the external auditors (Hendrikse & Hefer-Hendrikse, 2012:401). In the school environment the internal auditors will communicate with the FC, the SGB, as well as the external auditor.

Internal auditing is always focused on some kind of evaluation of the internal controls. In the absence of an internal audit section, the organisation/school should still pay attention to the implementation of internal control measures. These should be able to satisfy the objectives set by the management team or in the school environment the SGB and FC. A basic internal control system contains four elements:

- **Detector / Sensor**, a measuring device that detects activity in a specific element of the internal control system;
- **Selector / Standard**, which involves a standard to compare with;
- **Effector / Controller**, by means of which behaviour can be altered;
- **Communications Network**, a vehicle for transmitting messages between the sensor and the entity (Moeller & Witt, 1999:2-3).

Internal control mechanisms can be categorised as follows:

- **Preventative controls**, including segregation of duties, competent, trustworthy personnel, SGB promoting environment in which adherence to controls is regarded as important, source document control and access control. An example of a preventative control in the school environment is segregating the
duties in respect of the receipt of cash. The person receiving the school fees payment from the parent or learner should not be the same person who deposits the money in the school’s bank account. This division of duties decreases the possibility of fraud.

- Detective controls, including checking that transactions are correctly recorded; calculations are done correctly and staff behaviour monitored. These controls aim to detect any irregularity after it has occurred. The principal or the chairman of the FC may check the petty cash on a specific day and compare the amount with the petty cash vouchers issued.

- Corrective controls, including the rectifying of a detected irregularity. After an irregularity has been identified, these controls will rectify the situation. If a school has irrecoverable debts (unpaid school fees) on an annual basis, the FC may decide to make provision for these irrecoverable debts when the financial statements for the next financial year are compiled. The debtors will then not be overstated.

The internal audit involves the insurance that employees are adhering to the policies and procedures of the organisation. The internal auditors also develop and evaluate internal controls. Furthermore, they provide assurance to the top management of a business/school about the effectiveness and efficiency of almost any aspect of its organisation (Bagranoff, Simkin & Strand, 2005:429).

The external audit is conducted by an independent Chartered Public Accountant (CPA) (in the South African context a Chartered Accountant (CA)) firm. With regard to the auditing function of the external auditor, Hendrikse and Hefer-Hendrikse (2012:345), explain that she or he, "... in an environment of business sustainability, needs to look holistically at the corporation and the interaction of all three performance areas". These are Economic, Social (health and safety) and the Environment. Should the external auditor audit the financial statements of a school, exactly the same holistic approach should be followed. The authors further
set out the objectives of an audit, reflected in the South African Institute of Chartered Accountants Auditing Handbook, as follows:

*The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects in accordance with an applicable financial reporting framework. An audit of financial statements is an assurance engagement.*

In the light of these general comments on auditing, the following specifics regarding the school environment should be noted. In terms of Section 43(1) of SASA, the SGB must appoint an auditor or person to examine and report on the financial documents. This person should be registered as an accountant and auditor in terms of the Public Accountants’ and Auditors’ Act, 1991 (Act 80/1991) – CA(SA).

Should this be deemed as impractical, Section 43(1) of SASA allows the SGB to appoint a person who is qualified to act as an accounting officer of a Close Corporation. Such an accounting officer may be associated with any of the following organisations:

- Institute of Administration and Commerce of South Africa (IAC);
- The Chartered Association of Certified Accountants (CACA);
- The Chartered Institute of Management Accountants (CIMA);
- The Institute of Commercial and Financial Accountants of South Africa (CFA(SA));
- The South African Institute of Business Accountants (SAIBA);
- The South African Institute of Chartered Accountants (SAICA);
- The South African Institute of Chartered Secretaries and Administrators (CIS).

Should it not be possible for the school to appoint such a person, the SGB may, with the approval of the Member of the Executive Council (MEC), appoint a competent person. Finally, with regard to the audited financial statements, the SGB must, in terms of Section 43 (5) of SASA, submit a copy thereof to the
relevant Department of Education (Gauteng, for this study), by 30 June each year (Western Cape Education Department, 2006:7).

2.13 CONCLUSION

This chapter provides a detailed analysis of the relevant literature to support the study. Social justice, as the theoretical framework, serves as a lens through which the study will be viewed. It is evident from the literature that the aim of school financial management is to achieve effective education. Financial management refers to the acquisition, application and administration of funds. In the school environment the funds acquired from government, school fees and fundraising are often insufficient to cover all the expenditure of a school, thus complicating the financial management of the school and influencing the attainment of goals. Although government is constantly attempting to alleviate the disparities in education caused by the previous government and its funding policies, the current funding system needs serious reconsideration. The quintile ranking system should be adapted to take the actual financial welfare of the parents into consideration. Finally, the democratisation of education, via the implementation of school-based management, represents an improvement in the overall management of the school. However, the lack of financial knowledge and skills on the side of the principals, financial officers and SGB members, prove to be problematic for the effective handling of the financial functions and financial decision-making of the school. It is evident from the literature that there are still vast disparities within the education system, caused by a lack of or insufficient funding and often ineffective school based management. Chapter 3 offers an holistic picture of the methodology to be followed in the study, including aspects such as sampling, data collection, analysis, trustworthiness and triangulation.
CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter 2 dealt with the theoretical background, providing a detailed review of important literature and the basic impact of financial management and funding on the overall school situation. The review first clarified general financial management aspects and thereafter focused on financial management literature that is more school based. The theoretical framework of the study, social justice, was also explained in order to provide the reader with the appropriate lens through which to view the whole study.

Chapter 3 will discuss the complete research approach that was followed: a bottom-up one. This is based on the theory of Hitchcock and Hughes (1995:21, as cited in Cohen, Manion and Morrison, 2011:3), which suggests that ontological assumptions (about the nature of reality) give rise to epistemological assumptions (ways of researching and enquiring into the nature of reality). This in turn lead to methodological considerations and these subsequently give rise to issues of instrumentation and data-collection. The concept of axiology (values and beliefs that we hold) should be added to ontology and epistemology. The workings of this bottom-up approach are reflected in Diagram 3.1.
3.2 ONTOLOGY

Any researcher brings certain knowledge claims to the study. According to Bloomberg and Volpe (2008:8), a knowledge claim implies assumptions about what the researcher will learn during the study at hand and furthermore, about how she will learn. These claims might be called research paradigms. The claims made by researchers about the nature of knowledge are termed ontology.

Ontology can also be described as the nature of reality or a phenomenon. As Cohen et al. (2011:33) state with regard to this reality: politics and interests shape multiple beliefs and values and because these values are socially constructed, they will be privileging some views of reality and under representing others. This ontological position of grappling with the world maybe arrived at by using the senses, which assume that the world has some form of pattern or structure. By applying our senses to this we can gain better understanding of what is occurring. These senses primarily refer to observation, but are influenced by our other senses - hearing, smelling, tasting and touching. In order to make what we see visible to other people, we have to describe what we see. We have to develop
shared terms, shared unit standards, things and measurements, which will make the sharing much easier. To ensure that the observation is not an aberration, or an individual idiosyncrasy, the researcher resorts to a system of control, known as measurement. If a sufficient number of specimens have been measured, patterns or structures will emerge, allowing us to predict, make conclusions, act on the conclusions and control those conclusions (Wright & Maja, 2004:15). From these varied descriptions of ontology it is clear that ontology basically deals with the question of what is actually real.

3.3 EPISTEMOLOGY

Epistemology involves researchers making claims about how we know what we know, as stated by Bloomberg and Volpe (2008:8) or as Cohen et al. (2011:33) argue, how we come to know multiple realities. According to them, epistemology is influenced by communities of practice who define what count as acceptable ways of knowing and affecting the relationships between the researcher and these communities, so that the partnerships that are being formed are based on equality of power and esteem. To develop this explanation of epistemology, it may also be described as the branch of philosophy that studies the nature of knowledge and the process by which knowledge is acquired and validated (Gall, Borg & Gall, 1996, as cited in Paradigm: 1).

3.4 AXIOLOGY

Axiology can be described as the meanings and principles in conducting research and the ethics that govern these (Cohen et al., 2011:33). According to Cohen et al. it further includes the beneficence, respect and the promotion of social justice, which are of great relevance to this study. This concept should be added to both ontology and epistemology.

The awareness of these ethical issues in research is reflected in the growth of relevant literature and the appearance of regulatory codes of research practice formulated by various professional bodies and agencies. This has caused major
dilemmas for scientists, because they are obliged to strike a balance between the demands on them as professional scientists in pursuit of truth and the rights and values of their subjects, potentially threatened by the research. This is referred to as the costs/benefits ratio. This ratio expresses the primary ethical dilemma in social research. When planning the proposed research, social scientists have to consider the possible social benefits of their endeavours against the personal costs to those individuals taking part. The benefits may include significant advances in theoretical and applied knowledge. In contrast to the benefits, the costs may include affronts to dignity, loss of trust in social relations, embarrassment, lowered self-esteem and the loss of self-determination and autonomy (Cohen et al., 2011:75).

During the research some levels of embarrassment were noted when conducting the interviews, specifically when raising questions regarding the level of training of the respondents. The respondents were reassured of the confidentiality of the data and of their contribution to the improvement in the financial management of schools. They were relieved when they realised that the training needs were not only an issue at their specific schools, but at others. The process of balancing these costs and benefits is largely subjective and very difficult (Cohen et al., 2011:75).

3.5 PARADIGM

The Webster dictionary defines paradigm as an example or pattern: self-contained, simplified examples that we use to illustrate procedures, processes and theoretical points. According to Lincoln and Guba (1985:15) paradigms represent what we think about the world, but we cannot prove. These authors specifically state that our actions in the world, including the actions that we take as inquirers, cannot occur without reference to those paradigms: As we think, so do we act. Maree (2010:47) supports and extends this description by pointing out that a paradigm is a set of beliefs or assumptions about the fundamental aspects of reality which gives rise to a particular world-view. It addresses beliefs about the nature of reality (ontology), the relationship between knower and known.
(epistemology), as well as assumptions about methodologies. In terms of the clarity regarding the concepts, ontology, epistemology and axiology, the specific paradigms relevant to this study will now be discussed.

The main philosophical doctrine that underpins this study is interpretivism. This has its roots in hermeneutics, the study of the theory and practice of interpretation (Maree, 2010:3). These interpretive studies usually attempt to understand the phenomena through the meaning that people assign to them.

According to Maree (2010:58) this is the oldest strand in qualitative research, which split into two directions: critical theory and constructivism. Constructivism eventually evolved into post-modernism. Although interpretivism is rooted in hermeneutics, a number of different interpretive approaches developed in time. Interpretive studies usually attempt to understand phenomena through the meanings that are assigned to them by people. Merriam (1998:4) explains that in interpretive research, understanding the meaning of an experience (or in financial management, a process) constitutes the knowledge to be gained from a specific inductive, hypothesis- or theory-generating mode of enquiry. This study was inductive, since it was concerned with specific idea generation in respect of the financial management of schools.

The interpretivist perspective is based on the following assumptions as discussed in Maree (2010:4):

- Human life cannot be observed from an external reality, but can only be understood from within. The assumption is made that in studying a specific topic or phenomenon, research techniques are used to help understand how people will interpret and interact with their social environment. Since the management of a school (in this study specifically financial management), is to a large extent based upon the principal’s interaction with and interpretation of his social/school environment, this assumption is applicable to the study.
Social life is regarded as a distinctively human product, which entails that reality is socially constructed, not objectively determined. Management is regarded as the process of getting things done through the actions of others (Mondy & Premeaux, 1995:9), which reiterates the human aspect within the management function. This study focuses on management as such and thus falls within the assumption made here.

The human mind is the purposive source of meaning. This assumes that by exploring the depth, richness and the complexity of phenomena; for example, school financial management, we can develop an understanding of the meanings of phenomena and their social context, as imparted to them by people.

Knowledge of the social world will affect human behaviour. In an interpretive approach there will be multiple, rather than single, realities of phenomena and the realities may differ across time and place.

The social world does not exist independently of human knowledge. This implies that the knowledge and understanding that the researcher has gained of the phenomena, constantly influence the questions to be asked and the way the research will be conducted. This researcher’s in-depth knowledge of financial management will definitely exercise an influence on this study.

The human aspect of Financial Management and social justice as the theoretical framework makes this perspective on the qualitative research in this study convincing. Some of the epistemological questions relating to this paradigm, that receive an affirmative answer from the researcher, include the following:

- Is knowledge about the way in which people make meaning in their lives, not just about the fact that they make meaning?

- Will the research describe multiple realities?
• Is theory sensitive to context?

In studying the management of school finances, it will be apparent that principals, financial officers, parents, district officials and the SGB may all experience reality in different ways. The researcher will give a definite affirmative answer to the ontological question enquiring whether subjective reality (i.e. what people think and feel) is important.

Due to the financial management background of the researcher this may have an influence on the reality that is being observed, thus preventing pure positivism from being a possible paradigm for the whole of the study.

However, when approaching the financial statements of the schools, during the document analysis, the research paradigm will lean towards the more positivistic, which entails that the researcher postulates that there is one objective reality that is observable by the inquirer. The inquirer will exercise little or no influence on the reality that is being observed (Maree, 2010:53). Some of the epistemological questions relating to the positivist paradigm that receive an affirmative answer from the researcher include the following:

• Can knowledge be described in a systematic way?
• Is the knowledge accurate and certain?
• Are the underlying theories normative?
• Can the phenomena be scientifically explained, predicted and controlled?

With regard to ontology (what is truth or reality?), specifically with regard to the financial analysis of the financial statements, the researcher supports the concept that an objective, true reality does exist and that this reality is neither contextually bound nor time bound. Financial management as a science is grounded in a reality that can be generalised, consequently making this paradigm even more relevant.
This study thus makes use of a research paradigm of a dualistic nature. In order to be able to undertake financial analysis of the statements of the school, with an emphasis on figures and knowledge that are certain and accurate, combined with an in-depth study of the management of the finances of a school, where the reality can only be imperfectly grasped, part of the study will be positivist and part will be interpretive.

3.6 METHODOLOGICAL CONSIDERATIONS

Methodology refers to the way in which information is collected and analysed. As with ontology and epistemology, the choice of methodology forms an integral part of the overall choice of paradigm (Wright & Maja, 2004:23). According to Henning, Van Rensburg and Smit (2004), the research methodology focuses on the process and procedures utilised in the study, and they suggest that the research methods are more specific techniques of data collection and analysis. A quantitative, qualitative or mixed-mode approach can be followed. In this study the last-mentioned approach was pursued although a greater emphasis was placed on the qualitative approach than the quantitative one.

3.6.1 Quantitative approach

Quantitative research maybe defined as a process that is both objective and systematic in its methods of making use of numerical data from only a selected subgroup of a universe (or population) to generalise the findings to the universe that is being studied (Maree, 2010:145). Objectivity, numerical data and generalisability, are the three most important aspects covered in this definition. However, the human/social aspects involved in the management study field, which is at the core of this study, clearly indicate that that this approach, on its own, is not suitable.

Quantitative research seeks to establish relationships and tries to explain causes of changes in measured social facts. It often advances a hypothesis, in which the relationship between variables, such as dependent and independent ones, has to
be explained as its point of departure (White, 2005:81). The researcher wished to establish ways of analysing school financial statements, which required exact amounts, calculations and determining specific financial ratios.

However, although gathering and analysing documents are activities that usually belong to a qualitative research approach, this research involved intense examination and interpretation of financial statements of various schools, with emphasis on amounts, frequency and generalisability (all characteristics of a quantitative approach). Although this type of research seems to be qualitative in nature, the researcher approached this strategy from a positivist point of view, focusing on facts, numbers and a true reality.

This data collection strategy is termed document analysis. Documents are a ready-made source of data, easily accessible to the imaginative and resourceful investigator (Merriam, 1998:112). Holsti (as quoted in Merriam, 1998:112) had already realised the potential of documents as a data source in 1969. According to him, a document refers to a wide range of written, visual and physical material. This includes any materials, in the broad sense, of any communication; for example, diaries, newspapers and so forth. The financial statements and financial policies were studied.

In this study, the researcher analysed and interpreted the documents of all the schools that were part of the sample.

### 3.6.2 Qualitative approach

According to Carney, Joiner and Tragou (1997:1), the concept qualitative implies an emphasis on process and meanings that are not rigorously examined or measured (if at all) in terms of quantity, amount, intensity or frequency. In this regard, Vermeulen (1998:10) noted that qualitative research involves the study of cases and makes very little use of numerical data or statistics. Maree (2010:4) describes qualitative research as a methodology that is concerned with understanding the processes and cultural and social contexts underlying different
behavioural patterns. It is mostly concerned with exploring the *why* questions in a research study. The emphasis in qualitative research is not on the scope or breadth of information, as is the case with quantitative research, but rather on the depth and quality of information.

Welman, Kruger and Mitchell (2011:188) also support this, describing qualitative research as not merely a particular design or set of techniques, but rather an approach, which is fundamentally a descriptive form of research. In contrast to quantitative research, where the goal of the investigation is prediction, control, confirmation and hypothesis testing, the goal of investigation in qualitative research is understanding, description, discovery, meaning and hypothesis generating (Merriam, 1998:9). A qualitative researcher needs to understand how people interpret their experiences, construct their worlds and what meaning they attribute to the experiences that they had (Merriam, 2009:5). Since this study sought to understand and describe the financial management of schools in Tshwane and to discover ways to address the financial disparities in schools in South Africa, these searches for new meaning in the field of school financial management made this specific approach a suitable one.

Merriam (1998:9) adds that the design of a qualitative study is emergent and flexible and is responsive to changes that take place while the study is in progress. Richards (2009:11) also confirms that qualitative enquiry is fluid and flexible, enabling the researcher to modify the design as he/she learns from the data. This required that the researcher set up the research project carefully to ensure that she was ready for whatever might reasonably have been expected. The researcher had to describe what she aimed to do, what it was likely to involve and furthermore what the expected outcome could be. However, this did not mean that at this stage she knew exactly how the project would end.

The term *basic or generic qualitative study* refers to those studies that exemplify the characteristics of qualitative research (Merriam, 1998:11). The researcher sought to discover and understand a phenomenon (school finances), process (management process) or the perspectives and sometimes the worldviews of the
people involved. In such a study, the data are usually collected through interviews, observations or document analysis and the findings are a mix of both description and analysis. In this study, interviews were conducted with the principals, financial officers and members of the SGB.

3.6.3 Mixed mode research

As Creswell and Plano Clark (2011:12) indicate, the mixed method is a combination of qualitative and quantitative approaches, which yields a better understanding of research problems than either approach gives alone. The mixed mode enabled the researcher to take advantage of the strong aspects in both approaches, and was chosen for this reason. With regard to a qualitative approach, the word qualitative could imply a process and meanings that are not rigorously examined or measured in terms of quantity, amount, intensity or frequency (Carney, Joiner & Tragou, 1997:1).

While studying management as a phenomenon, the researcher wished to understand the significance which respondents attach to their environment, as well as the dynamics and nature of their ever-changing reality; calling for a qualitative approach. As stated in the secondary objectives under par. 1.7.2, the researcher also wished to establish ways of analysing school financial statements, which required exact amounts, calculations and determining specific financial ratios, thus also necessitating a quantitative approach.

This is the first reason why the multi-method approach was followed in this study, where the quantitative approach (financial analysis) was supported by qualitative one (interviewing participants).

Another reason for the mixed methods approach was to ensure triangulation: a maritime navigation procedure where the correct position of a ship is determined by comparing its position with those of two known navigation points (Welman, Kruger and Mitchell, 2011:143). The same concept is used in research, where two measures are used to measure the same construct, resulting in overlapping of
findings. The more these approaches overlap, the higher the correlation between the two. The construct validity of an instrument, for example interview A, should not only be supported by high correlations in the relationships with other measures on the same construct. For example, interview B, which refers to the concept of convergent reliability, should be furthermore supported by low correlations with measures of different constructs, for example document analysis, which is known as discriminant validity (Welman, Kruger and Mitchell, 2011:143).

With regard to triangulation as a motivation for using the mixed method, Greene, Caracelli and Graham (1989, as cited by Creswell & Plano Clark, 2011:62), point out that triangulation seeks convergence, corroboration and also correspondence of results from the different methods. Bryman (2006, as cited by Creswell & Plano Clark, 2011:62) also confirms the value of mixed method research when he notes that greater validity (or triangulation) refers to the traditional view that these methods (qualitative and quantitative) might be combined to triangulate findings in order that they may be mutually corroborated.

There was consequently ample reason for applying a mixed mode approach in this research.

3.7 RESEARCH DESIGN

According to Maree (2010:70), a research design is a plan that moves from the underlying philosophical assumptions, towards specifying the variety of respondents that will be involved, data gathering techniques to be applied as well as the data analysis that will be carried out. Since the concepts research design and research methodology are often confused, Table 3.1 serves to summarise the differences between the two:
Table 3.1 Differences between research design and research methodology (Mouton, 2001:56, as amended)

<table>
<thead>
<tr>
<th>RESEARCH DESIGN</th>
<th>RESEARCH METHODOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focuses on the end product: what kind of study is planned by the researcher? what type of result is the researcher aiming at?</td>
<td>Focuses on the research process: what specific kind of tools and procedures will be used by the researcher?</td>
</tr>
<tr>
<td>The research problem or research question is the point of departure.</td>
<td>The specific tasks at hand, for example data collection or sampling, constitute the point of departure.</td>
</tr>
<tr>
<td>Focuses on the logic of the research: what type of evidence is required to address the research question adequately?</td>
<td>Focuses on: individual (not linear) steps in the research process; the most objective (unbiased) procedures to be employed.</td>
</tr>
</tbody>
</table>

Qualitative designs can and often should be revisited during the course of the research, during the various stages of the research project (Richards, 2009:14). Richards reiterates that in a qualitative research project the researcher often learns from the data and then adapts the enquiry to what is learned, causing the design to change. It is essential that all such changes, or redesign steps, should be logged.

With regard to these changes in the design, Bloomberg and Volpe (2008:13) note that qualitative research is iterative, which means that there is continuous movement between data and ideas. Since the data are inductively analysed, flexibility is required in the research design, which is one of the hallmarks of qualitative research.
3.7.1 Population and sampling

3.7.1.1 Population

The population of a quantitative study is the full collection of elements on which information is being collected. The population should be defined accurately. Defining a study population can be achieved in several ways, but it usually contains a geographical delineation, for example the region, school or province, and one or more other defining characteristics (Wright & Maja, 2004:79).

The population in a qualitative study can be termed a population, if the researcher plans to use people as respondents of the study. However, if the researcher plans to use records, books, literature and so forth, the correct term is unit of analysis. The people in a population are also not referred to as subjects, but rather as respondents or participants (Wright & Maja, 2004:113). Since both documents and people were part of the study, both the term unit of analysis and population were used.

For this research, the population from which data were collected, consisted of all the sampling units relevant to the research question (par. 1.2). This included government schools in the Tshwane Metropolitan area, including schools functioning in terms of Section 21, Section 20, as well as Section 21 schools that were previously Model C schools. As mentioned previously (par. 1.2), a Section 21 school is self-managing or self-reliant and they have greater financial flexibility than Section 20 schools. A school that wishes to obtain Section 21 status, can apply at the Department of Education. All the principals and SGB members of these schools were the respondents or participants and the documents of the relevant schools were termed the units of analysis.

3.7.1.2 Sampling

Sampling is a process of selecting participants for a research project. The sample is a portion of the elements in a population. Any part of the population is
considered a sample, and any sample can be part of more than one population. Although a sample is a portion of the population, technically the sample is not selected from the population, but rather from a sampling frame, which is a concrete listing of the elements in the population (Dane, 1990:289). This is confirmed by Wright and Maja (2004:79) when it describes a sample as a selection or sub-set of elements drawn from the population.

There are two basic types of sampling, i.e. probability and non-probability sampling. The former allows the researcher to generalise the results of the study to the population from which it was drawn (Merriam, 1998:61). In contrast to this, non-probability sampling entails the possibility that any element or unit of analysis will be included in the sample cannot be specified. The most important type of non-probability sampling is purposive sampling (Welman, Kruger & Mitchell, 2011:69). Purposive sampling was used in this research where the researcher relied on her experience, ingenuity and/or previous research findings to deliberately obtain units of analysis in such a manner that the sample obtained could be regarded as being representative of the relevant population.

- Qualitative sample

The qualitative sample was determined as follows: schools with Section 21 status, of which schools from the various quintiles were identified, as well as a Section 20 school. The schools were also selected based on their location within the Tshwane Metropolitan Area. The researcher chose schools from each grouping, covering both suburban and township schools. The total number in the sample of schools was eight. The schools selected were widely diverse as regards financial situation, infrastructure differences, school size and location. Since the researcher wished to undertaken in-depth analysis of the school finances, a trust relationship was established between the researcher and relevant school. The researcher used her previous exposure to the schools, through teaching practice visits, to assist in convincing schools to participate. The schools were selected based on the specific area: from the northern, eastern, western and central areas of Tshwane. The principal, a SGB member and the financial officer of each school
were interviewed. A detailed lay-out of the qualitative sample, reflecting the areas of the schools and the respective interviewees, is reflected in table 3.2.

Table 3.2: Lay-out of the schools and interviewees in the sample.

<table>
<thead>
<tr>
<th>AREA</th>
<th>PRINCIPAL</th>
<th>SGB MEMBERS</th>
<th>FINANCIAL OFFICER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 21, Quintile 1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane North/West</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 20, Quintile 4</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane North/West</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 21, Quintile 4 (old Model C)</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane North/East</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 21, Quintile 2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane North/West</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 21, Quintile 5 (old Model C)</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane Central</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 21, Quintile 5 (old Model C)</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane Central</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special school, no Quintile ranking</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(Section 21 functions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 21, Quintile 5 (old Model C)</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tshwane South/East</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 3.2 indicates that a total of 24 interviews (with principals, SGB members and financial officers) were conducted, at eight different schools in the Tshwane Metropolitan area.
• Quantitative sample

The quantitative part of the research in this study comprised an in-depth financial analysis of the financial statements of the schools, as well as scrutinising the minutes of SGB and Financial Committee meetings concerning financial aspects. For this reason it is not necessary to determine a separate sample for the quantitative research. The schools selected for the qualitative sample were also included in the quantitative sample, because the researcher wished to obtain a holistic picture of the total financial management situation at the specific schools selected. The information, obtained from the interviewees during the interviews, was then triangulated with the information obtained from the financial statements and minutes of meetings.

3.7.2 Data collection

Based on the research questions, specific data-collection methods were chosen to gather the required information in the most appropriate and meaningful way. Multiple methods of data collection to achieve triangulation were important to ensure an in-depth understanding of the phenomenon being studied (Bloomberg & Volpe, 2008:73).

3.7.2.1 Literature review

The literature review did not consist of a mere compilation of separate, isolated summaries of the individual studies of previous researchers. It clearly indicated how the different studies relate to one another and how this study ties in with them. The researcher acquainted herself with previous research that was performed on the topic. This review enabled the researcher to determine exactly where this specific study fits in. If a study is considered on its own, it may elicit little interest, but if its relation to the body of knowledge is evident, it achieves greater significance and it may even persuade other researchers to do research on the particular topic as well (Welman et al., 2011:41, 69).
A variety of articles, papers, journals, acts and books were studied. This review focused on financial management aspects in general, specific school financial aspects and funding of government schools. Specific changes that have occurred in the financial management of South African government schools since 1994 were also covered in the review.

3.7.2.2. Interviews

After obtaining the consent of the Gauteng Department of Education (Addendum D), the permission of the various SGBs was obtained (Addendum B). With the consent of the relevant parties, interviews were conducted with the following participants:

- school principals;
- SGB members and
- the financial officer.

The researcher conducted semi-structured interviews. Between the completely structured interview on the one hand and the completely unstructured interview on the other hand, variously structured interviews known as semi-structured interviews may be conducted. This combination of structured and unstructured interviews draws upon the advantages of both these types. Although the respondents were asked the same questions, the interviewer adapted the formulation, including the terminology, to fit the background and educational level of the respondents (Welman et al., 2011:166). The interviewer made use of probes to gain clarity on vague responses and incomplete answers.

Prior to the interviews, an interview protocol/schedule was compiled. This included a list of the interview questions and space for recording information gathered during the interview. The protocol also provided space to record essential data about the time, date and place of the interview. Any additional observations by the researcher were also noted on the protocol. The protocol serves as a backup system for the audio-tapes (Creswell & Plano Clark, 2011:178).
During the individual interviews, predetermined questions from an interview schedule (protocol) were posed to the participants (Addendum A). Because semi-structured interviews were used, the researcher had the opportunity to apply probes to ensure in-depth discussions. The participants were also given the opportunity to add to and further discuss the issues raised in the interview questions. The probing helped to clear up vague responses and incomplete answers. All interviews were audio-taped with two different tape-recorders to ensure that no data was lost. The informed consent of the SGB members was obtained prior to conducting the interviews (Addendum B).

The majority of interviews were conducted on the school premises, in either the staffroom, conference room or the office of the specific respondent. The interviews with the SGB members were conducted on the school premises or at their own place of employment. The researcher conducted one, or at some schools, two interview(s) per day, which were transcribed by an independent data-typist (Addendum I). After transcription the interviews were analysed and the main and sub-themes identified. It took four months to conduct all the interviews, since participants were not readily available and transcriptions had to be completed in order to adapt the interview questions, if required.

3.7.2.3 Document analysis

Documents are objective sources of data compared to other sources and have even been called *unobtrusive*. The stability of the data, in this case the documentary material, is a major advantage of document analysis. When judging the value of a data source, more specifically a document, the researcher can firstly ask whether it contains information relevant to the research question and secondly, whether it can be acquired in a reasonably practical yet systematic manner (Merriam, 1998:124, 126). The documents analysed during this research definitely adhered to both these requirements. The following were analysed:

- school financial statements;
- financial policies of the school.
A financial analysis was performed on the financial statements, whilst the other documents were analysed from a more theoretical point of view. The researcher attempted to carry out the document analysis on the same day as the interview with the accounting officer, to enable her to ask the latter to clarify certain aspects in the documents. Where that was not possible, the analysis was performed at the earliest convenience of the school. It was conducted after the interviews, to ensure that any questions or uncertainties that arose as a result of these, could be confirmed or clarified during the document analysis. The information leaflet and consent form (accepted by the SGB) clearly indicated the purpose of the said analysis. The same confidentiality with which information in the interviews was handled, was applicable to the document analysis.

### 3.7.3 Data analysis

#### 3.7.3.1 Literature review

The literature survey was undertaken to gain a strong theoretical grounding for the study. Various resources (including journals, books, internet sites and conference proceedings) were used to justify the need for the study and to establish its significance. The study aimed to contextualise, analyse, interpret and evaluate the resources, rather than just accepting what was said. The literature was studied; thereafter titles and sub-titles for the review were determined (Cohen et al., 2011:121).

#### 3.7.3.2 Interviews

The interviews were transcribed as soon as possible after they were conducted, by an independent transcriber, thus ensuring a more credible study. The lines of the transcriptions were numbered for ease of reference (Addendum I). These transcriptions were used to identify specific themes or categories. Firstly, the method of counting words and the repetition of words was used to identify keywords occurring more frequently than others. After these keywords had been identified and themes determined, the unmarked text was read again. A few
additional themes were identified. The themes identified were then coded. Codes are tags or labels that attach meaning to the raw data. The tags were used to retrieve and organise chunks of text in order to categorise it (Welman et al., 2011:214). The coding enabled the researcher to analyse the data. The interview questions were compared with the themes identified to ensure that there were no themes in the questions that did not appear in the transcriptions.

To enhance the credibility of the research, the researcher and the supervisor did random checks, comparing the taped interviews with the typed transcriptions.

3.7.3.3 Document analysis

Cohen et al. (2011:249) describe a document as a record of an event or process, prepared by individuals or groups. The authors differentiate between documents created by individuals or family groups in their everyday lives and documents prepared by authorities and small or large organisations. The documents analysed in this research may be categorised under the second group, i.e. those of a small organisation (the school).

The documents that were included for analysis in this study were the audited financial statements of the schools, as well as the financial policies. The said statements included the auditors’ report, the income statement and balance sheet while, at some schools, a cash flow statement was also attached. The school’s financial policies varied from detailed forty-page documents, covering all financial actions taken by the school, to two-page documents, not even covering the basic financial aspects at the school.

The content of the financial policies were summarised and categories/themes that occurred regularly were identified. The researcher developed a document summary form (Addendum H) beforehand to facilitate the analysis process. The form includes the following detail about the document:

- name and description
- space for explaining the importance/relevance of the document
The financial statements were first analysed and interpreted from a financial point of view. Thereafter, the financial results of the various schools in the sample were compared and conclusions were drawn from financial ratio-analysis. The main themes, relating to the financial statements, which emerged during the interviews, were cross-checked and confirmed.

Procedures and policies that should, according to the interviews, have been in place at the schools, were also confirmed by checking the relevant policy documents and minutes of the meetings. The contents of the financial policies were compared with the requirements set out in the literature study, as well as with the policies of other schools. The information contained in these documents correlated with the comments made by respondents regarding the financial policies and the content thereof.

### 3.8 ETHICS, TRUSTWORTHINESS AND INFORMED CONSENT

The concept of axiology, as mentioned, entails the values and beliefs we hold. It should be added to ontology and epistemology. The following aspects are discussed:

- ethics
- trustworthiness
- informed consent.

#### 3.8.1 Ethics

Ethical considerations were attended to during the following stages of the study:
• when the participants were recruited:

The participants (principals, SGB members and accounting officers) were absolutely clear as to what exactly was expected from them, since an informed consent form (Addendum B) was accepted and signed by them before participating in the research. They all participated voluntarily.

• during the conducting of the interviews and analysis of the documents:

As previously mentioned in par. 1.8.7, checks were performed by the researcher and supervisor. The typed transcriptions were compared to the tape recordings of the interviews to ensure that the former were an actual verbatim transcription of the interviews. Every aspect of the interviews was confidential and any remarks that the participants wanted omitted from the transcript, were removed. Anonymity was scrupulously preserved throughout the research and the editing of the script. The confidential information contained in the documents of the school, was handled with the utmost respect and discretion. To ensure that the documents were safe at all times, they were kept locked up when not being used.

• during the release of the results:

Since the transcriptions had been carried out by an independent transcriber and previously compared with the tape recordings to ensure the correctness thereof, the results were not confirmed again during the release of the results. Confidentiality was also maintained on the release of the results.

With regard to the actual conducting and analysis of the interviews, the interviewer was unbiased in her approach.

3.8.2 Trustworthiness

According to Guba (1981, as cited in Krefting, 1991:215) the following four aspects of trustworthiness are relevant to qualitative studies:
3.8.2.1 Truth value

The researcher established confidence in the truth of the findings of the study because of the trust that she had in the participants and the research design. An extensive period of time was spent with different participants, since the researcher conducted interviews with various respondents, revisiting some respondents. Revisits included obtaining the relevant documents and analysing the documents.

The researcher’s financial knowledge and educational background established her authority in the field. Credibility was further ensured when the transcriptions were checked and verified by the transcriber, the researcher and the supervisor. The data obtained from the document analysis (financial statements and policies), the data from the interviews and the data from the literature study were triangulated to further confirm the credibility of the study.

3.8.2.2 Applicability

This refers to the ability to generalise from the findings to the larger, general population (Krefting, 1991:216). Although this study is not necessarily generalisable, by giving rich and detailed descriptions, the researcher endeavoured to enable the reader to make the study more applicable to their own context.

3.8.2.3 Consistency

Consistency or dependability considers the consistency of data, which involves that should the inquiry be replicated, with the same participants or in a similar context, the findings would be consistent (Krefting, 1991:216). According to
Chapter 3: Research Methodology

Bloomberg and Volpes (2008:78) dependability refers to whether one can track the processes and procedures used to collect and interpret the data. The explanation of all the research methodology in this chapter, and the detailed description of the data collection and analysis process, enables the reader to accurately track the process, thus ensuring consistency or dependability in this study.

3.8.2.4 Neutrality

In qualitative research, as Krefting (1991:217) noted, objectivity is the criterion of neutrality. The researcher abstained from asking leading questions (which suggest certain responses rather than others) and also from asking loaded questions, where social acceptability may influence the participant. At no time during the conducting of the interviews did the researcher suggest any acceptable response (Welman et al., 2011:178). The researcher also maintained an unbiased attitude towards both the participants and the data, thereby ensuring that this aspect of trustworthiness (neutrality) was maintained in this study.

3.8.3 Informed consent

The principle of informed consent arises from the participant’s right to freedom and self-determination. When restrictions or limitations are placed on that freedom, it should definitely be justified and consented to. This consent respects and also protects the right of self-determination, and it also places some responsibility on the participant if anything in the research should go wrong (Cohen et al., 2011:77). The consent and cooperation of the SGB members, principals and financial officers were obtained prior to conducting the interviews. This was effected by forwarding a consent form (and an information leaflet), to the various schools prior to actually conducting the interviews (Addendum B). The information leaflet fully explained the research questions, aims of the study and what was expected from the participants. The participants all had the freedom to choose whether they wanted to take part in the research or not. They all participated voluntarily. The consent of the Gauteng Department of Education (Addendum A), as well as
consent from Tshwane University of Technology were obtained (Addendum D), before approaching the specific schools.

3.9 SUMMARY

In Chapter 3 the researcher focused on the research concepts, research design, research paradigm and ethical considerations. The concepts of ontology, epistemology, methodological considerations and data collection and analysis were explained. A mixed-mode approach was followed, which entails a combination of the quantitative and qualitative approaches. Interviews were conducted to obtain the qualitative data and the quantitative approach involved a document analysis. The trustworthiness of the study was explained and specific reference was made to the value of truth, applicability, consistency and neutrality. The research paradigm was also discussed.

Chapter 4 contains the interpretation of the results of the study, culminating in the research findings.
CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 INTRODUCTION

Chapter 3 provided a review of the research methodology for the study. A bottom-up approach was followed when describing the research methodology. First the ontology was explained, reflecting the nature of reality. Thereafter, epistemology and the methodological considerations were discussed. Finally the process of data-collection and analysis of the data were reviewed. In this chapter, the actual analysis of the collected data and the interpretation thereof is described.

As explained in par. 3.7.2, based on the research questions (par. 1.6) specific data-collection instruments were chosen to gather the required information in the most appropriate and meaningful way. Multiple methods of data-collection to achieve triangulation were important to ensure an in-depth understanding of the phenomenon being studied (Bloomberg & Volpe, 2008:73)(par.3.7.2.). In addition to the literature review in Chapter 2, data collection instruments included semi-structured interviews and a document analysis.

4.2 DATA ANALYSIS

While the researcher was repeatedly reading through the transcriptions, it became clear that certain words or ideas were used more often than others. These repetitions led to the identification of keywords that assisted her to create certain themes and sub-themes (Welman et al, 2011:214) (par. 3.7.3.2.). The following emerged:
The data-analysis was conducted with the main themes, listed in Table 4.1, as the starting point. The data were analysed and interpreted by focusing on these main themes and the various sub-themes.

During the analysis and interpretation, reference was often made to the transcription of a specific interview. To ease the reference process, the following codes were used to trace the quotation back to the transcription.

The reference contains the following information:
• Number of the school, indicated with a S.
• Respondent, where the letter: a refers to the principal, 
  b refers to the accounting officer and 
  c refers to the SGB member.
• Numbering at the end of the reference indicates the exact line number of 
  the quote in the transcription.

The following is an explanatory example:

Diagram 4.1: Reference coding for transcribed interviews

The S1 indicates that this quote relates to School 1. The a indicates that this 
comes from the interview conducted with the school principal. The 6-7 at the end 
of the reference record the line numbers where they were typed in the 
transcription.

Discussion of the data of the main themes as listed in Table 4.1.
Before engaging with the respective main and sub-themes identified, the researcher wishes to provide demographic information on the schools in the sample, as to enable the reader to create her or his own mind-picture of each school. The comments by respondents should be interpreted taking cognisance of their specific school circumstances.

The demographic information contained in Table 4.2 includes the number of years’ experience the principal has in this position, which varies from 3 years to 22 years. The Section 20 or 21 status of the school is reflected in the fourth column. This is very relevant information, since the financial functions of these schools differ drastically. The next column indicates the quintile ranking of the school as determined by the Department of Education. The second-last column reflects the amount of school fees payable, or whether the school is a no-fee school. The last column briefly pictures the financial/economic welfare of the school and the community in which the school is situated. The school environment is not always a reflection of the financial position of the school, since, as noted, many schools attract learners from other areas.
<table>
<thead>
<tr>
<th>School</th>
<th>Years’ experience of principal</th>
<th>No of learners in school</th>
<th>Section 20/21</th>
<th>Quintile ranking</th>
<th>School fees in R</th>
<th>Economic welfare of community</th>
</tr>
</thead>
</table>
| 1      | 3                             | 340                     | 21            | 2                | No fee         | • Relatively poor, predominantly black area. Township.  
          |                               |                         |               |                  |                | • Nutritional scheme.         |
| 2      | 5                             | 1100                    | 21            | 4                | 11 900         | • Middle class, predominantly white area.  
          |                               |                         |               |                  |                | • Previously Model C.         |
| 3      | 16                            | 704                     | 20            | 4                | 300            | • Lower middle class, predominantly black area. Township.  
          |                               |                         |               |                  |                | • Most learners not from feeding area.       |
| 4      | 22                            | 670                     | Special school, correlate with 21 | n/a             | No fee         | • Relatively poor, predominantly black, previously white area.  
          |                               |                         |               |                  |                | • Nutritional scheme.         
          |                               |                         |               |                  |                | • Most learners not from feeding area.       
          |                               |                         |               |                  |                | • Special school              |
| 5      | 3                             | 801                     | 21            | 1                | No fee         | • Extremely poor, predominantly black. Township.  
          |                               |                         |               |                  |                | • Most parents rely on child grant as only source of income.  
          |                               |                         |               |                  |                | • Nutritional scheme.         |
| 6      | 12                            | 1 750                   | 21            | 5                | 21 900         | • Upper-middle class, predominantly white area.  
          |                               |                         |               |                  |                | • Parents very well qualified academically.   
          |                               |                         |               |                  |                | • Previously Model C.         |
| 7      | 3                             | 1 076                   | 21            | 5                | 8 200          | • Middle class, predominantly white area.  
          |                               |                         |               |                  |                | • Learners black, from township.            
          |                               |                         |               |                  |                | • Previously Model C.         |
| 8      | 8                             | 900                     | 21            | 5                | 10 000         | • Middle to upper-class, predominantly white  
          |                               |                         |               |                  |                | • Previously Model C.         
          |                               |                         |               |                  |                | • Technical school             |
4.3 MAIN THEME 1: ROLE PLAYERS

A role player is a person with specifically assigned tasks or functions within a programme, project or process. He/she can also be described as a player who plays a supporting role in his team, and does it well and willingly (Urban dictionary: roleplayer). Within the school financial management context, the tasks and functions are assigned to the principal, SGB members and finance officer. This gave rise to the identification of the concept roleplayers as the first main theme.

4.3.1 Principal

4.3.1.1 Duties

Due to the implementation of school-based management, as a result of SASA, the duties of principals, regarding their financial responsibilities, altered drastically. As stated in par. 2.5.2.2. considerably more authority and responsibility for decision-making has been devolved to the school level than before 1996, the implementation of SASA. Devolving the decision-making to school level in fact implies that decisions about financial management also became the responsibility of the principal.

By default all public schools in South Africa perform Section 20 functions, as listed in par. 2.6.2. In addition to these functions, the schools that have been granted Section 21 status also carry out the following additional functions which have a direct link to financial management:

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

21(1)(b) to determine the extra-mural curriculum of the school and the choice of subject options;
21(1)(c) to purchase textbooks, educational materials and equipment for the school;

21(1)(d) to pay for services of the school (SASA, no. 84 of 1996).

The aforementioned serves as proof that the financial duties of a school principal, as a member of the SGB and as the leader of the school, have changed drastically since the implementation of SASA and granting of Section 21 status. As the principal in School 1(Section 21 school) confirmed:

...what was happening in the past is principals were not so much responsible with finances like buying of textbooks and stationary [sic] and other matters, but now we are buying stationary ourselves, textbooks and so forth (S1a14-17).

The principal also made specific reference to changes in the financial responsibility of principals: “… so there’s change in responsibility and I think the change is just quite huge” (S1a24).

The principal of School 4 concurred that the financial functions had altered since the new dispensation. According to him, Section 21 status brought about additional functions. In this regard he said, “..in the old days the Department paid for everything, books were provided and they did everything. So, it changed completely.”(S4a31-32).

In contrast to the response of the principal of School 1 and 4, the principal of School 3, when he was asked about changes in his financial activities noted: “Well, from 1998 up to now it has remained more or less the same. There has not been much change” (S3a20-21).

School 3 is a Section 20 school and the financial functions of this school principal are limited. He has been in the position as principal of the school since 1998, but
his financial duties did not alter much during this timeframe, since the additional functions listed in par.2.6.2, are not applicable to him. The principal of School 3 mentioned that he only spends more or less 30 minutes per day on finances. Although he is in a Section 20 school, he noted that much more is expected from a Section 21 principal. At the start of the interview he did not seem overwhelmed by his duties, but later he intimated that the job description of a principal is

... an impossible job at the institution. You’ve got to be public relations, you’ve got to be counsellor, you’ve got to be teacher, you’ve got to be administrator and you’ve got to be .... a financial .. ha ha ha (S3a111-113).

It is evident from the respective responses of the Section 20 and Section 21 principals that the time spent on finances and the specific duties of principals in Section 20 and those in Section 21 schools differ drastically. School 3 was the only Section 20 school included in the study. Moving from Section 20 to Section 21 status made great demands on these principals’ time.

Although in par. 2.8.2.3., Mestry (2004:131) is quoted stating that the FC of the school plays a pivotal role in managing finances, a lack of financial capabilities on its members’ part may cause their financial duties to be shifted to the desk of the principal as SGB members often lack sufficient financial knowledge. This is confirmed by Maake (2008:46) (par. 2.8.2.3) when she concluded that sound financial knowledge is not regarded as an essential trait of the members of the SGB or FC. Should the parents be unable to manage the finances, this becomes the responsibility of the principal. Heystek (2006:482) (par. 2.8.2.3) is of the opinion that the principal should take responsibility to ensure that the school has funds and that there is effective financial management in the school. The duties of the school principal will thus be influenced by the financial qualifications and capabilities of the SGB/FC members.
In Schools 2 and 6, the principals delegated all their financial functions to the vice-principals. The demand on their time to fulfil their financial duties was thus not comparable to those of the other principals. As the principal of School 6 noted “... I am privileged, because I have a senior-deputy principal to whom the day-to-day financial management was delegated. It takes me an hour daily...” (S6a47-48).

School 2 has established an “autonomous” system (S2b45-46), with the total financial function (excluding authorisation alone) delegated to the financial section/department, headed by the deputy principal. The delegation is so effective that the principal would even ask the permission of the financial manager (deputy principal) before authorising a payment.

The deputy principal has to determine whether a payment falls within the constraints of the budget and only once the principal has confirmed a payment with him/her, will he/she authorise it. The deputy principal explained this as follows:

... he trusts me with the finances to such an extent that he will not just do a payment. ...he will not for example just because he is the principal, decide listen I am just going to authorise spending. He would bring it to me and I would say, listen we budgeted for it, there are funds available and the process will, you know, run according to the financial procedure from my desk and not from his desk (S2b42-51).

When the principal of School 2 was asked to comment on the time spent on the financial function of the school, he confirmed the statement of the accounting officer: “...in our case it is a very small percentage, because we have so many qualified people in place” (S2a26-27).

The importance of qualified administrative/financial support staff is reiterated by the principals of Schools 4 and 5. According to them, they also spend less than an
hour on financial activities, because - “Luckily we now have administrative personnel whose main function is, once the budget and such things have been finalised, to do normal administration and control...” (S4a36-38) and “… so the day-to-day job I think is being done by the financial officer together with the treasurer” (S5a52-53).

The same occurred at School 8, where the principal indicated that he spends on average only half an hour per day on the finances. He is only responsible for the control function of the finance function, since the school has a very good financial officer and overall finance team in place (S8b204-246).

Should principals not have the financial capabilities or sufficient time to handle all the financial functions themselves, the functions could be delegated to a deputy principal or other senior staff member, as is the case in these schools. In par.2.8.2.1 it was mentioned that as the financial role of the principal decreases, that of the deputy principal and senior staff will increase. In this regard, Du Plessis (2013:125) (par.2.8.2.1) concludes that financial management activities are well suited to delegation to a deputy or senior teacher. In all seven schools in the study, different duties were delegated to other staff members. Except for School 4, in all the other schools, most of the financial functions were delegated to another staff member. When the financial officer at School 1 was questioned about the portion of the finances handled by her, she stated “I do most”, indicating that few financial functions are handled by the principal. When asked about the principal’s part in the finances, it was evident that his only function was authorising transactions, “…he must just give permissions, authorise...” (S1b302-304). The delegating of duties was confirmed by five different respondents, and it also correlates with the literature. Triangulating the data sources was possible, which enhances the credibility of the study.

The responses from the respondents confirm that there has been a drastic increase in the financial duties and responsibilities of Section 21 school principals, not only as an immediate result of the implementation of SASA, but also due to
changes in education that occurred after the implementation. Proper delegation of the duties to a capable financial officer, who could be a deputy principal or an administrative person, could relieve the principal of most of the financial duties.

4.3.1.2 Qualifications and training

In par. 2.8.2.1, the lack of financial training of school principals was discussed. As stated in par. 2.8.2.1, Tronc (1977:1) had already identified this in 1977 and it was again confirmed in 2006, through a study by Bush and Heystek (2006:69). This later study concludes that principals consistently demonstrated anxiety about carrying out the financial function and their need for additional training in this respect. The principal of School 7 specifically mentioned that the finances and her lack of financial background and training constitute a major stress factor in her job.

As par. 2.8.2.1 indicated, Van Deventer and Kruger (2003:240) made it clear that the principal should be able to handle the school fund account, receiving, recording and administering school finances and school financial accounting and reporting. To conduct all these financial activities, a principal needs a financial qualification or proper financial training. With regard to such training, Tsukudu and Taylor (1995:108), identified the need for management development and support for principals in South Africa. According to Ng (2013:282) even policy makers in Hong Kong should consider the need of principals to obtain financial training.

With regard to lacking in financial background and qualifications, the principal of School 1, who does not possess either, remarked that

... being a principal.. I think sometimes, you learn, learn by doing, and because you are the principal people just throw you into the deep end and then you see when you are in there (S1a67-68).

This principal depends on his SASA knowledge to perform his financial duties and, in his three years in the principal’s position, he has not received any specific
financial training. He confirmed the lack of training referred to in the literature study (par. 2.8.2.1). The principal in School 4, who also has not attained an official financial qualification, states that you get “… on the job training” (S4a72).

He further noted that an official financial qualification, such as a B.Comm. Accounting degree may not be of much worth in the school environment. He values learning from other principals much more than an official financial qualification. With regard to the said qualification, he noted “…I don’t know if it would be of any value” (S4a103-104).

He regards knowledge of basic income and expenditure and budgeting as essential. He also values knowledge of the legal aspects as beneficial to effective financial management. It should be pointed out that this principal’s 22 years of experience (Table 4.2) may influence his opinion of training needs, since he has learnt a lot over time.

The principal of School 3 has no formal financial qualification, as he stated “…you know we go to school and train to become teachers” (S3a89-90). He did mention the possibility of attending in-service training courses (S3a89-90). He has been the principal of School 3 since 1998 and in this period he has attended a number of such courses. According to him “… finance training is part of this in-service training programme” (S3a98).

Whereas the principal of School 1 relies upon SASA, the principal of School 3 relies upon the Public Finance Management Act. With regard to the relevance of the PFMA to school finances, Mestry (2008:10) (par 2.8.2.1) states: “…the PFMA has no applicability to the management and governance of a school…. neither schedule 2 nor schedule 3 to the PFMA indicates that schools fall within the ambit of the particular act.” It would thus not suffice if Principal 3 were to rely upon the PFMA for assistance and referencing as regards financial activities. Although School 3 is a Section 20 school, requiring only limited financial activities from the principal and less financial knowledge than schools with Section 21 status, he
should at least acquire knowledge of SASA. It is, however, evident from these responses that there is not even clarity as to whether finances should be handled in terms of SASA or in terms of the PFMA.

Except for the principal of School 6 who completed a Financial Accounting course at university as part of his teaching qualification, none of the other principals have obtained any official financial qualification. The data obtained from at least three interviews correlated with and also confirmed the data from the literature review. This enhanced the credibility of the study.

It is evident from the literature and the responses from the principals that, although one principal does possess a financial qualification, it is only because his original teaching qualification was in the accounting/financial field. Except for this one principal, all the other principals lack financial skills and specifically noted that a detailed financial manual was not provided by the Department of Education. One principal actually referred to the Western Cape Manual (Basic Financial Systems for Schools) and noted that such a manual is lacking in Gauteng province. Two principals did refer to in-service training, but the others have not been on such training. The principal of School 6 (a quintile 5 school) mentioned laudable financial training being offered to principals by private training institutions, for which the school then pays. He strongly recommended such training, but the financial position of at least three of the other schools does not warrant such an expense. Principals in these schools are consequently not trained because of the lack of financial resources in their respective schools. When one considers one of the three dimensions to social justice (par. 2.2.2) in non-Western/sub-Saharan Africa, i.e. the redistribution and access to resources, it would appear that disparity and social injustice appear even in the financial training of principals (Subreenduth, 2013:586). The training of principals at government/public schools should not differ as a result of the economic welfare of the community in which that school is situated. The economic status of the communities in which the schools are situated is reflected in Table 4.1 and it is evident from the table that
the economic wellbeing of some communities does not warrant the payment of expensive fees to train principals.

### 4.3.1.3 Accountability

The dual role a principal has to play was discussed in par. 2.8.2.1. The rights and accountability of the principal will stem from his/her position as the principal of the school, an ex-officio member acting on behalf of the Department of Basic Education, as well as that of an SGB member. The principal is responsible for the professional management of the school, which includes managing finances (Table 2.5 refers). In addition thereto, he is also part of the SGB, which further burdens him with governance matters. Table 2.5 indicates a variety of functions that fall under governance and for which the SGB, not specifically the principal, is accountable.

With regard to the accountability of school principals in respect of school financial activities, the case of *Scoombee and others v. MEC for Education and another* (as quoted by Mestry, 2008:10) levelled the playing field for principals. In this case the judge indicated that managing the school finances cannot be expected from the school principal. He stated that “…the contention that the principal should be held accountable for the finances is an absurd position”. Although this case limited the specific accountability of principals, the respondents in this study do regard themselves as accountable for the finances. The principal of School 1 was adamant that even though the SGB has been allocated the duty of dealing with finances, “…principals remain accountable and we should actually as principals advise the SGB” (S1a 226-227).

When the principal of school 1 spoke about accountability, he sounded stressed and noted
...I can be held accountable personally. ... there are many principals who lost their jobs because they could not do exactly what the Department requires... from them of finances (S1a232-235).

This anxiety that principals experience regarding their accountability in respect of finances is exacerbated by comments from the MEC, (par.2.8.2.1). After it was reported that 30 principals are being investigated for the misappropriation of school funds, he stated that his department would take drastic actions against principals who were found guilty of misusing funds. When the researcher originally contacted the principals to convince them to include their schools in the study, some were very concerned about the legal ramifications should any financial irregularities be identified. During this informal introduction they also referred to the possibility of losing their jobs if the finances seem to be problematic.

The principal of School 2 also regarded himself as accountable for the finances. Although the financial activities have been delegated to the deputy-principal, he is the signing official, authorising transactions. The deputy also confirmed this viewpoint of the deputy-principal through stating that, although all financial functions of the school have been delegated to her, “I am not the guy who will be held liable. Actually it is the principal who is held accountable and the SGB is held accountable” (S2a417-418).

She feels very responsible because the principal trusts her, but she knows that ultimately the principal is the accountable party. The principal and deputy-principal in School 2 are clear on the difference between accountability and responsibility (explained in par. 2.8). The principal of School 4 also clarified his position by mentioning that he is responsible, but definitely not liable in any way. It was only principals 4 and 6 who mentioned that their accountability and responsibility are measured in terms of the financial policy (par.4.5.1). If they act out what is contained in the school’s financial policy, they cannot be held personally liable. The principal is responsible, but, “According to the law, the SGB is the liable body” (S4a197-198).
Even though the Schoombee case (par.2.8.2.1) actually safeguards the position of principals regarding their accountability in respect of the financial affairs of the school, this is still regarded as a huge stress factor. As principal 7 mentioned: “... since I became principal, I often have sleepless nights” (S7a8-9). She further noted, “... I can lose my job tomorrow... it is actually a gamble you take” (S7a340-341). When requesting advice for newly appointed principals she advised, “... I would say, don’t even accept the job if you are not a financial person” (S7a346). Her stress level can also be recognised from her comment, “... if you can retire without being fired as a result of finances, you are lucky” (S7a347-348). This is actually very sad, because this principal has repeatedly requested (on her IQMS form, as an area for development during her IQMS evaluation) to be trained in Financial Management, but to no avail. This places at least one question mark on the effectivity of the IQMS system.

The principal in School 3 also mentioned that the duties of a principal are so hectic that if he had the chance to choose a career again, he would choose teaching but he would never again apply to become a principal.

The data consequently indicate that some principals are extremely stressed due to the financial expectations of their jobs and their limited financial knowledge and skills.

4.3.2 SGB

As stated in par. 2.5.2.2 the implementation of SASA devolved more authority and responsibility for decision making to the school level and more specifically the SGB level. Although the SGB includes teachers, the principal and the accounting officer as members, when referring to the SGB in this context, it includes those external SGB members that are not employees of the school.
4.3.2.1 Duties

In par 2.8.2.2 the mandatory functions of a SGB, as clarified by Joubert (2000:2), are noted as including the following:

- Policy matters, including functions such as adopting a constitution, compiling a mission statement, deciding on the language policy, creating and maintaining a code of conduct for learners, compiling a financial policy and making recommendations regarding appointments of personnel.

- Day-to-day matters, including support to the principal, educators and other staff members, administration and control of the school’s property, buildings and grounds and determining the times of a school day.

- Financial matters, such as establishing a school fund, supplementing financial resources, appointing an accountant, preparing a budget, collecting/administering school fees, financial record keeping.

Although three groups of functions are distinguished, the study focuses only on the third group of functions i.e. the financial matters.

These are the mandatory functions in terms of Section 20, but schools with Section 21 status also carry out additional functions which have been discussed in par. 2.6.2.1. The SGBs at the schools in the sample are definitely actively involved in these financial functions of the school. The SGB member at school 2 noted that: “... my involvement in the finances is.... approvals, budgeting... and when decisions regarding expenditure needs to be taken...” (S7c38-40). The treasurer at School 2 also confirmed the involvement of the SGB when he noted that his involvement is more synoptic. “I will give advice and if there are big decisions, I will accept the responsibility for it. So, I am the link from the SGB to the finances” (S2c11-14).
Van Rooyen (2013:32) confirmed the role of the SGB by indicating its fiduciary role and responsibilities regarding the finances of a public school. These roles are set out in Subsections 16(1) and 16(2) of SASA. According to these,

... governance of every public school is vested in its governing body and may perform only such functions and obligations and exercise only such rights as prescribed by the Act. A governing body stands in a position of trust towards the school (par.2.8.2.2).

All the schools in the sample established a FC within the SGB. The FC at School 2 meet once a quarter and then discuss the financial matters at hand that have occurred during the quarter (S2c23-24). The FC at School 1 also meets every three months (S1c125). This is in line with the point that the SGB may set up a FC (par.2.8.1.6) to handle the financial aspects of the school delegated to them.

The involvement of the SGB through the FC varies between the different schools. It would appear that in most of the previously Model C schools (now Section 21), the SGBs are actively involved. These schools hold regular FC meetings, monthly or quarterly, and there are constant interactions between the principal, accounting officer and the treasurer. The accounting officer contacts the treasurer for inputs should anything unforeseen and urgent develop. The following response offers an indication of the good working relationship in some of the schools:[the school] “... get[s] lots of support from the SGB. We work shoulder to shoulder with the SGB” (S2b30-31). Referring to the treasurer, the accounting officer revealed, “... it is not a question that he is on his own island and I am on mine and the principal is on his. We really have a co-operation agreement” (S2b69-71) “...we really have a very integrated relationship..” (S2b62).

The SGB at School 7 does not cooperate so well. The principal experiences difficulties in persuading the SGB members to attend meetings. The principal mentioned that “... we ask them please come, please come, please come” (S7a250). From January until May the school was unable to hold one SGB
meeting with a quorum. The SGB has not even been able to select the office bearers. This is however the exception, since the SGB members at the other schools are very involved in the finances. At Schools 1 and 5 the treasurers even visit the school and take part in the finances on a weekly basis. Other than for School 7, there is real co-operation between the school, the accounting officer and the SGB. In some of the schools the inputs of the SGB members are limited as a result of their lack of financial training, but they are still willing to give inputs. Financial training or the lack thereof was discussed in par. 2.8.2.2.

4.3.2.2 Qualifications and training

The additional financial functions that a SGB is required to execute as a result of obtaining Section 21 status, as listed in par. 2.5.2.3, place an additional burden on the members of the SGB. An SGB whose members have limited or no financial skills has difficulty in performing these functions. As the principal of a Section 20 school commented: “...the financial capabilities of the SGB is limited......That’s why I do not want to take up Section 21 powers and get a lot of problems” (S3a158-161).

Although this seems to be the logical thing to do if the school does not possess financial skills and knowledge within the SGB, only one of the schools in the sample chose the Section 20 option. All the other schools, even those with no financial knowledge support base vested in the SGB, opted to obtain Section 21 status.

In both schools with Section 20 and Section 21 status, SGB members serve for a term of not more than three years. These tri-annual elections may not provide sufficient time for SGB members to develop their potential or play an important role in the provision of quality education (Heystek, 2011:465) (par.2.8.2.2). The principal of School 3 agrees with Heystek’s statement. School 3 only accommodates grade 10-12 learners. This means that parents are usually only elected during the grade 11 year of the learner. If the parent is elected during this
year, he or she can only serve for a two-year term. If already elected during the grade 10 year, the parent could serve a three-year term. This is still problematic for the principal, since there is no continuity in the SGB and insufficient time for proper training. He commented:

... parents who have a certain level of ability, ... we lose them after their financial training went through, within a very short space of time. First year is mostly training, second year is ... ah.. they are literally testing their knowledge and then the third year when they are now capable, they are on their way out (S3a162-166).

The previous chairperson of the SGB was a deputy-principal, with a certain degree of financial background obtained through workshops conducted by the department. She was a very highly qualified person but since she has left no person on the SGB has such a qualification. This principal suggested that the term of office should be extended, to help other schools, although it would not impact on his school, since it only deals with grades 10-12.

As previously discussed, the term of office in England is already four years opposed to the three-year term in South Africa. Even with this extended term of office, recruitment to fill the vacant positions on the governing body is still a constant concern (par.2.8.2.2).

The financial literacy level of the SGB members remains an obstacle to the proper governance of a school. In some schools in the sample, situated in the township, there is not even a single SGB member with any qualification, financial or otherwise. These principals both advised that if there are insufficiently skilled and unqualified members on the SGB, additional non-voting members with the necessary skills may be co-opted onto the SGB. It was however, surprising that although they both knew about the possibility of co-opting qualified and skilled people onto the SGB, they did not choose to do so. The principal of School 5 stated that an SGB with no proper understanding of finances will impact negatively
on the school, but he still did not co-opt members: “... for us now, we haven't experienced any problems” (S5a128).

In sharp contrast to the schools in the township, where the qualification levels of the SGB members are very low, the other schools in the sample report very well qualified SGB members. The principals and financial officers actually draw upon the knowledge and skills of the latter. Two of these schools, which were previously Model C schools and are situated in economically strong communities, benefit from extremely well qualified SGB members. The one SGB has “... a CA. That is right. We also have an advocate and a professor, so the guys are well-qualified” (S2a116-117).

At the other school the SGB includes a professor, who is a dean from an Economic and Management Sciences Faculty at a university, an engineer with a doctoral degree, as well as an engineer with an additional MBA, specialising in Financial Management. The principal noted, “...there is not one on our SGB that does not have a post-graduate tertiary qualification.” (S6a286-287).

It is evident from the data that the SGB members of the disadvantaged schools, situated in the township, are not sufficiently qualified, which could impact negatively on the finances of the school. This is confirmed by Mestry and Naidoo (2009:122) (par.2.8.2.2) when they concluded that with regard to budget monitoring and control in township schools in SA, the absence of properly trained SGB members increases the temptation for people involved with the cash and other assets of the school to engage in fraudulent activities or behaviour. This could have impacted on the 30 schools in KZN where principals committed fraudulent activities (par. 2.8.2.1). The data from the interviews and that obtained from the literature review evidently corroborated each other, leading to data triangulation, and thereby positively affecting the credibility of the study. Should this lack of knowledge at township school SGBs remain the case in SA government schools, severe social injustice will remain, since the decisions made by the SGB impact on the quality of learning at schools.
It was evident from the data collected that government's vision for the impact that SGBs should have on the smooth running of school finances had failed dismally in some schools. The lack of proper training and the lack of financial acumen are currently hampering the schools. Remarks from MEC Senzo Mchunu create concern regarding the insight of government into the realities faced by school principals with inadequately trained or skilled SGB members. He requested that:

We would like to urge SGB’s to play a meaningful role in ensuring that funds are protected at all cost. They need to establish strong Finance Committees that are going to ensure that all schools deals judiciously with school funds (par.2.8.2.1).

In certain areas the social, financial and academic backgrounds of the parents are inadequate to enable the SGB to do so. Although workshops are offered to enhance the financial competencies of the SGB members for this purpose, more in-depth financial knowledge is required. The extent of the school finances is underestimated. Included in the sample are budgets of R800 000 in the no-fee schools and up to R27 000 000 in some fee-paying schools. Only an adequately qualified person with financial knowledge should be trusted with these amounts of money. I concur with the opinion of Mestry and Naidoo (2009:122) that training of SGB members is important and should be extended to all the SGB members and offered in languages that are accessible to all, as discussed in par. 2.8.2.2.

4.3.2.3 Accountability

Regarding governance and professional school management, some responsibilities within a school overlap. According to Motimele (2005:2) (par. 2.8.2.1), the SGB and school managers are equally responsible for the financial management of a school. The result of this is that team work between the SGB and school management becomes very important.

In the case of Scoombie and others vs MEC for Education and Another (par.2.8.2.1) it was indicated that the responsibility of the school’s financial
management rests upon the SGB, as the judge ruled, “The contention that the principal should be held accountable for the finances is absurd.”

The SGB delegates the management of school finances to the FC. Although the financial management functions have been delegated to the latter, decisions taken by it should always be ratified by the SGB (par.2.8.2.3). The ultimate accountability for the financial function of a school always remains with the SGB. Although the accountability of the principal and that of the SGB were clarified and confirmed in the Scoombie court case (par.2.8.2.1), principals included in the study were of the opinion that they are still ultimately accountable for the finances. As one principal noted regarding the financial activities, “... so I can be held accountable, personally” (S1a233).

This principal stated that even if the duty of dealing with finances has been allocated to the SGB, “…principals remain accountable and we should actually advise the SGB” (S1a225-227).

Conflicting comments regarding accountability of the SGB emerged from the data. The viewpoints not only differ between the different schools, but also differ between respondents from the same school. In contrast to the comments made by the principal of School 1, in another school the financial officer specifically affirmed that finances are the responsibility of the SGB (S2b89). This statement therefore contradicts that of the principal of the same school, who held that the principal is the accountable person (S2a141-142).

The accountability of the SGB is limited to and guided by the functions and guidelines as laid out in the financial policy of the school. The said policy guides the whole financial function (par. 2.9.1). Mestry (2004:131) lists the development and implementation of the financial policy as one of the functions of the FC (par.2.8.2.3).
The data reflect some confusion among principals, SGB members and financial officers regarding their accountability for executing the financial activities.

4.3.3 Accounting officer

4.3.3.1 Duties

A range of functions falls within the school financial management context. Diagram 2.2 reflects these functions, which include the following:

- Planning, of which budgeting is the main task, with conceptualising, compiling, determining purpose and deciding on a budget approach, as the sub-tasks.

- Organising, which includes compiling the financial and accounting policy, determining accountability and fundraising.

- Leading, which includes developing relationships, communicating and motivation.

- Control, involving tasks such as taking corrective action, ensuring that records are audited and controlling norms (par.2.4).

Although these tasks are the responsibility of the SGB, most of these tasks and sub-tasks are executed by the financial officer, because they are better managed by someone with a background in commerce and administration, than a person with only teaching experience (Du Plessis, 2013:126) (par.2.8.2.4). Since these tasks are very time consuming and demanding, the SGB often delegates (in writing), the day-to-day administration of the financial matters to a financial officer suitable to fulfil the position.

As indicated above, the list of responsibilities (par.2.8.2.4) of a financial officer is very demanding and needs a person specifically dedicated to finances, to handle
it. Although the financial officers in the five schools situated in town have administrative assistance to support them with these functions, this is not the case in the township schools. In both the Section 20 and 21 schools situated in the township, the financial officer has no other support staff.

Diagram 4.2 reflects the structure of the financial section/department in the schools, which provides an indication of the support staff. The diagram also illustrates the lay-out of the finance section of the three disadvantaged township schools. This is a hierarchical or line organisational structure, where the lines of authority are clearly defined and the responsibilities and tasks of every person are set out clearly (par.2.8.1.1).

![Diagram 4.2: Hierarchical structure of the finance function (School 1, 3 and 5)](image)

It is evident from the diagram that these schools employ only one financial officer and no other support staff. The financial officer in School 1 is overworked and handles the full financial function, as well as general administration, photocopying for the school, admissions, filing and completing the report cards of learners on the computer (S1a56-60). She was originally appointed to perform the administrative work at the school but eventually, owing to the changes in the educational system, to school-based management. She was recently instructed
also to deal with the finances, for which she had no qualification, knowledge or skills. The financial officer of School 5 is also responsible for many other activities. When asked about her duties she mentioned: "I’m doing everything....Admissions, admin, everything" (S5b61-65). Due to the lack of other support staff, these financial officers are overburdened with additional work. The question arises whether it is possible to assume all the responsibilities mentioned in par.2.8.2.4, if there is only one person responsible for all these functions. The problems experienced by the financial officers as a result of their heavy workload were confirmed by the literature review reflecting an enormous amount of duties and responsibilities expected from the financial officer. The heavy workload of the financial officers at some schools is not evident of fairness and does not result in social justice within the school financial system.

Diagram 4.3 reflects the structure for Schools 4 and 7, where the schools have two people handling the financial function. A cashier handles the cash and financial recordkeeping while the collections, exemptions and debtors’ statements are handled by a collector’s clerk. The financial activities are thus divided between two people, as opposed to only one person handling everything, as in Schools1, 3 and 4.

Diagram 4.3: Hierarchical structure of the finance function (School 4 and 7)
The structures at Schools 4 and 7 are also line organisational structures (par. 2.8.1.1) where the authority is vested in the principal and a top-down structure exists. This structure is more supportive of the notion of Mestry (2004:131) (par. 2.8.2.4), that the separation of powers is the most important principle in school financial management. According to him, “The SGB should ensure that various tasks are delegated to different people who have the necessary knowledge and skills to perform these tasks efficiently.”

The financial management structure of School 8 varies slightly from that of schools 4 and 7. School 8 has a financial manager (senior deputy-principal), which is different from Schools 4 and 7. The two additional staff members report to the financial manager and not directly to the principal. It is also a line organisational structure, with one additional level. The principal of School 8 depends on the financial manager to “... handle the day-to-day routine...” (S8a63-64). This additional level of authority, which is absent from Schools 1, 3, 4, 5 and 7, takes many additional functions off the principal’s load.

The structures of Schools 2 (Diagram 4.4) and 6 are very similar, with a financial manager and four support staff in the finance section. School 2 does, however, lean more towards a line and staff organisational structure, as reflected in Diagram 4.4. A line and staff organisational structure involves a flat structure that ensures that specific knowledge and skills from certain individuals (experts) may be filtered through to all staff (par. 2.8.2.1). The financial officer obtains constant inputs from their auditor, who prepares monthly statements, and the school further makes use of external people to conduct internal audits. These auditors are in a staff function and only in an advisory capacity. The financial manager is one of the deputy principals of the school. Except for the principal’s secretary who does the collections of school fees for three grades and the secretarial work for the principal, the other three are appointed solely for financial work.

Although the structures of Schools 2 and 6 are very similar, the structure of School 6 lacks the constant input of the external auditor and also of the internal audit
function. At School 6, the four positions under the financial manager are: a financial officer, a school fees clerk, a debtor's collection clerk and a creditors/payments clerk. Both these schools have a very strong support base in the financial section. The financial manager who reports to the principal is a deputy-principal, similar to the system in School 2.

Diagram 4.4: Hierarchical structure of the finance function (School 2)

The duties of the financial officer at the township schools, being performed by only one person, contradict the advice given by Mestry (2004:131) regarding the separation of powers. The vast differences between the structures in urban schools and those of township schools are reflected in the data. In par 2.2.2, fairness in society is identified as an essential part of the social justice definition.
Chapter 4: Data Analysis and Interpretation

Fairness includes both equity and equality, where equality entails that everyone deserves the same (Pierce & Bekoff, 2012:122). With the evident overburdening of finance officers at some township schools, it would appear that the concept of equality, as an integral part of social justice, is ignored, causing disparity between government schools, resulting in social injustice.

4.3.3.2 Qualifications and training

The financial officer at school 2 possesses Comm. degree while the one at school 6 has attained a Comm. degree as well as an MBA. These qualifications are in line with the requirements set out by Du Plessis (2013:126) (par. 2.8.2.4), where he noted that: “...financial management areas...are better managed by someone with a background in commerce and administration.” Both of them are appointed as deputy-principals at their respective schools, with finance as their main portfolio. The principals, in co-ordination with the rest of the SGB, delegated the total financial function to them, since their financial backgrounds and qualifications warrant it. Both these principals have total trust in them to handle the finances. When asked about possible advice to a new principal regarding finance, one principal even advised that the best thing to do would be to appoint his deputy-principal (S2a53), a huge compliment to the deputy and also proof of his absolute trust in her abilities. The other principal also mentioned that: “I am very fortunate because I have a senior deputy-principal, to whom all the day-to-day financial management has been delegated” (S6a47-48).

The list of responsibilities of a financial officer (par. 2.8.2.4) is so demanding that it might not be possible for an unqualified person to effectively execute all these functions. Some of these functions are thus not performed or are inadequately performed, due to a lack of proper training and background.

With regard to additional training to supplement their financial qualification, courses offered by the Federasie van Beheerliggame van Suid-Afrikaanse Skole (FEDSAS) were recommended by Schools 2 and 6. With regard to training and
manuals provided by DoE, the content was found to be very simple. It is more an explanation of the paring system and the handling of small amounts of cash. It was mentioned that the training is for “... small change, I think the reason for this is because they are only working with no-fee schools.” (S6b532-532). The financial officer of School 6 noted that they do not have to manage a budget of R12-R13 million as she does. So the guidelines offered by DoE are basically aimed at a different target group of schools. These guidelines in the manuals are “… very, very simple...” (S6b535).

In strong contrast to what is mentioned by School 6’s financial officer, regarding the simplicity of the training and the training manuals, the financial officer at School 1 found the manual to be very confusing and not easy to understand, because they use difficult words. For instance, she mentioned “I think it’s … because the words … they want… what, what … reconciliation...” (S1b331-332). The responses confirmed that it does not serve any purpose to provide the same training material and courses to different types of schools and to accounting officers with different levels of accounting knowledge. The financial officer at School 1 was originally appointed in an administrative position for which she is adequately qualified, but due to the changes caused by the implementation of school based management, she is now in a position for which she is not qualified, causing a lot of frustration. Since the implementation of school-based management, most of her time is being spent on finances; a field that she finds really challenging, because she lacks sufficient knowledge and skills. Her frustration is evident from the following statement “... you know, this is why I hate finance so much...” (S1b364). It would appear that in some schools the implementation of the school-based management principle has caused job stress and led to dissatisfied workers.

The lack of financial background and knowledge also became evident at another school when the researcher requested a copy of the audited financial statements and the financial officer made a copy of the bank statement. When asked if there was any statement with an Income Statement and Balance Sheet, he again
confirmed that this (the bank statement) was the required document. This specific financial officer confirmed that he has not received formal financial training, but he has attended workshops for finance. According to him, the workshop “...helps me. Yes, it shows me to file the ... what... the statements and...ah...the...what, the claims...” (S3b24-25). This financial officer’s overall lack of ability to interpret and answer the financial questions asked during the interview is reason for great concern.

Where the finance officer at School 1 found her lack of financial knowledge frustrating, this financial officer experiences no frustration in his everyday work, although his level of knowledge is very inferior to that of any other person interviewed. When listing his financial function at the school, it became evident that many of the responsibilities (par.2.8.2.4) of a finance officer are unfamiliar to him. This lack of knowledge regarding these may be the reason why he does not experience any difficulty with his lack of financial knowledge and skills. His extremely limited financial knowledge is enough to enable him to perform the few financial activities he thinks he should carry out. To increase the researcher’s concern regarding the finances at this school, she discovered a lack of financial knowledge, not only on the part of the financial officer who said, “...no, no I’ve got no training” (S3b11), but also on the part of the principal and the SGB members. The principal has received no financial training and he also mentioned that “...another problem is .. a.. you know the financial literacy among governing body members is sad” (S3a34-35). Although this school opted for Section 20 status, the limited level of financial knowledge within the school, is cause for concern. This is also the case at another school, where the financial officer noted, “I don’t have basic... basics of finance. Maybe that’s why it gives me so hassles” (S1b102-103). The principal also confirmed that the accounting officer does not have a financial qualification, when he stated that, “...she’s not trained adequately in the area of finance.” (S1a60). At this school the principal and the SGB members do not possess any financial qualification, resulting in all role-players in the financial function being unqualified. The principal at school 3 observed...
How is it possible to execute all the school’s financial activities efficiently with a principal with no financial background, a financial officer with no financial background, supported by a SGB who’s level of financial literacy is “sad” (S3a35)?

The data indicates that, excluding Schools2 and 6, which are both previously Model C schools in affluent communities, none of the financial officers at any of the other six schools have attained any official financial qualification. The financial officers noted that such a qualification may assist them in performing their duties. Suggestions of an “…accounting qualification” (S1b60-62) and a qualification in “…accounting management” (S5b44) were specifically mentioned.

4.3.3.3 Accountability

The financial officer is responsible to execute his/her financial duties within the scope of the job description. As discussed in par. 2.8.2.1, the liability for the overall financial management of the school is vested in the SGB. This implies that although the finance officer is responsible for executing the financial duties correctly, the ultimate accountability regarding school finances remains with the SGB. In the same paragraph, the MEC Senzo Mchunu was quoted requesting SGBs to play a meaningful role in school finances.

Although, according to law, such accountability is vested in the SGB, at Schools 1, 5 and 7, the finance officers felt that they are personally accountable and liable (S5b198-201), (S1b223-226) and (S7b149). This responsibility may cause additional stress in their day-to-day work. The finance officers at the other schools expressed a different point of view. They noted their own responsibility to do their work efficiently, but also that the actual accountability for the school’s financial function is vested in the principal and ultimately in the SGB. As one finance officer stated, “Actually the principal is held accountable and the SGB is held accountable” (S2b417-418).
Responses from the participants indicated that, regarding their understanding of accountability, the various finance officers at different schools have totally varied viewpoints on the level of their accountability.

Triangulating the various data sources was possible for all three of the sub-themes. The data used from the literature review, was confirmed by the interviews of the respondents. Interviews from one respondent also correlated with the responses from others.

The financial management functions that should be executed by the various role-players resulted in the next main theme identified from the data.

4.4 MAIN THEME 2: FINANCIAL MANAGEMENT FUNCTIONS

These functions include the planning, organising, leading and control of all the financial aspects at a school, including the protection of the school’s assets, in order to realise the educational goals of the school (par. 2.4). The tasks and sub-tasks related to these financial management functions are reflected in diagram 2.2.

4.4.1 Financial policy and procedures

The finance officers and principals at three schools rely absolutely on the financial policy of the school. One mentioned that “... we work very, very strictly according to the financial policy and procedure” (S2b54-55). The advice she gave to a newly appointed finance officer was to “...ensure that the financial policy and procedures are updated to this minute and follow the policy and procedure. Don’t move outside of it” (S2b80-852). The principal of the same school confirmed her remark. When he was asked about advice for other principals, he mentioned knowledge of SASA and also to “...ensure that your policy is in place” (S2a54-55).
Chapter 4: Data Analysis and Interpretation

The principal of School 6 also commented on the importance of the financial policy. When he was questioned on his personal liability with regard to the school finances, he made specific reference to the importance of the school financial policy and noted that problems may occur if “... you did not actually act in correlation with what the financial policy of the SGB says” (S6a406-407). In addition to this remark, when specifically asked about the importance of the financial policy, he noted “Very. Absolutely.” (S6a412). In concluding the discussion on the financial policy, he stated, “... financial policy is your guideline to which you always have to return” (S6a417-418).

The literature supports the comments made by these finance officers and principal. The financial policy guides all the financial activities within the scope of school finances. Certain essential aspects should be considered when compiling the said policy:

- Mission statement and objectives
- Management of resources
- Learner needs
- Community and their needs
- Quality control (Campher, 2003:25).

In addition to these, Mestry (2006:35) and Swartz (2009:6) (par.2.9.1) compiled the following list of minimum requirements for a financial policy: cash management, internal controls, audit trails, procurement procedures, asset management and reporting.

These aspects that should be covered in the policy, serve as an indication of the importance thereof. When the researcher approached the schools to participate in the research project, they were informed that, in addition to the interviews that would be conducted, the researcher would additionally need a copy of the financial policy and financial statements of the school. Schools 2, 4, 6, 7 and 8 all provided these documents immediately after the interviews were concluded. The other
schools did not have these available for the researcher at the time of the interviews. Repeated e-mails and telephonic requests followed the interviews. Some schools took more than two months after the interview actually to submit the relevant documents. One may ask: Why were these documents, specifically the financial policy, not readily available? This is cause for concern, since these schools also made no mention of the financial policy during any of the interviews conducted.

When the school compiles the financial policy the essential characteristics of an effective policy (par.2.9.1) should be considered. These include legislation, flexibility, co-ordination and clarity.

The financial officer of School 7 noted that the PFMA is taken into account when the financial policy is complied, which reflects that the school did take the first essential characteristic into consideration i.e. legislation (S7b197). The financial policy of School 2 is very flexible and is easily modified, should circumstances require it. The financial officer advised that the financial policy and procedure should be updated “...up to the minute...” and it should be followed (S2b80-81). This school has been updating and refining its financial policy over the previous four years. She had a copy of the policy on her desk and stated that should she be in doubt about any aspects regarding finances, she could turn to the policy. The financial policy is important and it protects the financial officer; it is not merely “...something in a file...” (S2b104-405). A very important part of this financial policy is the inclusion of a debtors’ collection policy, wherein the steps to be taken in a case of non-payment of school fees are clearly set out.

With regard to the importance of flexibility, the financial officer of School 6 also mentioned that a “bit of discretionary ability is built into the policy” (S6b75). The principal of School 4 also noted that the financial policy should be updated as soon as a loop-hole manifests in the policy. With regard to these loop-holes, he stated that as soon as it is recognised, “... you have to counter it with something
else...” (S4a733-734). This reiterates the sentiment that the policy should be updated regularly.

Co-ordination, another one of the important characteristics of the financial policy, entails that the inputs of various stakeholders/departments should be taken into account, when compiling such a policy. These stakeholders should all follow the same financial goal (par. 2.9.1). The principal of School 6 made specific reference to this when he mentioned that the guidelines issued by FEDSAS and departmental guidelines were considered when his school compiled the financial policy. After it was compiled, it was presented and scrutinised by the FC. Finally, the inputs of the SGB were obtained. The principal referred to the financial policy as a “...collective compilation” (S6a425-426).

The financial policies of the schools differ to a great extent. The policy of School 1 is a two-page document. The whole first part of the document lists the general financial responsibilities of an SGB, as reflected in SASA. The second part of the financial policy indicates the signatories of the school, as well as the banking procedure. The last sections cover the transport tariffs and the amount of petty cash. With regard to the transport tariffs, there is no indication regarding procedures to be followed, only a short list of amounts to be claimed. The policy regarding petty cash also includes only the amount of petty cash but gives no indication of procedures that should be followed. The lack of a proper financial policy is a cause for concern. It should however, be borne in mind that School 1 is a no-fee school, limiting the policy to a certain extent, since debtors’ collection need not be covered. School 1 was at least able to provide the researcher with such a document, whereas School 3 and 5 had nothing available during the original visit and only supplied the relevant documents at a much later stage.

In strong contrast to this, the policies of the other schools are very detailed and well thought through. The financial officer at School 2 noted that they (herself, the principal and the FC) have been refining their financial policy over a period of four years, adapting it to changes at the school and in regard to departmental policy.
This refining and updating confirms the importance of flexibility (par.2.9.1) in a policy. This policy is also written in understandable, clear language, with sufficient detail to make it accessible even to users with no financial knowledge.

The first part of the document contains the background and purpose of the document. This is followed by the legal aspects related to school finances. In this 42-page document the following central aspects are also covered:

- Funding of the school
- Financial management
- Annual budget
- Reporting and record keeping
- Charging school fees
- Procedure at receipt of funds
- Collection procedures
- Authorisation of expenses
- Capital expenditure
- Remuneration policy
- Sundry aspects
- Financial policy for school tours
- Delegation of financial responsibilities.

In addition to these aspects, there are two annexures to the policy. One annexure explains the budget procedure in full detail while the other contains detail concerning the handling of cash, budget management, marketing and tours.

When analysing this document, it is evident that an enormous amount of planning, effort, thinking and research went into the writing of the policy. It and the procedures are well thought through and comply with legislation. It also provides clear procedures and covers all relevant financial aspects at the school. Even less central aspects, such as gifts when staff retire and financial remuneration to SGB members, are covered in full detail. The section covering the delegation of duties
is set out in four columns. In column one, the specific activity, such as capturing
data on a computerised system, is reflected. Column two indicates the amount
that is permitted. If there is for instance, an adjustment to the budget, this column
indicates that it may not exceed 10% of the portfolio amount. The third column
indicates the person responsible for the activity/the preparation. This is the
creditors’ clerk, for the capturing of data. The last column indicates the person(s)
who need to control and authorise. For this example, it is the financial manager
and principal. The delegation table includes all possible transactions that may
occur within this school environment. The detailed debtors’ collection policy is
also advisable, to exclude possible problems when non-payment occurs.

The financial policies of Schools 6, 7 and 8 are also very detailed and contain
policy and detailed procedure. Some additional aspects covered by these schools
are:

- Fundraising
- Inventory management
- School development plan
- Additional costs for parents
- Subsidies from government
- Maintenance.

School 7 also included the job description of the financial officer and the forms to
be completed when a parent applies for exemption from school fees.

Except for Schools 1 and 5, the financial policies analysed contained all the
relevant policies, as well as procedures to ensure the proper financial
management of the schools. The policies adhere to the requirements for an
effective financial policy as listed in par.2.9.1. The researcher was able to
effectively triangulate the data obtained from the literature review, with the
interviews conducted with Schools 2, 4 and 6. When the financial policies were
analysed as part of the document analysis, these documents served as proper
documentary proof of the statements made by the respondents, regarding their financial policies, thus reinforcing the triangulation process.

One of the aspects covered in the financial policy, is the budget. Budgeting is the next sub-theme identified by the researcher.

### 4.4.2 Budgeting

The question *why should we budget?* is often tabled. There are some general reasons for budgeting, including the enhancement of the quality of planning, enabling the measurement of performance, management by exception and goal orientation (par.2.9.2). Diagram 2.7 also indicates the functions of a budget. The detailed information regarding the budget provided by the respondents is an indication of the importance of budgeting at their schools. At all the schools in the sample, the budget and budgeting process were handled with care and responsibility. The schools all follow a combination of the incremental, line item and limited plan approach to budgeting (par.2.9.2). The bases for these budget approaches are the historical data contained in the budget of the previous year. The financial officer at School 6 did however, indicate that this school’s budget policy requires them to do a zero-based budget every three years. This approach to the budget process is very time-consuming, since every expense of the school is re-evaluated and reconsidered (Van Deventer & Kruger, 2003:237) (par.2.9.2). This comprehensive approach requires that each item reflected on the budget should be explained, which implies that all planned expenditure must be justified. Except for School 6, no other respondents mentioned the zero-based approach.

All the schools are following a bottom-up budgeting process. The first step in the process followed by the schools, is the needs or wish list compiled by the different educators, sports coaches, cultural organisers and committees. As stated by the financial officer at School 5, “...we tell educators, there’s committees, so we tell the educators to meet..." (S5b305-306). This was confirmed by the principal at school 4 when he noted, “...personnel will sit, each individual that has specific
responsibilities, this one for his classes, for the committees they serve on, for the types of sports, the organisers, the coordinators” (S4a133-136). The first step at School 7 was also performing the needs analysis for each subject and department (S7a170-173). The same first step in the process was followed by all the schools.

The first step five steps (as previously reflected in Diagram 2.9) in the budgeting process are not for the educators, coordinators and coaches, but are for consideration by the FCs and the SGBs when the budget submitted is considered. It is unrealistic to expect each individual educator or administrative person to consider the overall objectives and school strategies when compiling a needs analysis for their specific subject or sport. This management action is vested in the financial officer, principal, FC and the SGB. The data confirmed that all the respondents knew exactly how the budget was compiled, as well as the legal aspects related to a school budget process. All schools present the budget to the FC, then to the SGB and eventually to the parents at an annual parents meeting. The principal at School 6 set out the process clearly when he explained, “... it is presented to the FC, to first more or less determine what the school fees will be...” (S6a214-216). Once this step is completed, the draft budget “... serves at the SGB and from there we go to the parents meeting, where it will be presented...” (S6a219-220). The budget process is run very effectively at these schools, and is according to SASA requirements.

It is however evident from the data that School 3 is experiencing problems with the budget. Although they also follow the bottom-up process and even get quotations before the budgeting process, it would appear that the budget is not accurate. The principal noted that their projected income is never attained. As he explained, “It never works, because the projected income that we determine is never attained, you see” (S3a132-133). He further commented that, “... when we run the budget that’s when we pick up problems, because we don’t have the money at the time when certain activities have got to take place” (S3a135-137). From this response, it was evident that this is not a once-off problem, but rather something that occurred regularly. Usually, an annual shortage that occurs in income should be
taken into account when the budget for the following year is being compiled. However, even with this experience, the school does not take the shortfall into account, resulting in the same conundrum year after year. As the principal noted: “Then when we have shortages, we appeal to government, sometimes they make pro-rata grants,...” (S3a139-140). It would appear that the lack of financial expertise on the side of the principal, finance officer and the SGB of this school (refer par.4.4.3.2) is causing repeated, incorrect projections. This buttresses the statement by Mncube (2009:85) (par. 2.9.2) when he noted that with regard to the participation of parents in the SGB activities, including budgeting, parent governors are not participating fully, since many of them lack the necessary skills to perform the duties assigned to them. Adding to this, Mestry and Naidoo (2009:108) (par. 2.9.2) also found that SGB members in township schools do not have the necessary financial knowledge, qualifications and skills needed to manage the school finances efficiently. From the data it would appear that the same problems identified by these authors in 2009 are still evident in 2014. This is a cause for concern and drastic steps need to be taken to improve the situation. This is an opportunity for the more affluent schools to assist the disadvantaged schools: not with money, but with knowledge. The principal of School 3 suggested that financial partnerships should be established with these schools. “They can bring in their wealth of experience into the institution, for example, there could be skills, financial skills that they have that can be co-opted within the institution” (S3a340-342). Although training might help to improve the situation with regard to finances in school, the question remains: How much training is needed by a totally financially illiterate person to bring him/her to a level to effectively handle the financial function of a school?

The data indicates that budget control is performed regularly in all the schools, at least on a monthly basis. Budget variances may be identified when the actual amounts are compared to the budgeted amounts and they do not correlate. The cause for the variance is often an income shortage. In School 7, it experiences difficulty in realising the budgeted income. The reason for the variance, as explained by the principal, is related to a number of children who applied at the
school and for whom the school had budgeted, but “...then 100 less comes...” (S7a208-209). Such a budget variance and the corrective steps to be implemented are discussed during a FC meeting and also presented to the SGB. The budget is then adjusted accordingly. There is absolute clarity regarding the steps to be taken when a budget variance is identified.

The comments regarding the budgeting process which was followed at 5 different schools basically correlated with each other. It was also possible to confirm the statements by the schools with the literature regarding budgeting, thus enabling triangulation of the different data sources.

Another aspect that was responsibly handled by all the schools was the auditing of the financial statements.

4.4.3 Auditing

In par.2.12, auditing is described as a public interest activity, providing the stakeholders of the entity with the assurance that an independent professional has conducted a sufficient examination to express an opinion on the fair presentation of the financial statements. An audit gives the users of the financial statements the confidence to rely thereon. All the schools in the sample had appointed a registered auditor and the financial statements are being audited annually. The schools also receive additional assistance from the auditors. The principal at School 6 mentioned that their auditors had been appointed more or less fifteen years ago and added, “…it is important, because they also give advice on how to handle the financial management at the school.” (S6a533-534). The principal at School 7 also mentioned that the auditors give the school managers advice and check the budget before it is presented at the annual parents meeting (S7a497-500). The principal at School 1 also confirmed that they contact their auditor for assistance with the school finances. It is evident from the data that all the schools have a positive relationship with the auditors and rely to a great extent upon them, not only for conducting the official annual audit, required in terms of Section 43 of
SAS, but also for additional assistance, such as budgeting guidance, assistance with the calculation of exemptions, tax deductions from SGB employees' salaries and general financial support. With regard to these additional functions performed by the auditor, the principal at School 4 said, “The auditor handles the payment. They handle the tax deductions, the payments and all those things...” (S4a673-674).

Although the financial statements of all the schools in the sample are being audited externally at least once a year, School 2 also received monthly statements from their auditors. School 2, moreover, has an internal audit function (par. 2.12) in place, where the internal controls and overall bookkeeping are audited. This function is performed by a different external company, independent from the external auditors. When the financial statements were analysed, the researcher noted that the financial statements had indeed been audited, as asserted by the respondents. The literature could be triangulated with the responses from various interviewees, as well as with the documents analysed.

Once the financial statements have been audited, a number of analysis and interpretation techniques may be applied to the figures reflected therein. The next sub-theme focuses on these interpretations.

4.4.4 Analysis and interpretation

A business is a business is a business. If you can read the financial statements, you can manage anything. The people, the products and services are simply those resources you have to align to get good financial results (Peters & Waterman, 1982:44).

This quote, cited in par.2.11, confirms the importance of financial analysis. Financial analysis is a process whereby relevant information about a school is extracted from all the information available and is then converted into a more useful format. The information is thereafter interpreted to meet specific needs
Most of the respondents did not mention any specific analysis being performed after the financial statements have been completed. A financial officer at one school was unaware that a set of financial statements consists of the Income Statement, Balance Sheet, Cash Flow Statement and Auditor’s Report. When a copy of these documents was requested, a copy of the Bank Statement for the previous month was copied and provided. At a later visit to the school and after another request for the financial statements, the principal of the school remarked that the school is applying for no-fee status and was required to hand in the financial statements for the previous five years, to the DoE. No copy of these statements was available. The researcher’s view is that there should always be at least one copy for safekeeping. Should anything happen to the copies handed in at the DoE, there are no spare copies available at the school.

Although the other schools did furnish the researcher with the financial statements, most still did not perform any final analysis on these documents, except for School 2.

The SGB member at School 2, who is also the treasurer, did mention that a detailed analysis was carried out by him. He undertook a trend-analysis on the income earned during the financial period. This was then compared with the figures of the previous year, as well as the budgeted amounts. If discrepancies occurred, these needed to be clarified. The same process was subsequently followed for the expenses. He specifically mentioned that if an expense fell within the budget, but was still increasing, it also needed clarification. In addition to this trend-analysis, the impact of the income and expenses on the bank balance was also analysed.

Most schools misinterpreted the analysis of the financial statements as budget control. They pay a good deal of attention to the budget process and actual budget control. When referring to their analysis the financial officer at one school, specifically mentioned that “...we check for discrepancies..., but we never have a problem....we don’t wait until the financial year-end and then all the red lights go
off. If there is a red light it is handled immediately” (S8b184-198). This quote confirms that some of the schools check for deviations between the actual and budgeted amounts, based on the audited figures, but no other analysis is done.

None of the schools mentioned compared their results with that of a similar entity, such as another school. If the audited financial statements of the schools had been more readily available, it would have been possible to do such a comparison (par. 2.11.1). Should the figures be readily available, the calculation of an industry average would also be possible, making the comparison with the rest of the industry feasible.

In addition to trend-analysis and comparisons, analysis is possible through the calculation and interpretation of financial ratios. Ratio-analysis, although not much used at the schools in the sample, is usually the most popular of all the analytical techniques. A ratio-analysis is the selection of two line items which have a meaningful relationship and reflecting that relationship as a ratio (par.2.11.2). Although there are numerous ratios available for the financial management of institutions, the researcher identified certain ratios as relevant in the school context. These ratios are applied to the figures of the schools in the sample. Since the audited financial statements of School 3 were not available to the researcher, the statements could not be analysed and interpreted.

4.4.4.1 Current ratio

\[
\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}
\]

This is a liquidity ratio, which provides an indication of whether the organisation (school) will be able to meet its short term financial obligations. (par.2.11.2.1).

The following results were obtained when the ratio was applied to the results of the different schools:
• **School 1**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td>= 233 253/1 307</td>
<td>= 115 191/12 162</td>
</tr>
<tr>
<td>= 178,46:1</td>
<td>= 9,47:1</td>
</tr>
</tbody>
</table>

This school basically has no outstanding debt for the 2013 financial year; its position has improved drastically since 2012. For the 2013 financial year, current assets to the value of R178,46 are available for each R1 of its' current liabilities.

• **School 2**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td>= 2 915 262/1 201 657</td>
<td>= 2 675 434/1 085 364</td>
</tr>
<tr>
<td>= 2,43:1</td>
<td>= 2,47:1</td>
</tr>
</tbody>
</table>

This ratio indicates that the school had current assets to the value of R2,43 available for each R1 debt. It is a very good ratio and is well above the recommended 2:1.

• **School 4**

Since the audited financial statements were not available yet for 2013, the ratios are applied to the 2012 and 2013 figures.

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td>= 416 041/14 632</td>
<td>= 136 138/26 240</td>
</tr>
<tr>
<td>= 28,43:1</td>
<td>= 5,19:1</td>
</tr>
</tbody>
</table>
The ratio for 2012 is extremely high and indicates that there are assets to the value of R28,43 available for each R1 of short term liability. The figure for 2011 was already well above the recommended 2:1 and it has since even improved to the 28,43:1 ratio.

- **School 5**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td></td>
<td>= 348 896/8 900</td>
<td>= 35 113/7 900</td>
</tr>
<tr>
<td></td>
<td>39,20:1</td>
<td>4,45:1</td>
</tr>
</tbody>
</table>

The ratio for 2013 is extremely high and a vast improvement from the 2012 financial year. It definitely exceeds the recommended 2:1. This is a no-fee school.

- **School 6**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td></td>
<td>= 10 527 890/4 669 247</td>
<td>= 7 465 717/3 412 439</td>
</tr>
<tr>
<td></td>
<td>2,25:1</td>
<td>2,18:1</td>
</tr>
</tbody>
</table>

Since the recommended ratio is 2:1, this ratio of 2,25:1, which is slightly higher, is a satisfactory current ratio.

- **School 7**

Since the audited financial statements were not available yet for 2013, the ratios are applied to the 2012 and 2011 figures.
Chapter 4: Data Analysis and Interpretation

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td>= 216 220/335 234</td>
<td>= 323 854/236 612</td>
</tr>
<tr>
<td>= 0,65:1</td>
<td>= 1,37:1</td>
</tr>
</tbody>
</table>

The ratio for 2012 is a matter of concern. The school does not even meet the minimum recommended ratio of 2:1, which is already very low for a school. The school is unable to cover its short term obligations through its current/short term assets. There are assets to the value of a mere 65 cents available to cover a current liability of R1. This was already below the recommended level in 2011 and it has since deteriorated drastically. This school noted that its managers do not apply any analysis techniques to the final figures of the school, which implies that they are unaware of the financial risk that they are facing. The principal mentioned that they use the financial statements as a basis for the budget for the following year and also look at shortages and the recommendations in the audit report. They do however not perform an analysis because, as she stated: “... we go through it and look at it, but we are really not financial guru’s who can tell go this way or go that way” (S7a308-309).

The incapacity of the people in charge of the finances to perform this basic analysis, may have a detrimental effect on the financial performance of the school.

- School 8

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets/current liabilities</td>
<td>Current assets/current liabilities</td>
</tr>
<tr>
<td>= 1 097 202/447 674</td>
<td>= 1 019 547/432 133</td>
</tr>
<tr>
<td>= 2,45:1</td>
<td>= 2,36:1</td>
</tr>
</tbody>
</table>

The ratio for 2013 indicates that the school has R2,45 of current assets available for each R1,00 of its current liabilities. The school will be able to meet its obligations. Since a ratio of 2:1 is usually recommended School 8 is well above this. The ratio also improved from 2012.
4.4.4.2 Debtors’ collection period

\[ = \text{Trade receivables/credit sales} \times 365 \]

This is an efficiency ratio and provides an answer to the question, how rapidly does the school collect the cash for the outstanding school fees (par.2.11.2.1). “Sales” acts as one of the determinants in this ratio. The debtors of a school are however not the result of sales, as is the case with a trading company. The main reason for the creation of debtors at a school is the charging of school fees. The credit sales should thus be replaced in this ratio with the net school fees of the school. The net school fees can be determined by deducting the exemptions and discounts from the school fee income. Before embarking on the ratio calculation, first the researcher will consider the calculation of the net school fee:

- **School 1 and 5**

School 1 and 5 are no-fee schools, thus the calculation of the debtors’ collection period is not applicable.

- **School 2 and 4**

The school fees are recognised in the financial statements on a cash basis. This involves the result that school fees are only recognised as income once the money has been received. Based on the figures reflected in the financial statements it is thus impossible to calculate a debtors’ collection period.

- **School 6**

Net school fee = school fee income – (exemptions + discounts)
Debtors’ collection period (school context)
= Receivables (debtors)/net income from school fees x 365

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 668 920 – 3 368 078</td>
<td>28 284 361 – 2 635 347</td>
<td></td>
</tr>
<tr>
<td>= 28 300 842</td>
<td>= 25 649 014</td>
<td></td>
</tr>
</tbody>
</table>

Although the ratio has doubled since the 2012 financial year, it is still a very good one. The ratio indicates that the debt is collected within a period of only 11 days. Although the debtors’ collection period is short, the amount for bad/irrecoverable debts should also be considered. The bad/irrecoverable debts increased from the previous financial year with more than R300 000 (R2 013 135 in 2012, to 2 341 912 in 2013), which is alarming.

The % change in the irrecoverable debts for the 2013 year can be calculated, applying the following formula:

\[
\text{% change in irrecoverable debts} = \frac{(\text{Bad debts 2013} - \text{bad debts 2012})}{\text{Bad debts 2012}} \times 100
\]

\[
= \frac{(2 341 912 - 2 013 135)}{2 013 135} \times 100
\]

\[
= 328 777/2 013 135 \times 100
\]

\[
= 16,33\%
\]

An increase of 16,33% in the irrecoverable debts of School 6 needs serious attention from the management team. The school might consider stricter or harsher measures regarding its debt collection. If this should persist, the irrecoverable debts for 2014 will be R2 724 346. Not even an affluent school such as School 6 could afford such an amount of irrecoverable debts.
The principals and/or financial officers of all the fee-paying schools indicated that their greatest difficulty with the school finances is the non-payment of school fees. With regard to question concerning the biggest challenge in the school finances, the principal at School 7 mentioned, "... at this stage, it is the case of non-payment of school fees by the parents." (S7a130-131). The financial officer at the same school confirmed this when she noted that her biggest frustration was “... mostly the funds that do not come in. Parents who pay badly” (S7b55-56). Although these quotes confirm their inability to collect all the debts, only School 6 reflected their bad debts in the Income Statement. Schools that prepare the financial statements on a cash basis are not determining their bad debts, which is bad for the users. It was thus not possible to calculate this percentage for the other schools.

- **School 7**

No provision was made in the financial statements of this school to incorporate the non- or late-payment of school fees. This made the calculation of this ratio irrelevant and impossible to perform.

- **School 8**

Net school fee

= school fee income – (exemptions + discounts)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>= 9 636 240 – 1 668 786</td>
<td>= 8 302 057 – 1 242 145</td>
</tr>
<tr>
<td></td>
<td>= R 7 967 454</td>
<td>= R 7 059 912</td>
</tr>
</tbody>
</table>

Debtors’ collection period (school context)

= Receivables (debtor)/net income from school fees x 365
The 0,31 days indicates that debt is collected within less than a day. This is an extremely good debtors’ collection period. The outstanding debtors are irrelevant in relation to the total school fees amount. There is a vast improvement from the 2012 financial year, when the collection period was 6,86 days. Nevertheless, even the 6,86 days, from the 2012 financial year, is still a very safe collection period.

### 4.4.4.3 Debt ratio

\[
\text{Debt ratio} = \frac{\text{Total debt}}{\text{Total assets}} \times 100
\]

This ratio reflects the percentage of debt used to fund the assets of the school. (par. 2.11.2.3).

- **School 1**

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>= ( \frac{6800}{7967454} \times 365 )</td>
<td>= ( \frac{132739}{705912} \times 365 )</td>
</tr>
<tr>
<td>= 0,31 days</td>
<td>= 6,86 days</td>
</tr>
</tbody>
</table>

For the 2013 financial year basically no assets were financed by debt while during the 2012 financial year, a mere 10,49% was financed through debt. The school had an extremely low financial risk in 2012 and basically no financial risk in the 2013 financial year.
• **School 2**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total debt/total assets x 100</td>
<td>Total debt/total assets x 100</td>
</tr>
<tr>
<td></td>
<td>$1 201 657/2 915 262 x 100</td>
<td>$1 085 365/2 675 434 x 100</td>
</tr>
<tr>
<td></td>
<td>= 41,2%</td>
<td>= 39,41%</td>
</tr>
</tbody>
</table>

For the 2013 financial year 41,2% of the assets are covered by debt. Although this % has increased since the previous financial year (2012) it is still a safe %. The recommended % in the business environment is 50%.

• **School 4**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total debt/total assets x 100</td>
<td>Total debt/total assets x 100</td>
</tr>
<tr>
<td></td>
<td>$14 632/4 926 793 x 100</td>
<td>$26 240/3 574 750 x 100</td>
</tr>
<tr>
<td></td>
<td>= 0,30%</td>
<td>= 0,73%</td>
</tr>
</tbody>
</table>

Not even 1% of the assets are covered by debt. This is acceptable even up to a level of 50%, therefore0,30% is really extremely low. Should the school need financing at any stage it has sufficient assets to support a loan or other type of financing.

• **School 5**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total debt/total assets x 100</td>
<td>Total debt/total assets x 100</td>
</tr>
<tr>
<td></td>
<td>$8 900/348 897 x 100</td>
<td>$7 900/35 113 x 100</td>
</tr>
<tr>
<td></td>
<td>= 2,55%</td>
<td>= 23%</td>
</tr>
</tbody>
</table>

For the 2013 financial year, only 2,55% of the assets are covered by debt. The ratio improved since the previous financial year, when it was 23%.
Chapter 4: Data Analysis and Interpretation

- **School 6**

\[
\begin{array}{|c|c|}
\hline
\text{2013} & \text{2012} \\
\hline
\text{= Total debt/total assets x 100} & \text{= total debt/total assets x 100} \\
\text{= 4 669 247/11 074 465 x 100} & \text{= 3 412 439/7 702 861 x 100} \\
\text{= 42,16\%} & \text{= 44,30\%} \\
\hline
\end{array}
\]

For the 2013 financial year, 42,16\% of the assets are covered by debt. The percentage did decrease from the previous financial year, which is a positive indication that the school is attempting to curb their debt. Since the recommended ratio for the business environment is 50\% these are still acceptable percentages.

- **School 7**

\[
\begin{array}{|c|c|}
\hline
\text{2012} & \text{2011} \\
\hline
\text{= Total debt/total assets x 100} & \text{= Total debt/total assets x 100} \\
\text{= 335 234/1 505 120 x 100} & \text{= 236 612/1 154 902 x 100} \\
\text{= 22,27\%} & \text{= 20,48\%} \\
\hline
\end{array}
\]

The percentage did increase slightly from the previous financial year. The 22,27\% obtained in the 2012 is still a very safe %. It is much lower than the recommended 50\%. The results is evident that a good credit policy is in place.

- **School 8**

\[
\begin{array}{|c|c|}
\hline
\text{2013} & \text{2012} \\
\hline
\text{= Total debt/total assets x 100} & \text{= Total debt/total assets x 100} \\
\text{= 497 192/2 152 794} & \text{= 516 347/2 360 942 x 10} \\
\text{23,10\%} & \text{= 21,87\%} \\
\hline
\end{array}
\]

The ratio for 2013 indicates that only 23,1\% of the assets of the school are financed by debt. Although it did increase slightly from 2012, it is still a financially viable ratio. The financial risk attached to the school’s debt is very low. The ratio
for a business organisation should not exceed 50%, which implies that this ratio of 23.1% is a very positive ratio and evidence of a good credit policy.

Schools 2 and 6 have a relatively high ratio when compared with the other fee-paying schools, but both are at least below the 50% recommended ratio. It should be noted that School 8 has a ratio of only 23.10%, which gives some indication of the severity of a percentage of above 40%. Schools 2 and 6 should definitely consider these ratios when preparing their budgets for the following financial year, and attempt to better the ratio. The lack of proper analysis and interpretation of the audited financial year-end was confirmed during the interviews, by varied respondents. The interviewees all indicated that a lack of analysis exists. During the interviews the respondents mentioned their difficulties with the collection and non-payment of school fees by debtors. Their comments were confirmed by the figures for irrecoverable debts reflected in the financial statements. The document analysis of the audited financial statements of School 6, specifically indicated bad/irrecoverable debts, thus confirming the comments made during the interviews. The data obtained from the interviews could thus be triangulated with the amounts reflected in the financial statements, regarding irrecoverable debts and the amounts owed by outstanding debtors.

The lack of a proper analysis and interpretation of the financial statements may result in the budget for the next financial year not taking the risk areas from the previous financial period into consideration. If risks are not considered during the budget process, it will result in an inaccurate budget, which may in turn result in cash shortages and possible unforeseen deficits, which will influence the overall education at the school.

4.5 MAIN THEME 3: GOVERNMENT FUNDING

Government funding is aimed at alleviating the financial barriers to education. The funding policy in South Africa is oriented towards improving the quality of education through redressing the historic inequalities (par. 2.6.1).
4.5.1 Quintile ranking

The ANNSSF is a mechanism aimed at improving equity in school funding. Schools are ranked in five quintiles. A quintile is the poverty score of the school, determined by taking into account the unemployment rate of the community, as well as the level of education. The reasoning behind these quintiles is to ensure that schools serving poor communities receive more state funds than schools serving affluent communities (par. 2.6.2). The schools included in the sample varied between quintile 1, which are no-fee schools, to the very affluent quintile 5 schools. The quintile ranking of a school is very important, since it determines the status of the school in respect of fees and funding. This ranking system, assessing the poverty indicators of the community where the school is located, may not always capture the poverty of the learner community accurately (Sayed & Motala, 2009:4) (par. 2.6.2). School 3 has a 4 quintile ranking, which implies that the community is relatively affluent. However, the principal at School 3 claimed that the assumption made when determining the poverty score is that the “...community around the school bring their children to that school. The assumption is not true, in the case of our communities” (S3a419-421). He further mentioned that the parents of the school community who can afford the school fees, a mere R300 per year, and can support the school financially, “...do not bring their children here” (S3a426). His reason for this situation is actually alarming. According to him the reason for parents moving their children to schools in wealthy communities, is the poor quality of education in the schools in the township. He stated that: “The complaint is the quality of education in these schools is weak, you see” (S3a426-427). Based on this response, the question could be asked: What has really changed in education in South Africa if a principal himself refers to the weak quality of education in the poor township schools?

The principal of School 3 decided to apply for no-fee status. The researcher came by this information when she requested a copy of the audited financial statements for the previous financial year and was told that the school was unable to provide her with the relevant documents. According to the principal, the financial
statements of the previous five years were forwarded to the DoE for perusal and consideration as regards the change in status, and were thus unavailable.

The problems caused by the incorrect quintile ranking were also confirmed by Chutgar and Kanjee (2009:2)(par. 2.6.2). In addition to the quintile ranking of School 3, which caused great financial hardship for the school, a similar situation occurred at School 7, which is situated in a middle to upper class white area. However, the learners at the school do not reside in the same area. Most of them commute from the nearby coloured and black townships. According to the principal, the economic welfare of the learners is average to poor, in total contrast to that of the community the school is located in. It is clear that the data obtained from the interviews and the literature review can be triangulated, since it all confirms the inadequacy of the quintile ranking system.

An SGB member participant also commented that the reason for enrolling his children at this school is mainly the good quality education offered at the school (S7c24-25). He confirmed that the learners commuted from other areas; thus the community in which the school is situated in does not represent the parents’ community. The comments made during the interview with the principal were triangulated with the comments made by the SGB member. Another factor that influenced the choice of this school, as opposed to other schools, is because it is situated close to the main road to town, which makes it more accessible to the learners in other areas (S7c17-19). Although this school’s ranking does not correlate with the financial standing of the parents of the learners, the principal prefers to keep the status quo regarding the quintile ranking of the school. Based on the poverty score of the community, the school was ranked as a quintile 5. Should the financial position of the parents of the learners be taken into account, the quintile ranking might drop drastically. The principal is, however, not interested in applying for an amendment to the quintile ranking. According to her, the ranking provides the school with some prestige and it is ranked the same as other previously so-called Model C schools in the community. She mentioned: “You know, on the one hand it gives you some prestige. I am on the same quintile as
school X and that encourages parents to enrol their children at this school, because of the prestige” (S7a589-590).

The principal also mentioned that there are many transport problems at the school, but the learners still prefer to attend there. According to her, in spite of the transport issues that they experience, “... they have to be here because they have to obtain this education and have these privileges...” (S7a595-596). According to both the SGB member and the school principal, the decision to attend a school which is not located in the area where the learners reside is motivated by a desire to gain quality education. This is an indictment of the quality of education offered in the townships. The area in which these learners reside in, quintile wise, is a totally different area from the area referred to in School 3. It would thus appear that the quality of education in various townships (three in the research sample) is not acceptable to the more affluent black and coloured parents and learners. It is evident from the data that a vast social injustice is embedded in the disparity in quality education between certain township schools and more affluent schools in other areas. Government is also responsible for the nutritional programmes at the disadvantaged schools. This programme gave rise to the next sub-theme.

4.5.2 Nutritional programme

One of the specific categories funded by the state is the nutritional programmes at schools. The importance of the SNP (par. 2.6.1) should not be underestimated. This was confirmed by the principal of School 5 when he pointed out that “The only food that most of the children are getting is through the feeding scheme.” (S5a370-371). The families of the learners in his school community are mostly unemployed and depend only on the child grant, with no other source of income. The principal mentioned: “... the large burden of this community are in the hands of the kids.” (S5a374). School 4 is also dependent on the SNP for feeding 200 learners per day while School 1 also relies on the SNP. The SNP not only alleviates hunger, but also bolsters the intellectual capacity of learners (Kiti, 2008:103) (par.2.6.1). The SNP is regarded as a form of social protection, which
entails the public action that is taken in response to levels of deprivation, risks and vulnerability, which are deemed socially unacceptable.

It should be borne in mind that even in affluent schools, some of the children also depend on the school for food. Although School 8 is a fee-paying school and located in middle- to upper-class community, the financial officer confirmed (during informal discussions with the researcher) that there are a number of learners in the school who are also dependent on the school for their nutritional needs. The school supports a number of learners and their families, by providing the learners with food on a daily basis and their families with weekly/monthly food hampers. This is the school’s own initiative and no government funding is received to assist the school with the programme. The extension of the SNP to affluent schools with disadvantaged learners attending at the school should therefore be considered by government.

In addition to funding the feeding scheme at disadvantaged schools, the government also funds the maintenance of the school property.

**4.5.3 Maintenance**

Facilities maintenance in the school context relates to the repair, replacement and general upkeep of physical features on the school grounds, in the school buildings and within the safety system of the school (par.2.7.1). Physical facilities are vital for effective teaching and learning and have been identified as one of the strategic priorities of education in South Africa, as set out in the report for National Treasury on administered prices (Pillay, n.d.: 8). Although physical facilities are a priority area, the schools in the sample did not evidence this national drive. All the schools complained about the allocation from government being totally insufficient to properly maintain the facilities. The financial officer at School 2 noted that the school was allocated an amount of R600 000. This amount is the allocation for LTSM, services and maintenance. The municipal account (rates, lights and water) of the school for one month maybe as much as R123 000 while the cost of
textbooks alone at the beginning of 2014 amounted to R750 000. Their annual budgeted maintenance expense is R875 000 (S2b638-646). It is obvious from these amounts that the government/departmental allocation of R600 000 is not nearly sufficient to cover the maintenance of the facilities. The insufficiency of the departmental allocation regarding maintenance was confirmed by the principal at School 6, when he stated that the allocation does not even cover 5% of the maintenance expenses of the school. He complained about the calculation of the allocation, since it is based on the number of learners at the school, instead of taking the extent of the buildings and facilities into consideration. He stated, “... all they do is they work on the number of kids. So if you have one learner more tomorrow, then you will get that amount extra, which is minimal” (S6a357-358). The allocation calculation based on the number of learners in the school was also questioned by the principal at School 1 when he explained, “... the allocation is that per learner. So is you have few learners you get less and if you have more learners you get more, but it doesn’t meet the needs of the school” (S1a165-167).

The principal at School 8 also argued that the allocation was insufficient. According to him, maintenance is paid from the pockets of the parents, because the allocation covers “... not even 5%, if it even comes to that” (S8a198-200). With regard to the maintenance allocation, School 7 also experienced problems. Their total allocation is slightly more than R500 000, but this did not cover their expenses at all, since the amount allocated covers the maintenance, services and textbooks. The cost of textbooks amounted to at least R300 000 per annum while the municipal account varies between R50 000 and R70 000 per month, meaning that the allocation received is not even enough to cover the municipal account for the year. It is clear that the school has to fund the maintenance from its own pocket. The inadequacy of the maintenance allocation was also evident from a study conducted by Xaba (2012:219) (par.2.7.1), from which he concluded that the allocation from DoE was insufficient. He further noted that the suburban schools were better maintained, because they are able to charge higher fees than township schools. The suburban schools in this sample were also able to
supplement the maintenance expenditure through applying school fees to that effect.

The data from the literature and the interviews clearly reflects that the allocation for the maintenance is insufficient and also that the respondents at the schools doubt the validity of the way in which the allocation is determined: by merely taking the number of learners in the school into account. The cost of the maintenance of a building will not decrease merely because there are 30 learners less in the school, or increase because there are ten learners more. The specific facilities and maintenance requirements of the facilities at the school should also be considered, such as computer and technical laboratories.

4.6 MAIN THEME 4: SCHOOL FEES

In addition to government funding, schools may charge fees to supplement government funding. SASA permits schools to determine and charge school fees (par. 2.6.3).

4.6.1 Non-payment

In terms of Section 39 of SASA, if a resolution has been adopted by a majority of parents at a parents’ meeting, the school may determine and charge school fees. In addition to this, should parents neglect to pay the school fees agreed upon and they did not qualify for an exemption, the SGB is allowed to take legal action against them (Section 41, SASA) (par.2.5.2.3). Respondents were requested to discuss their biggest frustration/problem as regards the finances of the school. The non-payment of and/or exemption from school fees were the major problem(s) faced by all the fee-paying schools. With regard to his major difficulty, the principal at School 3 mentioned: “... collection in our case. That is the biggest problem” (S3a120). Although the fee at School 3 is only R300 per annum, collection of the school fees is still problematic. This principal ascribes this to the concept of free education promulgated by government. As he said, “... they promise everybody
that education is free and at the end it isn’t free. But it knows, you know, this basic financial principle that anything that is free, is worthless” (S3a124-126). The same difficulty persists at School 4 where the principal stated that more than 60% of the learners at the school do not pay their school fees (S4a391). The financial officer at School 7 was also frustrated by the non-payment. She mentioned that her biggest frustration is the “... money that doesn’t come in. Weak payments by parents” (S7b55). The principal at School 7 echoed the frustrations of the financial officer in these words: “... at this stage it is the parents who don’t pay school fees” (S7a130). The responses from the interviewees at the fee-paying schools indicate the enormous extent of the problems experienced as a result of the non-payment of school fees.

The no-fee schools in the sample are primary schools and it should be noted that although these schools have obtained no-fee status, they are still charging fees for their grade R programme. The non-payment is thus also affecting these schools. The principal at School 1 also listed the non-payment of grade R fees as a major problem. With regard to the payment of fees for grade R, the financial officer at School 5 (also a no-fee school) noted that they charge a fee for the grade R tuition, because, “It is not part of our school. We can’t take our money and use it for grade R. So we try to convince them that they must pay Grade R, like créche” (S5b101-102). Although they do try to collect these fees from the parents, it also proves problematic.

The schools have the legal right, via Section 41 of SASA, actually to take legal action against such non-payers. It is important to distinguish between a parent who has been officially exempted from paying school fees (par.4.7.2) and a parent who is financially capable of paying, but merely neglects to pay. As the financial officer at School 5 explained, “...some of them they do have money but they do not pay” (S5b94). The financial officer at School 7 also noted that the non-payers are not parents who are unemployed, because those parents apply for exemption. “...it is not parents who are actually unemployed or who can apply for a subsidy, it is parents who are actually working, but who just don’t pay” (S7b80-82). Could the
no-fee propaganda indirectly be influencing these parents to omit paying, as previously indicated by the principal of School 3 (S3a124-126)? Parents who do not apply for the exemption are bound by law to pay the fees determined by the SGB and confirmed by the parents. The schools utilise collection procedures to enable them to collect the late and outstanding debts. The amount of irrecoverable debts at the schools in the sample is reason for concern. The financial officer at School 7 confirmed that the amount of their debt that was handed over to the debt collectors, but written off as irrecoverable for the 2013 financial year, was R1,8 million. Another 14% of the school fees were not collected because of fees exemptions to parents. At School 7 it only receives between 72-75% of the school fees (S7b78-93). Since the financial statements are prepared on a cash basis, these amounts are not reflected in the financial statements. The same problem persists at School 8, where more or less 7% of the fees are not paid and another 15% of the irrecoverable fees are due to parents that have been exempted, resulting in 22% of the fees not being received (S8b132-135). The principal at School 4 noted that only 30% of the parents at the school are able to pay their fees while the collection rate at School 6, a very affluent school, is 85%. Although it is a relatively satisfactory collection percentage, it is surprising that such a sizeable proportion of parents at such an affluent school still neglect to pay their school fees. The principal did mention that many learners attend a quintile 1 or 2 primary school, where no school fees are charged, and then move to a fee-paying secondary school, often resulting in a non-paying culture or the application for exemptions (S6a156-163).

All the schools have basically the similar collection procedures in place. At School 2, the following procedure is followed:

- Send out account statement
- Make a telephone call
- Send a letter
- After repeated interaction via letters and telephone calls, the debtor is eventually handed over to the external debt collectors. According to the
financial officer it takes up to one year before a debtor is actually handed over to the external debt collector (S2b189)

- These debt collectors may eventually blacklist the debtor and take legal action.

It should be noted that School 2 has two internal debt collectors who run the debt collecting; only as a last resort is the debtor handed over to the external debt collector.

More or less the same steps are followed at School 6, with the main difference being that the management first sends out a sms in the case of late payment. This is followed up by letters and repeated telephone calls. Should the non-payment persist, the debtor is handed over to an external debt collector. The school did however experience a number of problems with the debt collection and referred to certain debts that had been at the debt collectors since 2006. A decision was made to write these debts off as irrecoverable in the financial statements. It was this decision that caused the school’s exceptionally high bad debts in the financial statements for the 2012 and 2013 financial year (par.4.5.4.2). Writing off the irrecoverable debts should also be considered by the other schools. The debt collectors are not paid by the school, but they are remunerated by earning a percentage of the debt actually collected by them. This is a very effective system, because the school does not make any payment if there is no collection.

The data obtained from the various fee-paying schools indicate that they are following more or less the same procedure for debt collection, which is totally in line with the requirements of SASA. No results are being withheld due to non-payment and learners are not embarrassed by parents’ non-payment in any way. The only measure mentioned is that report cards are not withheld from learners, but at the end of the year, those with outstanding fees are required to fetch their reports from the financial office, where they are again informed of their outstanding debts (S7a522-523). It would appear that, irrespective of the collection procedures in place at the schools in the sample, the problems of non-payment and collection persist at all the schools in the sample.
The data obtained from the detailed document analysis (analysis and interpretation of the financial statements) supported the statements made by various respondents regarding the non-payment of school fees. The steps taken regarding the non-payment are in accordance with SASA, and thus correlate with the literature review.

4.6.2 Exemptions

To prevent learners from being denied admission to a specific school because of the parents’ inability to pay the fees, the NSSF specifically states that learners from lower-income families must be granted partial or complete fee exemption. The extent of the exemption is determined by the relationship between the level of income of the family and the size of the fee (par.2.6.3.1). Parents should apply, in writing, and adhere to certain requirements to qualify for the exemption. The basic list of requirements is reflected in par. 2.6.3.1. There are slight differences in the documentation required by the different schools, but the calculation regarding exemption is prescribed by government. As the calculations and considerations are becoming very involved and time-consuming, the SGB members have to become more involved in the exemption process. The treasurer at School 2 mentioned that although his involvement is more of an oversight function, he is specifically involved with the exemptions. He stated: “... where I do get involved is with the exemptions, to see whether it was done correctly” (S2c18-19). The treasurer at School 7 also mentioned his involvement with the exemptions. He mentioned that he had a batch of exemption applications at home, which he was required to work through. According to him: “... they do the calculations and we just make sure that the formula they are using is correct and we sign it” (S7c147-149).

Schools 2 and 8 decided that the applicants should also submit a copy of their tax assessment form from the 2014 academic year. The number of exemptions at those schools is significant. Up to 350 of the 1100 learners at School 2 are exempted from paying, which has a substantial impact on the school fee income of
the school (S2b175-177). At School 6 the financial officer also complained about the extent of their subsidies for the exemptions. According to him, subsidies of R2.9 million were budgeted for in the current financial year (S6b164-165). The actual granting of the exemptions is not the problem, but rather the limited amount of subsidy received from government in respect of the exemptions granted. The exemptions at School 7 amounted to more than R1 million per annum. What is worrying was not only the amount of the exemptions, but also the amount of subsidy in respect thereof: approximately a mere R80 000. The learners that are exempted from school fees, are thus not really subsidised by government, but are actually cross-subsidised by the fee-paying parents.

The government exemption ratio/formula that is applied at schools influences the school fee amounts charged. The school should basically manipulate the increase in the school fee so as to prevent too many parents qualifying for exemption. A small increase in the school fee may, as a result of the sliding scale, cause a drastic increase in the number of parents who qualify for exemption. The principal at School 6 specifically referred to this when he observed, “…you can’t merely increase your school fee, because the higher your school fee ... then comes the sliding scale and those parents qualify for exemption” (S6a614-618). According to him, a very careful calculation should be performed when deciding whether to increase the school fee or rather cut down on the expenses.

Although the schools indicated that they experienced snags with the exemptions, the exemption formula (reflected in the literature review) was applied by all the fee-paying schools. The data from the literature review thus correlates with the comments by various respondents.

Parents are known to frequently misuse this exemption by enrolling their children at schools with a high school fee where they can qualify for the exemption. If they had enrolled their children at a school with a much lower fee in their own community, they might not have been granted the exemption. They are thus evading the payment of school fees by enrolling at a school with a high school fee.
Instead of these parents currently being cross-subsidised by parents at high fee schools, these parents could subsidise poor parents in their own communities.

A further reason for concern is that private schools are not obliged to accept any learners who cannot afford to pay the school fee charged. Government schools in affluent communities may consequently consider becoming private schools, thus avoiding the subsidising of learners, with only limited reimbursement from the government side.

4.6.3 Teacher:learner ratio

As previously explained, the calculation of the teacher:learner ratio is often misinterpreted as class size. Although it does impact on class size, it includes teachers who spend all or part of their day as librarians, principals, deputy-principals and other non-teaching positions (par. 2.7.2). Although the required ratio of class size in South Africa is 1:35, more than 6000 of the 27 000 schools report an average class size of 45 or more learners (Chuenyane, 2008). The no-fee schools have large class sizes, since they cannot afford to pay any additional teachers from the school fees, as in the case of the fee-paying schools. School 5, a no-fee school, has 742 learners, with only 20 teachers, an average teacher:learner ratio of 1:37. Since School 5 is a no-fee school, the school is not in a financial position to appoint any additional teachers. This school receives only the allocation of R1 059 per learner (2014) per year (S5a188-189). This amount increased by only R49 from 2013, an increase of less than 5 % per annum. In contrast to this, School 6 has 1 750 learners with 98 teachers, of which 25 are SGB posts (S6a575-579). An SGB post means that the teacher is remunerated by the SGB and not by government. The teacher:learner ratio of School 6 is only 1:18. The reason for the small ratio is the school’s financial ability to appoint and pay teachers from the fee income. The school fee at this school is R21 900 p.a. while in addition to these fees, the school also receives assistance from government. School 7 has a total of 51 teaching posts, of which 10 are paid by the SGB. With a total of 1076 learners, and some of the teachers appointed not
allocated to classes, the teacher:learner ratio average at 24 learners per class (S7a575-576).

The ratio of teacher: learner at no-fee schools is much higher than that of the fee-paying schools, because the fee-paying schools are paying additional teachers from the school fee income. This is to the disadvantage of the no-fee schools and a social injustice to the children who cannot afford to attend at the fee-paying schools. The high teacher:learner ratio at the no-fee schools is not in evidence as per the principles listed by the Minister of Education. With regard to the expenditure on personnel for schools, the following tenets are relevant:

- Schools must be allocated an adequate number of educator and non-educator personnel
- Personnel should be equally distributed according to the pedagogical requirements of the school
- Cost of personnel should be sustainable within the provincial budgets (Mestry & Naidoo, 2009:44) (par.2.7.2).

It is evident from the data that there are definitely not an adequate number of personnel at the no-fee schools and that the distribution of personnel is not equal. No adjustments to the number of personnel are made as a result of a school obtaining the no-fee status. The teacher:learner ratio is thus determined, not by the pedagogical requirements of the school, but by the school's financial ability to remunerate additional personnel from its school fee income.

4.6.4 Additional remuneration

In addition to the advantage of having a lower teacher:learner ratio at schools with a higher school fee, these schools are also in a position to pay their educators additional remuneration (par. 2.7.2). This is advantageous when recruiting new
educators for the school and more specifically when recruiting educators who can also coach a sports team, such as a rugby coach. Many of the fee-paying schools in the sample do actually make some kind of additional payment to the staff. The schools refer to it rather as “a thank you gesture” than an official remuneration. At School 6 the rate is R40 for a session of one and a half hours, but if the person is a provincial coach, the remuneration is increased to R120 per session. For an instructor who coaches on a daily basis and then works on Saturdays at the matches, this could account for meaningful income. The same school remunerates a provincial coach with no educational expertise, at R5 000 per month and a biokineticist for a similar amount. The additional remuneration is covered by the school fees. Schools 2 and 8 are also paying additional remuneration. School 8 has for example a number of heads of departments that the school appointed, in addition to those appointed by the department. The additional remuneration that should be paid to these educators, is also covered by the school fees. The school has also implemented a point system, where educators earn points, not only for sports activities, but also for academic and cultural activities. Based on the point score of the educator, he/she is then remunerated at the end of the year. This is an annual payment. However, the payments to the head of departments are made on a quarterly basis.

School 4 and School 7, although fee-paying schools, do not pay their educators any additional remuneration. At School 4 this was a conscious decision by the principal. According to him it is too difficult to tell an educator: “...you worked two minutes longer than that person... I have just decided that I don’t want to tread upon that minefield” (S4a702-706). He also complained about the amount of administrative work that should be forwarded to the Department of Education in respect of this type of additional remuneration. The financial officers at Schools 2 and 8 showed me their files with the documentation for the Department and indicated that compiling the file with all the required administrative documentation is very time-consuming. The extent of the documentation briefly studied by the researcher, confirmed the comments made by the respondents regarding the amount of time spent on doing so. Analysis of the document thus confirmed the
responses from the interviewees and serves as triangulation of the data. Although School 4 decided not to pay the educators any additional remuneration, that was not the case at School 7. The principal at School 7 does not pay additional remuneration due to financial constraints. The principal indicated that this additional remuneration paid by certain schools is creating difficulties for other schools, such as School 7, when they are recruiting educators or trying to keep existing personnel. An educator at School 7 is the best qualified hockey and cricket coach in the area, but because School 7 is not paying any additional remuneration, the educator also coaches at another school after three in the afternoon. The basic salary offered by School 7 is just not enough to compete with the additional remuneration paid by other schools. It is obvious that the impact of the additional remuneration is also affecting the no-fee schools when recruiting personnel: these schools are already worse off regarding facilities and infrastructure; the additional remuneration is putting them in an ever-worsening recruitment position.

4.7 MAIN THEME 5: ADDITIONAL INCOME

After compiling the budget for the following year and taking the school fee income into account, the schools are often faced with the dilemma of a shortage in available funds. The SGB then turns to the option of acquiring additional income for the school (par.2.6.4.1).

4.8.1 Fundraising

Fundraising aims to supplement the funding of a school. Should a school experience a shortage of funds, this could be supplemented by launching a fundraising project. This is not only the case at South African schools, but, as pointed out earlier, even in some schools in the United Kingdom, which are expected to raise funds through their own efforts (Anderson, 2000:41)(par.2.6.4.1). The no-fee schools are in dire need of additional funding, but they experience snags launching such fundraising projects in their own communities. The principal
at School 5 (a no-fee, quintile 1 school) noted: “... most of our fundraising is through the casual clothes thing. We do it fortnightly, every Friday” (S5a134-135). The financial officer at School 5 confirmed this by stating: “...the casual on Fridays, they pay R2 each learner on Fridays” (S5b115). Many learners are unable to take part in the event, since they cannot even afford the R2 payment. Should 50% of the learners take part in the event; the income is approximately R740. In addition to this fundraising effort, the school rents out a few school tables to local vendors at R5 per table, from where they then sell sweets. The income earned through these fundraising efforts is minimal and not even material as regards the resource needs the school is experiencing. The principal at School 1 also referred to the same fundraising effort, “... every Friday children come on civvies and they pay R2” (S1a273). Although the amount is also not material to the above mentioned resource needs, he was positive about the effort and noted: “... it is a bit small but it can make a difference. You don’t have to go into the bank account every time, even when you want to buy sugar...” (S1a274-275).

In strong contrast to the fundraising efforts and income at these schools, the more affluent schools excel at accumulating resources through their fundraising efforts. Where the quintile 1 and 2 schools raise maybe R700 or less per fundraising event and still appreciate this money, the case at the quintile 5 schools appears to be considerably different. When the financial officer at School 6 was questioned on the fundraising efforts at the school, he mentioned,“... it was not a very big one. That rugby breakfast, we talk about a profit of R130 000. The golf day we want to keep the same objective,... we try... I say we will get R100 000 there...’ (S6b253-256). The question that comes to mind is, how can a fundraising effort earning the school R130 000, be regarded as not a big one? In addition to these efforts the school is also taking part in a motor car competition, where their estimated income from selling tickets is approximately R200 000. In addition to a school fee of R21 900 per learner per annum, the school is still accumulating these amounts. Interestingly enough, the accounting officer mentioned that these funds are not really to keep the school running, but rather to finance sport, which is being run through an article 21, non-profit company. He further noted that the school does
not balance its budget by using fundraising money, which implies that all this money is a nice-to-have, additional extra. The member of the SGB confirmed that the money raised via the section 21 company, which is not an insignificant amount, is mainly to grant: “... special incentives” (S6c247-248) to learners who are excelling at sport or cultural activities, but not to balance the school budget or contribute to the day-to-day teaching and learning activities. The financial implication of the Section 21 Company receiving money on behalf of the school seems to be a sensitive issue at the school. When the principal was requested to comment on the purpose of the establishment of the company, he reluctantly mentioned that: “... I am not from that time, maybe if you asked Mr......, he would be able to give you a more definite answer” (S6a305-306). He did however; mention that as he understood it, it was established to do upliftment work for disadvantaged children at the school. The company pays for their school fees and other expenses. The SGB member interviewed was also hesitant to express an opinion regarding the purpose of the Section 21 company. He commented that the company had been established three or four years previously and he has only been involved with the SGB for the last six months, so, “…I can’t comment at all…” (S6c163-164). He did however mention that they need to “... refine the lines and responsibility and the ethical adherence, or whatever you call it, interaction, decision making between the two entities, I think, should be refined” (S6c202-204). Since the company would not have been established without the existence of the school and funds are accumulated as a result of the connection between the school and the company, it is unclear why the financial activities of the company, although reflected in the company financial statements, are not also incorporated in the financial records of the school and managed by the SGB. It is unacceptable that an elected SGB is not involved in the finances of the company, since the whole concept behind the implementation of the SGB principle was to get elected parents involved in the school finances. The mere fact that the funds of the school are channelled via another company, does not imply that they are not still school funds.
Although School 7 is a quintile 5 school, the school is experiencing difficulties with its fundraising projects. Although located in a middle to upper class white residential area, the parents themselves are from other, less affluent township communities. Raising funds in the community where the school is located is very demanding since there are other schools located in the same area, in which their learners all live. The community is thus already supporting the fundraising projects of the schools that their own children attend. The principal is however really putting in an effort to raise additional funds. A variety of projects are being run, such as trips to Gold Reef City and Sun City and a Spring Day outing, all of which are intended to accumulate funds for the school. The school also rents out its facilities to a karate club and wrestling club. In addition to these, the school is also attempting to rent out the premises over weekends to parties interested in selling their cars. Although the school cannot accumulate a huge amount with one single event, as is the case at School 6, they are still putting a great deal of effort into their fundraising. The principal did, however, experience disadvantages from hosting events in the evenings. The taxis waiting for the learners accumulated on the sidewalk and then played loud music. Some of the drivers became intoxicated and made a terrible noise. As a result, members of the community contacted the principal and she was obliged to run around in the dark to try and silence them. This situation was unsafe and a huge stress factor for the principal (S7a370-372).

Although School 4 is located in a poor community and the parents of the learners are also not in a financial position to support the fundraising events of the school, the principal opted for a fundraising project that did not impact on the parents or community. The principal had, over a number of years, built a trust relationship with a number of business people, his family and friends and contacts of the staff members at the school. At a golf day launched by the school during the previous year, the school made a profit of R100 000, with not even one parent of the school contributing to or taking part in the event. All participants and donors were outside parties with the well-being of the school at heart. According to the principal, the golf day has really flourished. The first golf day resulted in a profit of R16 000, but it has since evolved into a huge fundraising event, accumulating up to R100 000. It
is evident from the data that although certain poor communities do encounter more difficulty in running a successful fundraising project, it is definitely possible. The fundraising events at this school, situated in a poor community, confirm that the success of a fundraising project depends, to a great extent, on the ability of the principal to build strong relationships with the relevant stakeholders. Lerotholi (2001:29) (par.2.6.4.1) corroborated this when he mentions that stakeholders are of paramount importance to the school, since they contribute school funds in various ways. They include parents, donors, learners, educators and the wider community. The principal at School 4 searched more extensively than just the learners, parents and community. He reached out to donors, business people, his family and friends and to the contacts of his staff. School 4’s story is nonetheless that of only one school and needs to be told to principals and SGB members at other schools situated in poor areas. The data obtained during the interview with the principal at School 4 correlates with the data from the literature review, thus enhancing the credibility of the study.

When comparing the situations at Schools1 and 5, with that of School 6, it would appear that insufficient government funding for education resulted in affluent communities subsidising their children’s education with private resources, while the disadvantaged communities have insufficient resources to fund an acceptable level of education provision (Naidoo, Joubert, Mestry, Mosoge and Ngobo, 2008:158) (par.2.6.4.1). It would appear that the lack of funds accumulated by schools via fundraising projects results in vast disparities at the schools, which is not on par with the government’s promise of redress and equality. There is no evidence of social justice in these disparities.

4.7.1 In-school marketing

In-school marketing maybe defined as corporate marketing activities directed at school children. When one is passing some schools situated next to the highway, one sees large advertising boards (billboards) which have been erected on the school premises. These billboards, advertising on the school grounds and notices
or advertisements are all different types of in-school marketing. Schools are also willing to distribute advertisements. The principal at School 7 distributes advertisements at a fee of R1 per learner. Although it is not a huge amount, every little bit helps. School 4 does not utilise any in-school marketing and the principal also discourages people from attempting to market their products at the school. According to him, "... these parents can't even afford the school fees which is R2 000, how will they afford your study programme or computer programme of R6 000?" (S4a417-419). He really discourages the advertisers since he does not want to waste their money.

School 2 does make use of in-school marketing. There are a number of advertising boards attached to the school fence. According to the financial officer, this can earn up to R45 000 per annum. Although this is "... not material in a budget of R13 000 000" (S2b629-631), it is still an additional income that the school accumulates. School 8 also uses many in-school marketing efforts, but when asked whether the income is material to the rest of the budget, he noted: "...no, not really. No it is not, but every little bit helps, but it is not a large amount and can't be compared to school fees" (S8a190-191). The principal at School 6 also commented that they do have businesses advertising on their website (electronic media), in their newspaper or in the photo journal of the school, but the amount received in respect of these different types of in-school marketing, is not enormous (S6a330-332).

The amounts generated through the in-school marketing are less than the researcher expected at the beginning of the research, but do at least add to the income of the school.

4.8 CONCLUSION

Five main themes were identified from the data in the transcriptions. The empirical study reflected training needs for principals, SGB members and financial officers. The financial policies at the schools showed discrepancies and some were not
sufficient to guide the financial officer through the authorisation and recording processes of various transactions. The collection of school fees was problematic at all the schools in the sample and the maintenance allocation was insufficient to cover proper maintenance of facilities. Although the schools in quintile 1 and 2 (no-fee schools) received more government funding than the schools in the higher quintiles, these schools were still worse off financially than the higher quintile schools, as a result of school fees charged by the higher quintile schools. The additional funds obtained via fundraising caused further disparity between the financial positions of the no-fee schools and the fee-paying schools. The inequity in the overall financial position of various schools is evident of a glaring lack of social justice.

Chapter 5 focuses on the conclusions and recommendations. The limitations of the study and the research realities are addressed. A brief personal reflection by the researcher is also included.
What we call the beginning is often the end
and to make an end is to make a beginning.
The end is where we start from.
5.1 INTRODUCTION

Chapter 4 covered the analysis and interpretation of the data. Examination of the raw data identified five main themes. The data collected through interviews and document analysis were discussed and interpreted in the categories formed by these themes. This chapter offers a summary of the study, as well as the conclusions and recommendations resulting from the analysis carried out in the previous chapter. Diagram 5.1 reflects the lay-out of this chapter. Chapter 5 commences with a discussion of the limitations and realities experienced by the researcher. The limitations are followed by a summary of the whole study. Thereafter the research questions are addressed. The conclusions drawn by the researcher are subsequently discussed and followed by the recommendations made as a result of the research. The chapter is concluded by suggestions for future research and a brief personal reflection by the researcher.
5.2 LIMITATIONS OF THE STUDY

The following limitations became evident during the study:

Firstly, not all financial statements were available thus impacting the results of the study. Secondly, the financial statements for the 2013 financial year were still in the process of being audited at some schools, which resulted in the 2012 audited financial statements of those schools being analysed. However, this did not exercise a material influence on the outcome of the study.
5.3 RESEARCH REALITIES

The research realities are those aspects of the research process that did not impact on the study or limit the study as such, but influenced the researcher’s experience of the research process. Firstly, the researcher needed to personally visit the schools in order to obtain permission to include them in the study. Some schools were, however, not willing to even listen to the presentation if DoE permission had not been provided, prior to the visit. At the same time, when applying for DoE permission, the names of the relevant schools to be included in the study were required to already have been listed. This caused a compromised situation, or in common parlance, a catch 22 situation..

Some of the principals and SGB members kept the researcher waiting literally for hours, even though appointments had been made prior to the interview visit. Obtaining the financial policy and financial statements was also problematic, since the schools would request that the researcher fetch these documents at a specific date and when the researcher arrived, some respondents just made lame excuses for not having the said documents available. This is a cause for concern, since it would appear that the financial documents were not readily available. Interviews with certain SGB members were also repeatedly cancelled or moved to other dates. The researcher frequently travelled all the way to the school for a specific appointment, only to find the respondent (interviewee) was not available and had forgotten to cancel the appointment. This lack of punctuality and respect makes the level of the professionalism of certain respondents questionable.

5.4 SUMMARY OF THE STUDY

Chapter 1: The concepts financial management and school financial management were clarified. A brief background of the study was provided, including the influence of SASA and the establishment of SGB’s. This was followed by a preliminary review of literature, including aspects such as the finance function and financial decision making. A brief explanation of the theoretical framework for the study i.e. social justice, was provided. The research questions, main and sub-
questions, were listed; with the main research question being: What requirements should be met to ensure the effective management of school finances? The research questions were supported by the research objectives. This chapter further included a summarised description of the research design. The chapter concludes with the ethical aspects, referring specifically to credibility, dependability, transferability and trustworthiness.

Chapter 2: The theoretical frame, social justice, was introduced in the literature review. Aspects of the whole study were examined through a social justice lens. After defining various concepts, the researcher arrived at a workable definition for school financial management. The influence of the political dispensation on education was discussed, with the emphasis falling on the new government’s major challenges and changes to level the playfield in the education environment, including the new government’s implementation of SASA. The study examined the resulting school-based management with regard to financial matters, where the SGB is a major participatory management tool. This was followed by an explanation of the changes that occurred in the legal framework as a result of the implementation of SASA. The inflow of funds, including aspects such as government funding, the ANNSSF, quintile ranking, the functions of section 20 and 21 schools and school fees were discussed. Fundraising, as a means of relieving the shortfall in the school budget, was explained, making it clear that although it aimed to supplement the funding of a school, it was not an effective measure in poor communities. The insufficient government funding for education resulted in disparities in education, which does not support the principle of social justice in education at all.

The discussion of the outflow of funds included such aspects as capital expenditure, personnel expenditure and non-personnel expenditure. Accountability of the parties concerned with the school finances was also discussed. A distinction was drawn between professional management and governance, followed by the financial activities and a review of the school accounting system. The researcher also included an explanation of the financial ratios, applicable for analysing and interpreting the financial statements of a school. Auditing, as a final step in the
accounting process of the school, was also discussed. The literature indicated significant lack of financial knowledge and skills on the part of the role-players, which is cause for great concern. Finally, some of the disparities that occur in the education environment, which are in strong contrast with the ideation of redress and parity in education, were highlighted. The literature evidences a degree of social injustice that still exists in the school financial environment as well as the urgent need to change the status quo. The next part of the study is a detailed discussion of the research methodology.

Chapter 3: This expanded on the brief introduction to the methodology covered in Chapter 1. A bottom-up approach was followed, with ontology as the starting point, followed by the epistemology and then axiology, which requires that when planning the research, the social benefits of the endeavours should be considered against the personal costs to those individuals taking part. This was an interpretive study, where knowledge was gained from a specific inductive mode of enquiry. In this study a mixed mode approach was followed, although more emphasis was placed on the qualitative approach than on the quantitative approach. Interviews were conducted and a document analysis was carried out. The population for this study included government schools in the Tshwane Metropolitan area. The principals, financial officers and SGB members of these schools were the respondents and the financial statements and policies of their schools were analysed.

Chapter 4: The researcher identified five main themes from the transcriptions, including role-players, financial management, government funding, school fees and additional income. These main themes were supported by a number of sub-themes. The data confirmed that the financial duties at schools had increased drastically since the implementation of school-based management, causing stress to those with no or limited financial knowledge and skills, and no proper support. Specifically, the SGB members and financial officers at some township schools were often not qualified to make effective financial decisions, thus impacting on the teaching and learning at the school.
The quintile ranking was not always a true reflection of the financial situation of the learners, particularly where the learners did not reside in the community in which the school was situated. It was also evident that the quintile 1 and 2 schools (no-fee schools) were struggling financially. In strong contrast to this, schools situated in the more affluent communities were charging higher fees and further supplemented fees by means of fundraising projects. The lack of funding at the township schools, paired with the inability to raise additional funds, creates huge disparities between the schools in the township and the schools in town. This inequality regarding education is not evidence of the social justice principle or the requirements of the new Constitution. It was clear from the data that all the schools in the sample were following sound budgeting principles and the annual audit was done strictly in terms of the requirements of SASA. A ratio-analysis based on the audited financial statements was however not calculated by the schools, although they did compare the actual audited figures with the amounts budgeted.

5.5 REVISITING THE RESEARCH QUESTIONS

In this research I succeeded in answering the research questions and reached the objectives as stated in par. 1.6 and par. 1.7. What follows is an indication of how the research questions were answered.

- How did the school financial management activities change since the implementation of SASA and school-based management?

The answer to this research question was obtained from both the literature review and the empirical study. School-based management is a logical outflow of SASA, since one of the intentions of SASA is the democratisation of public schools. In effect, the democratisation resulted in school-based management (par. 2.5.2.2), where a clarifying definition of school-based management is “…the delegation of authority to schools with a shared decision-making model, engaging various stakeholders, which requires facilitative rather than directive leadership” (Mestry &
Bisschoff, 2009:11). From this definition it is evident that authority was delegated to schools, which also includes authority in respect of financial activities.

Prior to the implementation of SASA, only limited financial activities were handled by the school itself whereas the rest were handled by the government, via the various provincial departments of education. Even the few financial activities that were handled by the school principals were performed according to Chapter F of the Principals’ Handbook, containing strict guidelines and limitations (par. 2.5.1).

School-based management changed all this, as financial activities were devolved to school level, which has impacted on the principals particularly (par. 2.5.2.2). The limited and strictly guided financial activities of the principals were replaced by highly involved (complex) financial activities and decision-making. It is evident that SASA has, in essence, altered the role of the principal with regard to school financial management activities, where the roles of principals now include being accountable for the financial records of their school (par. 2.8.2.1).

The theory obtained from the literature review was confirmed by the principals interviewed in the study when they commented that their financial activities and responsibilities had increased drastically since the implementation of school-based management (par. 4.4.1.1).

The additional financial activities that were devolved to all schools as a result of the implementation of SASA, include the following:

- Appointing an auditor and auditing financial statements
- Compiling a budget
- Enforcement of the payment of school fees in the fee-paying schools
- Calculating and granting exemption from school fees where applicable
- Keeping a record of funds received and spent and preparing annual financial statements (par. 2.5.2.3).
In addition to these activities, Section 21 schools also have the following responsibilities:

- Maintaining and improving the school’s property, buildings and grounds occupied by the school, including the school hostels, if applicable

- Purchasing textbooks, education materials or equipment for the school

- Paying for services; for example, plumbing and garden services to the school (par. 2.6.2.1).

According to the participating principals, these financial functions have to be fulfilled by the school itself, which implies that the principal, financial officer and SGB are responsible for them (par. 2.6.2.1). SASA not only impacted severely on the financial duties of principals, but as a result, certain functions were also delegated to the SGB (par. 2.8.2.2) and others to the financial officer (par. 2.8.2.4). These functions are implications of Section 21 status being obtained (par. 2.6.2.1). What was a surprising finding was that most schools do apply for the Section 21 status, thus attracting these additional financial responsibilities.

It is evident from both the literature and the data that the implementation of school-based management, as a result of SASA, drastically increased the extent of financial activities that were devolved to school level. Although certain financial activities are the responsibility of all schools, schools do have a choice of not applying for Section 21 status, thus limiting their additional financial activities.

- What influence does school-based management have on school financial management?

As stated in the answer to the first research question, school-based management resulted in considerably more authority and responsibility for decision-making being devolved to school level than previously. This encourages co-operation by means of a partnership relationship between government and local school
communities, where this partnership is pursued through a strategy of decentralising both the governance and financial functions to school-based structures (SGBs) to encourage self-management of schools (par. 2.5.2.2). The SGB is the major participatory management tool in school-based financial management of schools. According to Subsection 16(1) and 16(2) of SASA the governance of every public school is vested in its SGB (par. 2.8.2.2).

As a result of the implementation of school-based management, the management of school finances, unlike previously, is now handled by the SGB and not the DoE and the principal (par. 2.5.1). This implies that the SGB plays a fiduciary role and responsibilities regarding school financial management. Some of the mandatory functions of the SGB, as a result of school-based management, include supplementing financial resources, appointing an accountant, preparing a budget, collecting and/or administering school fees and financial record keeping (par. 2.8.2.2). The SGB, in written instruction, delegates the management of school finances to the FC (par. 2.8.2.3). In the same way that the existence of the SGB is the direct result of the implementation of SASA and school-based management, the appointment of the FC is also an outflow of this. The FC has been mandated by SASA to perform financial duties in the areas of school funds and assets, school budget, financial record keeping, financial statements and the annual audit of the financial statements (par. 2.8.2.3). In addition to these areas, some of the financial management duties that should also be executed by the FC include: giving advice on fundraising and investment of surplus money, determining the amount of school fees to be charged and advising the SGB on school fee exemptions (par. 2.8.2.3). The SGB members interviewed confirmed that the SGB, via the FC, has, since the implementation of school-based management, incurred these advisory and/or financial management functions (par. 4.4.2.1). The implementation of school-based management has indirectly also led to the appointment of a financial officer, who will be appointed if the school principal and treasurer are too busy to attend to all the financial management aspects. The day-to-day administration, of the financial management aspects of the school, will then be delegated by the SGB to a financial officer (par. 4.4.3.1).
School-based management also influences the organisational structure of the finance department/section at the school. Before such management was implemented, a school usually employed one administrative person, who also acted as a school cashier. The structure used to include the DoE, the principal and usually the said administrative person, as was the case at School 1 (par. 4.1.3.1). The most basic organisational structure, after implementing school-based management, still has the DoE as the top level of authority, but the structure at the school itself is reflected in Diagram 5.2. Diagram 5.2 reflects the top level at the school as the SGB. The duties are then delegated (in writing), to the financial committee. If the financial committee cannot handle the financial management activities on their own, they may delegate some of their financial management functions to the financial officer. The organisational structures show major changes.

Diagram 5.2: Basic hierarchical structure of the finance department at a school, after the implementation of school-based management (par. 4.4.3.1).

It is evident that the management of school finances became the responsibility of the SGB. At all of the schools in the study that were previously Model C schools, the SGB members were very well qualified to properly handle the financial management aspects but problems arise where the SGB members lack sufficient
financial knowledge and skills. In contrast to the well-qualified SGB members at the said previous Model C schools, the principals at township schools, in particular, noted that the financial capabilities of the SGB members are limited (par. 4.4.2.2). With regard to the capacity of SGB members, Heystek (2011:455) (par. 2.8.2.2) pointed out that the poor literacy rate of parents is one reason for governing bodies in South Africa being less successful than originally anticipated. The implementation of school-based management thus indirectly influences the quality of financial decision-making.

It is evident from the literature review and the empirical study that school-based management exercises a four tier influence on school financial management, which may be summarised as follows:

- Decentralising of financial management functions to school-based structures such as the SGB, which also include the FC
- Appointment of a financial officer to assist with the financial management functions
- Change in the organisational structure of the finance department responsible for executing the financial management functions
- Change in the quality of financial decision-making based on the knowledge level of the SGB members, where a well-qualified SGB will positively influence the school’s financial management while an unqualified or under-qualified SGB may have a negative influence in this regard.

- **How do the financial management activities of Section 20, Section 21 and previous Model C (now Section 21) schools compare?**

According to the literature, the Section 20 and Section 21 schools have certain financial management activities in common. As mentioned under the first research question, these include aspects such as:
Chapter 5: Conclusions and Recommendations

- Appointing an auditor and auditing financial statements
- Compiling a budget
- Enforcement of the payment of school fees in the fee-paying schools
- Calculating and granting exemption from school fees where applicable
- Keeping record of funds received and spent and preparing annual financial statements (par. 2.5.2.3).

In addition to these activities, the Section 21 schools (including the previous Model C schools with Section 21 status), have the extra responsibilities, which were listed in par. 2.6.2.1.

The principal at School 3, a Section 20 school, confirmed that the Section 21 schools carry out more financial activities than the Section 20 schools (par. 4.4.1.1) (S3a29-30).

It is evident from the literature review and the empirical study that the activities of the Section 21 schools and the Section 21 schools that were previously Model C schools are exactly the same. There is just a difference between the Section 20 and Section 21 schools, where the Section 20 schools undertake very limited financial activities.

- To what extent do SGBs contribute to the effective financial management of schools?

Good governance is expected from the SGB. Combating corruption, supporting leadership, transparency, accountability and achieving results in the right way are all part of good governance (par. 2.8.2.2). The SGB should also be involved in the actual financial decision-making of the school, because parental involvement in school financial management is expected to improve financial accountability and transparency (par. 2.8.2.2). This is, however, only possible if the SGB members possess sufficient financial knowledge and skills. In this regard, Heystek (par. 2.8.2.2) noted that providing high-quality and sound governance structures was less important than granting parents some democratic participatory rights in
schools. At the more affluent, previous Model C schools, these structures are high-quality. These SGB members are well-qualified, with one principal even stating that everybody on the SGB of his school has attained at least a post-graduate tertiary qualification (par. 4.4.2.2).

In strong contrast to this are the qualification levels of the SGB members at the schools situated in the township. These schools do not even have one SGB member (excluding the principals) with a post-school or any other financial qualification, thus influencing the quality of the governance structure.

The contribution of the SGB towards effective financial management will thus vary according to the level of knowledge and skills of the SGB members.

- **What influence does the economic welfare of the community have on the financial position of the school?**

The ANNSSF is a mechanism aimed at improving equity in the funding of education and brought about by the quintile rankings of schools. These are determined on national level, based on the poverty score of the community that the school is located in. The calculation of the poverty score is based on the unemployment rate of the community and its literacy rate. The reasoning behind these wealth quintiles is that the schools serving deprived communities should receive more state funds than schools serving wealthier communities. Schools in quintile 1 and 2 are no-fee schools, where the school relies on the state for its total funding requirements. These schools receive a much higher allocation from the state than the schools in the wealthier quintiles such as 4 and 5 (par. 2.6.2). It is evident from the literature that, regarding state funding, the schools in the poorer communities are receiving proportionally more state funding than the schools in the wealthier communities.

Although the poverty score was aimed at eliminating past disparities as a result of finances, the data from the empirical study proved otherwise. Two of the schools in the sample are rated at a quintile 4 and 5 respectively, according to their
poverty score. However, the learners in both these schools do not reside in the community in which the school is located: i.e. the community that was used to determine their poverty score and eventually their quintile ranking. These learners all commute from other, poorer areas to the school. At these schools the poverty score of the community does not represent that of the parents of the learners in the school, thus resulting in an overstatement of the financial position of the parents of the learners. This incorrect quintile ranking has a detrimental effect on the financial position of the school, since these schools are receiving less funding because they are ranked as a quintile 4 and 5. Chutgar and Kanjee (2009:2) (par. 2.6.2) confirmed the urgent need for the reclassification of schools to ensure that those in greater need are allocated into the correct quintile rank and thus qualify to receive sufficient levels of funding to meet their specific needs. The economic welfare of the community may thus have a negative influence on the financial position of the school, should the learners at the school not reside in the community.

In addition to the influence of the economic welfare of the community on state funding, it also influences the school fees that will be charged by the school. The empirical study indicated that schools in the sample, located in the more affluent communities, charge fees of up to R21 900 per learner per annum, whereas schools in poorer communities are charging as little as R300 per annum. This reflects the direct influence of the economic welfare of the community on the financial position of the school. Motala and Sayed (2009:4) confirmed this, pointing out that government schooling still consists of two tiers, one well-resourced and advantaged and the other poor and disadvantaged. Chutgar and Kanjee (2009:1) also supported this by noting that although the schools in quintile 5 are receiving less funding support than the schools in quintile 1, the schools in quintile 1 are still worse off in terms of resources and school composition (par. 4.6.1). This evidence of the difference between quintile 1 and quintile 5 schools raises questions regarding the ability of government to erase past disparities and ensure a socially just educational environment. It is thus evident that both the empirical study and the literature review reflected that the economic welfare of the community
exercises a direct (school fees) and indirect (state funding) influence on the financial position of the school.

- **Which methods/ratios could be effective when analysing the audited financial statements of a school?**

Financial analysis is a process whereby relevant information about a school is extracted from all the information available and then converted into a more useful format. The information is then interpreted to meet specific needs (Kew & Watson, 2012:553). Although the schools all compared the budgeted figures with the actual amounts (an important comparison) at the financial year-end and also on a monthly basis, it was surprising that most of the respondents did not mention any specific analysis being done after the financial statements have been completed (par. 4.5.4). The SGB member at School 2, who is also the treasurer, did nonetheless mention a detailed analysis being performed by him. He undertook trend-analysis on the income earned during the financial period. This is then compared with the figures of the previous year, as well as the budgeted amounts; and if discrepancies occur, they need to be clarified. The same process is then followed for the expenses (par. 4.5.4). The importance of interpretation and analysis are noted by Peter and Waterman (1982:44) (par. 2.11): “... a business is a business. If you can read the financial statements, you can manage anything”. The same principle should be applied to the school situation, since the school and its finances need to be managed.

In addition to the trend analysis carried out by School 2, another analysis method that should be applied is comparability. The comparative figures for the previous financial year are reflected in the annual financial statements and should be compared with the current figures. The stakeholders (listed in par. 2.10) should then identify amounts that differ substantially from the previous year and identify possible causes for the difference. Actions should be taken based on the causes identified. In addition to this method of applying comparability, the figures should also be compared with the figures of a similar entity (school). The stakeholders will be able to determine how the school is performing in relation to other schools,
whereas the figures of other schools may encourage the school to attempt improving its own financial position. The last method of comparison is that with industry. An average for the industry (school) should be made available to the schools, enabling the stakeholders to compare their school with such averages and measure its performance against that. An example of this is the comparison of school fees with an average school fee for the Gauteng Province, which will provide a clear indication of whether the fee is average, above or below average (par. 2.11.1).

A further analysis technique available to the stakeholders is the application of ratios. This is the most popular analysis technique and can be described as “.. the selection of two line items which have a meaningful relationship and reflecting that relationship as a ratio” (Flynn, 2008:173) (par. 2.11.2). The current ratio (par. 4.5.4.1), debtors’ collection period (par. 4.5.4.2) and debt ratio (par. 4.5.4.2) were applied to the financial statements of the schools.

Although many other ratios are applicable to the business environment, these are the main ratios and analysis methods applicable to the school context.

- **Based on the theoretical framework, how is the principle of social justice apparent in the financial management of schools in Tshwane?**

Although there are numerous definitions for the concept *social justice*, a definition that proved to be relevant to this study describes it as the mutual obligation and fairness in society, where fairness relates to how the costs and benefits are distributed. Two aspects are included in this concept, i.e. attention to equity (how much an individual deserves) and equality (everyone deserves the same) (par. 2.2.2). The first positive step by government to adhere to the principle of social justice in education, was to implement the new Constitution of South Africa (Act 84 of 1996), where it is stated that everyone has the right to basic education (par. 2.5.2.1). The principle of social justice, in the financial management of education, was also recognised when the concept of *free education* was promoted by government. This was furthered by the implementation of Section 34(1) of the
South African School Act 84 of 1996 (SASA) which states that in order to redress past inequalities in education provision and to ensure the proper exercise of the rights of learners to education, the state must fund public schools from public revenue on an equitable basis (Government Gazette No 17579, 1996:24) (par. 1.1). All these were attempts to redress the past inequalities and discrimination in the education system.

Although the paper trail of the social justice principle is evident from the literature review, certain social injustices in the financial management of schools are equally obvious from the literature review and the empirical study. As stated in the revisiting of research question 5 (What influence does the economic welfare of the community have on the financial position of the school?) the quintile ranking of schools, which is used to determine the funding allocation of a school, was creating an unfair distribution of funds (par. 4.6.1). This is the result of the poverty score not reflecting the actual financial stance of the parents. Although the idea behind the implementation of the said score was to eliminate the disparities in education caused by the financial disposition of some schools, the outcome thereof proved to be detrimental to the social justice principle.

The school fees charged by schools, which vary widely, also influence the equity and equality of the financial management of schools. This inequality in the financing of schools is worsened by the unequal fundraising events launched by the schools. The more affluent schools in the sample were able to accumulate large amounts of money through their fundraising efforts (up to R130 000 from a single event), whilst the quintile 1 and 2 schools were struggling to earn an amount of R740 from a fundraising effort (par. 4.8).

The unavailability of sufficient funding is not the only social injustice in the financial management of schools. This is worsened by the lack of financial knowledge and skills at the disadvantaged schools in the study. At some schools the principal, financial officer and the whole SGB had acquired no financial knowledge or skills, but were tasked with the financial management of a school and managing a budget of R800 000. In strong contrast to this, the level of financial skill and
knowledge at the more affluent schools includes those with various financial and other relevant qualifications (par. 4.4.2.2). The lack of financial management skills and knowledge influences the effective financial decision-making at the institution. During the interviews, the respondents (quintile 5 schools) mentioned that financial training was being offered to principals by private training institutions, for which the school then paid. They strongly recommended such training, yet the financial position of at least three of the other schools (quintile 1 and 2), does not warrant such an expense. Principals and financial officers in these schools are thus not trained because of the lack of financial resources in their respective schools. When examining one of the three dimensions of social justice (par. 2.2.2.) in non-Western/sub-Saharan Africa, i.e. the redistribution and access to resources, it would appear disparity and social injustice exists, even in the financial training of principals (Subreenduth, 2013:586) (par. 4.4.1.2).

In addition to the ineffective financial management of schools, it is also disquieting that the quintile 5 schools are able to pay their teachers additional remuneration (Section 38 of SASA) from the school fees earned. This attracts teachers to these schools and enables the school to appoint additional teachers or administrative staff. The no-fee schools and the schools charging a lower school fee are thus struggling to appoint or keep competent teachers since these teachers are often lured, by the additional remuneration offered, to these more affluent schools (par. 4.7.4).

From both the literature and the empirical study it would appear that, although the new Constitution, SASA and the ANNSSF were aimed at redressing the financial disparities in education, that the financial management realities faced by the schools in the disadvantaged areas are not evidence thereof. It is a matter of concern that although there has been improvement in the financial management of schools since the implementation of the new Constitution, the principle of social justice is not yet evident in the day-to-day financial management of the schools.
5.6 CONCLUSIONS

The conclusions were approached with Bell’s view (1987:128) in mind, who stated “Only conclusions which can justifyably be drawn from the findings should be made. The researcher attempted to achieve the thinking levels and quality of research indicated in diagram 5.3. The diagram reflects thinking levels ranging from descriptive, developing into analytical and finally reaching conceptual levels.

A micro factual descriptive conclusion should indeed be drawn, but higher level conceptual conclusions should indicate a higher level of thinking.

Diagram 5.3: Levels of thinking, research and conclusions (Trafford & Leshem, 2008:134).

Based on the literature review and the empirical study, the following aspects were identified in order to address the main research question:
What requirements should be met to ensure the effective management of school finances?

5.6.1 Training

The training needs of principals were identified by Bush and Heystek (2006:69): that school principals consistently demonstrated their anxiety about carrying out the financial function and their need for additional training to do so effectively (par. 2.8.2.1). The same training need had already been identified by Tronc (1977:1) (par. 2.8.2.1) as early as 1977. The importance of training is not restricted only to the training of principals, but includes the training of SGB members (Mestry & Naidoo, 2009:122) (par. 2.8.2.2). Although training of principals and SGB members has been identified as a current challenge in school financial management, as well as a necessity for effective financial management (confirmed by the literature review and the empirical study), the lack of training of financial officers also became evident from the empirical study (par. 4.4.3.2). The dire need for such training was reiterated by the inability of some financial officers even to distinguish between a bank statement and a set of audited financial statements (par. 4.4.3.2). Regarding the training needs of financial officers, Du Plessis (2013:126) (par 2.8.2.4), noted that: “…financial management areas… are better managed by someone with a background in commerce and administration” (par. 2.8.2.4). The literature review clearly indicated the importance of financial training for effective school financial management.

Although proper financial training is an important requirement for proper financial management of schools, currently the role-players in school financial management, i.e. principals, SGB members and financial officers lack it. Of the eight principals interviewed, only one had obtained a financial qualification (par. 4.4.1.2). Although the SGB members at urban schools were well-qualified with regard to financial management aspects, those at the township schools had no financial background and needed financial training (par. 4.4.2.2). Except for qualified financial officers at two schools, even the financial officers were lacking proper training (par. 4.4.3.2).
Evidence demonstrates that the general financial training provided by the DoE does not fulfil the training needs of the individuals responsible for financial management in schools (par. 4.4.3.2). It is evident from the data that the current level of expertise and the frame of reference of the trainees varies too widely, with some respondents being B Com graduates and others possessing limited financial knowledge and skills, while a third group is financially totally illiterate (par. 4.4.1.2, 4.4.2.2 & 4.4.3.2). The job description of the specific position and the financial position of the school also has some bearing on the specific training required. Fee-paying schools may even require investment training, whereas no-fee schools do not need this, but rather additional training on alternative fundraising possibilities. However, currently, only generic departmental training programmes and manuals exist for the financial training of the role-players (4.4.3.2).

Since the DoE training proved to be insufficient to meet the training needs of the role-players, the more affluent schools have opted for training at private training providers. This training nonetheless incurs a fee, which these schools are able to finance from the school fees income they receive. Different respondents made mention of the quality of this private training provider (par. 4.4.1.2). The role-players at the no-fee schools are however limited to the insufficient training offered by the DoE, since the schools do not command the financial resources (school fees) to pay the private training providers. The poverty score of the community (based upon the unemployment and literacy rate of the community), resulting in the quintile ranking of the school (par. 2.6.2), determines the income (funding) level of the school. Schools ranked as quintile 1 and 2 are no-fee schools and cannot therefore charge any school fees. This directly results in the role-players not being able to afford the effective financial management training offered by the private providers.

Diagram 5.3 illustrates the training cycle currently in place at the quintile 1 and 2 schools in the sample, based on the responses from interviews. The diagram indicates the inability of the role-players to improve their financial knowledge and skills through training, resulting in ineffective financial management. The training
cycle is evidence of the disparity in the financial management and financial management training at some schools in the sample.

Diagram 5.4: Training cycle at poor schools (Researcher)

In terms of the description of social justice by Reisch (2007:68) (par. 2.2.2) these impoverished schools do not have access to vital resources while the lack of training limits their participation in critical financial decision-making processes. These aspects that should be included in a social justice framework are missing, which implies that the principle of social justice is not applicable to the training of the role-players at the poorer schools in Tshwane who participated in the study.

5.6.2 Personnel provision

The range of financial functions is very demanding (par. 2.8.2.4) and requires a person specifically dedicated to finances to handle it. It was nevertheless evident from the empirical study that this is not the case at all the schools in the sample (par. 4.4.3.1). At some of the schools the financial officers were overburdened by administrative tasks, including doing the secretarial work for the principal, making photocopies, screening visitors, handling all administrative filing and preparing and
printing all the school report cards on computers (par. 4.4.3.1). The handling of all
the financial activities devolves on a single person, where the absence of this
person causes a total standstill of the financial function. When a financial officer is
so overburdened by other administrative duties, it might be impossible to focus on
the finances of the school. The fact that all the financial activities are being
performed by one person also contradicts the advice given by Mestry (2004:131)
regarding the separation of powers.

A significant difference between the organisational structure of the financial
function in the town and township schools is evident from the data (par. 4.4.3.1).
This is contradictory to the definition of social justice (par. 2.2.2). Fairness is an
essential part of this definition and includes both equity and equality (par. 2.2.2).
According to Pierce and Bekoff (2012:122) equality entails that everyone deserves
the same. With the evident overburdening of financial officers at some schools, as
a result of the poor personnel provision, it would appear that this concept is
ignored. This irregular personnel provision causing the overburdening of some
financial officers is resulting in disparity between different schools, and thus
perpetuating social injustice in society. A fair distribution of personnel is at the core
of effective school financial management and indispensable to a socially just
school financial management system.

5.6.3 Detailed financial policy

Effective financial management is only possible if the parties involved in the
financial management functions are guided by a properly developed financial
policy, which is supported by detailed procedures (par. 4.5.1). The financial policy
should be updated on a regular basis, taking cognisance of any changes in
legislation and departmental regulations. Principals and financial officers agreed
upon the importance of the financial policy. They mentioned that the financial
policy determines the accountability of the role-players and, when requested for
advice for new principals and financial officers, they also referred to the financial
policy as the most important aspect (par. 4.5.1). Some aspects that should be
considered and/or included in the financial policy are the mission statement of the
school, management of resources, learner needs, quality control, cash management, internal controls, audit trails, procurement procedures, asset management such as asset registers and details concerning financial reporting (Campher, 2003:25 and Swartz, 2009:6) (par. 2.9.1).

The financial policies at some schools were evidence of their competency to handle the school finances in a responsible and proper manner, with a detailed, updated document consisting of up to 42 pages. The policies were well thought through and refined over a number of years, covering much more than the aspects listed in the previous paragraph. It was noted by both a financial officer and a principal that a detailed financial policy takes the risk and burden out of financial decision-making, since every aspect is covered by the policy. Decisions are thus based on policy and not on the gut-feel and/or personal opinion of the parties involved (par. 4.5.1).

The poor quality of financial policy documents available at some schools and the problem of acquiring these documents at others (par. 4.5.1) are in strong contrast to the high quality documents available at other schools, making the financial decision-making at these schools more stressful, inaccurate and subjective. It is evident from the data that effective school financial management depends to a great extent on the quality and usage of the financial policy.

5.6.4 Budgeting

As has been emphasised, budgeting is the planning phase in the process of school financial management (Thwala, 2010:49) (par. 2.9.2). It is a formal written plan of future action, expressed in monetary terms, to implement the strategy of the organisation (school) and achieve the set goals with limited resources (Erasmus et al., 2013:458). It is evident from the literature review that there are a number of reasons for budgeting. It enhances the quality of planning, makes the measurement of performance possible, enables the management team to manage by exception and provides goal orientation (Flynn, 2008:281). It is clear that budgeting is both a planning and control tool (par. 2.9.2).
At all the schools in the sample, the budget and budgeting process were handled with care and responsibility, involving the teachers, heads of departments, sports coaches, cultural organisers, financial officers and the SGB. The schools followed the bottom-up approach, making use of a combination of the incremental, line item and limited plan approach to budgeting, where the basis for these budget approaches is the historical data contained in the budget of the previous year (par. 2.9.2). One school indicated that their school’s budget policy requires them to compile a zero-based budget every three years. The only problems experienced by the respondents were at one school where they repeatedly overestimated the possible income when planning for the following financial year (par. 4.5.2). This is evidence of a lack of proper financial training and correlates with the study by Mncube (2009:85) (par. 4.5.2) which stated that with regard to participation in SGB activities, including budgeting, parent governors are not all participating fully, since many of them lack the necessary skills to perform the duties assigned to them. The problems with budgeting occurred at this school only and would be possible to rectify by proper financial training. From the empirical study it was evident that the importance of budgeting as a planning and control instrument, necessary for effective school financial management, received the attention and care it deserved. A detailed budget was prepared by the schools and they all confirmed that budget control was regularly undertaken.

5.6.5 Auditing

As indicated, auditing is a public interest activity providing the stakeholders of the entity with the assurance that an independent professional has conducted sufficient examination to express an opinion on the fair presentation of the financial statements (Hendrikse & Hefer-Hendrikse, 2012:344). This type of auditing is referred to as external auditing. From the empirical study it is evident that the schools all appointed an independent external auditor and the audits were executed annually, as required by Section 43 of SASA (par. 2.5.2.3). The schools have a positive relationship with the auditors and rely upon them to a great extent, not only for conducting the official annual audit, but also for additional assistance, such as budgeting guidance, assistance with the calculation of exemptions, tax
deductions from SGB employees’ salaries and general financial support (par. 4.5.3).

In addition to external auditing, an internal auditing function exists. The internal audit function is executed by an internal auditor. An internal auditor is an independent advisor challenging current practice, championing best practice and might also be a catalyst for improvement with the objective of ensuring the realisation of the strategic objectives of the organisation (par. 2.12). One school also had an internal audit function. The absence of an internal audit function results in (the rest of) the schools missing out on the purposeful improvement of practice which may ensure the realisation of the strategic objectives of the school.

5.6.6 Financial analysis

Financial analysis, it was observed, is a process whereby relevant information about an organisation (school) is extracted from all the information available and then converted into a more useful format. This information is then interpreted to meet specific needs (Kew & Watson, 2012:553). Erasmus et al. (2013:448) expand on this definition by stating that financial analysis is needed to monitor the overall financial position of the organisation (par. 2.11). With the advantages of financial analysis being evident from these two definitions, it was surprising that most of the respondents did not mention any specific analysis being carried out after the financial statements have been completed. Although they did perform some analysis during the year, specific year-end analysis was neglected. A financial analysis, based on the audited figures, was also confused with budget control. When questioned on the financial analysis done by the school, the respondents indicated that they compared the actual audited amounts with the budgeted amounts and then implemented corrective measures where applicable (par. 4.5.4).

Comparing the financial results of a school with the results obtained by other schools was not an option, since the financial statements of other schools were not readily available. A basic ratio-analysis of the financial statements was
calculated by the researcher. The first ratio applied was the current ratio, which provides an indication as to whether the organisation (school) will be able to meet its short term financial obligations (par. 2.11.2.1). From the calculation of the ratio, it became evident that although most of the schools all had a favourable ratio, School 7, a fee-paying school had a very unsatisfactory ratio. This school noted that they do not apply any analysis techniques to the final figures of the school, which implies that they are unaware of the financial risk that they are facing (par. 4.5.4.1). The incapacity of the people in charge of the finances to perform this basic analysis may have a detrimental effect on the future financial performance of the school.

The next ratio was the debtors’ collection period. This ratio was adapted by the researcher, since schools do not accrue sales income, but school fee income. Credit sales is one of the determinants in the ratio, but was replaced with the net school fees of the school. The latter were determined by deducting the exemptions and discounts from the school fee income (par. 4.5.4.1). Although the empirical study indicated that the respondents found the school fee collection to be problematic, the debtors’ collection periods of the schools were actually very short. It was, however, not possible to calculate the ratio for the schools preparing their financial statements on a cash basis.

The debt ratio was also determined. This ratio reflects the percentage of debt used to fund the assets of the school. The recommended ratio for a business is not more than 50%. The ratio for all the schools in the sample fell within the 50% range. Schools should however try to keep their ratio as low as possible, since they do not have the same ready access to additional funding as a business organisation.

The inadequate financial analysis carried out by most of the schools may have a negative impact on their overall effective financial management and the schools definitely need to attend to this aspect.
5.6.7 Proper funding

School funding is obtained from various sources such as government funding, school fees, fundraising and partnerships.

5.6.7.1 Government funding

- Quintile ranking

Government funding is aimed at alleviating the financial barriers to education, with the funding policy in South Africa oriented towards improving the quality of education through redressing the historic inequalities (par. 2.6.1). An important step taken by government was the implementation of the quintile ranking system aimed at ensuring that schools serving poor communities receive more state funds than schools serving affluent communities (par. 4.6.1) (par. 2.6.2). It is nonetheless evident from both the literature study and the empirical study that this did not exactly come to fruition as planned. A study conducted by Chutgar and Kanjee (2009:1) found that schools in quintile 5 (wealthy schools) are better off than schools in quintile 1 (poor, no-fee schools). Although the schools in quintile 5 were receiving less funding support than the schools in quintile 1, the schools in quintile 1 were still worse off in terms of school resources and school composition. In the policy brief on no-fee schools, by Motala and Sayed (2009:4), it is stated that government schooling still consists of two tiers, one well-resourced and advantaged and the other poor and disadvantaged. This evidence of rich and poor schools and the difference between quintile 1 and 5 schools is testimony to the inability of government to erase past disparities in education (par. 2.6.2).

This inadequacy of the quintile ranking system was also noted by the respondents. When calculating the poverty score of a school, the assumption is made that the learners attending at a school reside in the feeder area of the school. At one school in town and one township school, this was not the case. These learners were commuting from other, less affluent areas towards the school. The quintile rankings of the schools were however based on the poverty scores of the
communities, not the parents of the learners, thus totally overstating the financial abilities of the parents. The schools’ quintile ranking was much higher and did not reflect the actual financial capabilities of the parents. One of these schools was ranked as a quintile 4, the second highest ranking, but it was unable even to collect a school fee of R300 per annum from the parents. The school is currently in the process of applying for no-fee status (par. 4.6.1). This is a further confirmation of the inability of the current quintile ranking system to ensure a fair distribution of government funds in order to erase past disparities.

The current unfair funding situation impacted on different aspects of the learning environment. The respondents specifically mentioned that the government allocation for the maintenance of infrastructure was totally insufficient to properly maintain the facilities. They noted that the allocation was often less than 5% of the actual amount required for maintenance. The fee-paying schools in the sample supplemented the allocation from the school-fee income, but the no-fee schools were simply unable to carry out the maintenance required. The literature study confirmed the statements by the respondents in the empirical study. A study by Xaba (2012:219) found that there were “poor systems for facilities maintenance inspection” and further indicated that, although the Department of Education allocates money to the school for maintenance purposes, it was not adequate. The same principle was mentioned by the respondents in this study. Xaba (2012:221) expressed the opinion that these suburban schools appear better maintained, because they charge higher school fees than township schools. From the literature review and the empirical study, it is evident that the lack of social justice may be recognised even in the maintenance of facilities in the education system.

Finally, it should be noted that the respondents complained about the method of determining the amount of the maintenance allocation. Currently, the maintenance allocation is based on the number of learners attending at the school. This is, however, problematic, since the maintenance of a building will not decrease just because the number of learners attending at the school decreased from the previous year.


5.6.7.2 School fees

In addition to the funding received from government, schools may charge school fees to supplement government funding. As stated in paragraph 2.4.2.3, SASA permits public schools to determine and charge school fees. In the empirical study, the non-payment of and/or exemption from school fees were the major outstanding problem(s) faced by all the fee-paying schools. The schools in the sample followed a debtors' collection process to try and collect outstanding debts. The final stage of this process was the implementation of Section 41 of SASA, which involved taking legal action against the parents (par. 2.5.2.3) (par. 4.7.1). The parents were given the opportunity to apply for exemption and legal action were only taken against non-paying parents who did not qualify for the exemption.

In addition to the issues with debtors’ collections, the exemption policy has created problems of its own. In terms of Section 39 of SASA, parents may apply for partial or full exemption from school fees. The exemption is based on the relation between the income of the parents and the school fee charged at the school (par. 2.6.3). The exemption formula is applied to determine the extent of the exemption, i.e. full or partial exemption. This policy is attempting to rectify the inequality in education as a result of the economic welfare of parents, while the formula is definitely helping parents in financial need. However, a surprising revelation from the empirical study was the misuse of the exemption formula by some parents. Parents should enrol their children at the local school in the area they reside in, with a relatively low school fee. If the parents should enrol their children at these schools (with the lower school fee), they will not qualify for exemption, since the relation between their income and the school fee is not in accordance with the exemption formula requirements. To overcome this problem and shun the burden of paying school fees, the parents enrol their children at school with very high school fees, where the relation between their income and the school fee ensures they qualify for the exemption. This is causing a further problem for schools with low fees, since parents who should be paying fees at these schools are merely transferring their children to the schools with higher fees so they don’t have to pay at all (par. 4.7.2).
Schools are also considering the exemption formula when determining a possible increase in the school fees. A slight increase in the school fees may result in many parents suddenly qualifying for exemption, which forces SGBs to undertake proper financial analysis of the impact of a school fee increase on the number of parents qualifying for exemption. Such an increase may result in more parents qualifying for exemption, thus realising less income for the school than previously.

At the fee-paying schools in the sample, some of the additional income generated was utilised to appoint additional staff in SGB posts. The number of SGB posts at the fee-paying schools varied between 10 and 25 posts. These additional posts caused a vast decrease in the average class size at these schools (par. 4.7.3). The no-fee schools are experiencing larger class sizes, since they cannot afford to pay any additional teachers from the school fees, as is the case with the fee-paying schools. This unequal distribution of teachers, as a result of the lack of funding, is in direct contrast with one of the principles listed by the Minister of Education (Mestry & Naidoo, 2009:44), which prescribes that personnel should be equally distributed according to the pedagogical requirements of the school. It would appear that the government measures pedagogical requirements in terms of funds available, since affluent schools report far better class sizes than the poorer no-fee schools.

In addition to class size, fee-paying schools also have the advantage of offering teachers additional remuneration (par. 4.7.4). The empirical study revealed that the poorer schools that cannot afford the additional remuneration are experiencing problems with the recruitment of new staff, since the applicants rather opt for schools where they can earn an additional income. This is causing no-fee schools to appoint only those educators that are willing to work only for the departmental salary, resulting in poorer personnel provision. This is an unfair (thus unjust) situation, since the learners all deserve the same, but the poorer learners are limited by teachings from only a specific grouping of educators who are willing to work for a lesser lower (par. 2.2.2).
5.6.7.3 Fundraising

In addition to government funding and school-fee income, a school may further supplement this income by fundraising projects. The no-fee schools are in dire need of additional funding, but are experiencing problems launching such fundraising projects in their own communities. The empirical study indicated that the principals at these schools did so, but the income earned was very low (par. 4.8). The inability of the poorer schools to accumulate funds through fundraising was also noted from the literature review. Mkhwanazi (2009:56) stated that the high level of poverty is a stumbling block towards the attempts to raise funds. This is in strong contrast with the more affluent schools that accumulated up to R130 000 with a single fundraising event. These schools can rely on the school community for the much needed support to ensure a successful fundraising event. One of the schools in the sample, although ranked as a quintile 5 school, was experiencing problems with fundraising. The pre-dominantly black school, situated in a white community can’t rely on the community for support. At some fundraising events, offered in the evenings, the taxi drivers, waiting to transport the learners after the event were drinking and making such a noise outside the school premises that members of the community contacted the principal complaining. The fundraising event resulted in a lot of stress for the principal and not resulting in a lot of income (par. 4.8).

Finally, it is evident from the interview with a principal of a school located in a very poor suburban area that effective fundraising is possible. The focus should be broader than the parents at the school. He conducted a fundraising project (golf day), where not one of the school parents was involved in the fundraising. He has been networking with friends, family members, business associates and fellow personnel at the school for a couple of years, building and maintaining strong relations with all these stakeholders. It is evident from the data that although certain poor communities do have more difficulty in running a successful fundraising project, it is definitely possible. The fundraising events at this school confirm that the success of a fundraising project depends, to a great extent, on the
ability of the principal to build strong relationships with the relevant stakeholders and move beyond the school community (par. 4.8).

5.6.7.4 Partnerships

A partnership can be described as association of two or more people and offers has many advantages (par. 2.8.2.1). Although the schools in the sample were not involved in any, such partnerships are already in place at some schools and others are currently in the planning phase (Williams, 2014:2) (par. 2.8.2.1). According to Williams: “A business leader and a school principal that go down the road together, both win”. These partnerships between a school and members of the business community exercise a positive influence on the funding needs of schools, as well as problems regarding proper training of personnel and leadership support. The partnerships thus improve the overall financial position of the school (via additional funding) and the quality of financial management. The improvement in the latter will ensure the proper management of resources which will maximise productivity. This, in the educational context, is all about providing maximum benefit to pupils and students (par. 2.4). In conclusion these partnerships maximise the productivity at the partner schools, resulting in improved teaching and learning of learners and also resulting in compliance with Section 29 (Act 84 of 1996) of the new constitution stating that “everyone has the right to a basic education” (par.2.5.2.1).

The conclusions all indicate a disparity in the resource provision and general financial position of quintile 1 and 2 schools and that of the schools ranked as a quintile 3, 4 or 5. The inequality in education is reflected in diagram 5.5. The quintile 3, 4 and 5 schools are reflected in the better, upper position, the upside of the scale. The quintile 1 and 2 (no-fee) schools are reflected at the bottom of the scale, reflecting their heavy burden. The inequality and the inequity of the current system are shown at the bottom of the diagram. The arrows indicate that these two tiers are resulting in social injustice in education.
Chapter 5: Conclusions and Recommendations

Diagram 5.5: Current disparity in school financial management (Researcher)

5.7 RECOMMENDATIONS

In view of the conclusions drawn, based on the current situation regarding the financial management of schools in Tshwane, the following recommendations are suggested.

5.7.1 Training

It is recommended that the DoE should, after the tri-annual SGB elections, identify the diverse training needs of the role-players (principals, financial officers and SGB members). Personnel specify their training needs in their IQMS documents and these should receive prompt attention from DoE. In addition to identifying these needs, the DoE should develop and present need-specific training manuals and present diverse training programmes. The manuals should not only contain general guidelines, but also include samples of the documents schools need to develop, such as a master copy of a financial policy, which they can merely modify to fit their specific needs.

With the current successes of private training providers, DoE may outsource the financial management training to private service providers. To further the training of the role-players, a mentoring system should be implemented by DoE, through
the district offices. Through the latter, knowledgeable principals, financial officers and SGB members (mentors) can be linked to mentees in need of financial management skills and knowledge. Furthermore, since all teachers, irrespective of their level in the school hierarchy, are part of financial management activities such as budgeting and fundraising, tertiary institutions should develop and implement a basic financial management curriculum for teacher education students, thus preparing them for their basic financial responsibilities.

Since many SGB members do not possess financial knowledge and need extensive financial training to enable them to make responsible financial decisions, alternative measures need to be put in place until such time that the SGB has completed its training. Currently students completing their professional qualification in the medical field are required to do community service for a year. The same system should be applied by the professional body, South African Institute for Chartered Accountants (SAICA), where B Com. graduates should also complete a year of community service, before entering the business world. These professionals, busy with their community service year, could be co-opted as advisors on the SGB of a school or even as a financial officer.

Should the training recommendations be implemented, the training situation at impoverished schools, reflected in Diagram 5.5, should alter to ensure more effective financial management of such schools in Tshwane. The changes and the impact thereof are reflected in Diagram 5.6. The said schools have training needs that are not properly attended to. These are schools with quintile 1 and 2 ranking. Their ranking will remain the same. Since these are no-fee schools, they have limited resources available for training purposes. Should they be able to accumulate additional funding, it may be used for additional private training, thus resulting in improved financial management (par. 4.3.1.2). The other possibility is the improvement of the current level of DoE training. If it is improved and adjusted to the specific needs of the role-players, this may also result in the improvement in the overall financial management of the no-fee schools. Better training will ensure more effective financial management, which may even result in the improvement of the overall financial position of the school.
Diagram 5.6: Results of improved financial training on financial management (Researcher)

Diagram 5.6 indicates the possible influence on the financial management of schools, should the schools with limited resources (quintile 1 and 2), either find additional funding to enable them to gain access to quality private training, or the training provided by DoE is improved.
5.7.2 Personnel provision

DoE should ensure that sufficient academic and administrative/financial personnel are appointed at the no-fee schools, to rectify the current unfair distribution when compared to the fee-paying schools. An equal workload should be maintained at the fee-paying and the no-fee schools. It is recommended that each school should, in addition to a general administrative person, also have at least one dedicated financial person appointed by the DoE. Such a structure will ensure the proper division of duties (an internal control measure) while the administrative person should be trained to handle the basic financial functions in the absence of the financial officer.

Diagram 5.7: Proposed basic financial structure at a school (Researcher)

The proposed basic hierarchical structure of a financial function at a school is reflected in Diagram 5.7. The SGB is responsible and accountable for the finances, but delegates the function to the FC. The principal, as a member of the SGB, assumes the day-to-day accountability for finances. Both a financial officer and an administrative officer/assistant will report directly to the principal. The financial officer and administrative officer should at least be able to handle the
basic functions of the other post, to ensure continuation of financial activities in the absence of the financial officer.

The SGB should compile a detailed job description for the financial officer and other employees involved in finances, clarifying the tasks, responsibilities and accountability of the parties concerned.

5.7.3 Auditing

In order to combat bad practice and prevent corruption, an internal audit function should be implemented by the DoE at all schools. The internal audit should be completed during the financial year and will support the external audit that is executed after the financial year-end. This will ensure the purposeful improvement of practice and internal control measures. The internal audit may be performed by a DoE internal auditing team or it may be outsourced to independent internal auditors.

5.7.4 Financial analysis

Role-players at schools should execute at least a basic financial analysis and interpretation of the audited financial statements. This should include ratio analysis such as current ratio, debtors’ collection period and debt ratio. It is recommended that DoE should prescribe the basis/approach that should be followed during the compilation of the financial statements, since financial statements prepared on the cash basis do not permit calculations of debt ratios, which are very relevant for financial decision-making.

Since government schools are public entities, their audited financial statements should be published to ensure transparency and enable schools to compare their results with that of other schools. This will also offer an indication whether resource allocation in government schools is fair.
To enable schools to perform a more effective ratio-analysis, DoE (or researchers) should adapt current standards/norms developed for the analysis and interpretation of the ratios of trading entities, to suit the educational environment.

5.7.5 Funding

5.7.5.1 Government funding

The DoE should adapt the quintile ranking system. The adapted system should ensure that the poverty score of the school, which serves as the basis for determining their quintile ranking, is a true reflection of the economic welfare of the parents of learners and not merely of the economic welfare of the community where the school is located.

The government allocation for maintenance is currently based on the number of learners in a school. The calculation of this allocation should be based on the facilities in use at the particular school. The size of the buildings, science and computer laboratories, technical workshops, sports facilities, age of the buildings, size of the grounds and general gardening requirements are some of the aspects that need serious consideration when determining the allocation. In addition to the adjustment of the maintenance allocation, a maintenance inspection team should be established by DoE. This team should visit schools bi-annually, to determine the basic infrastructure needs of the schools. The independent maintenance inspection should ensure that all schools benefit from the same basic facilities, thus creating greater equality in the education system.

5.7.5.2 School fees

To avoid the current misuse of the exemption formula by parents who are financially able to pay school fees, the DoE should revisit and refine it. Parents, who are liable to pay low school fees at a school in their own community, should not be fully exempted from paying school fees at an affluent school in another community. Such apparent misuse of the exemption policy by parents should be
reported by the school to DoE and they should then be excluded from future exemptions.

Since the gap between affluent and poor government schools is evidence of the disparity in education, it is recommended that a wealth tax or school levy, similar to the Reconstruction and Development Programme tax, should be charged. The tax should be calculated as a percentage of the school fee at schools charging a school fee above a certain amount. The detail of the taxable school fee and the exact percentage to be charged should be finalised by government after negotiating with the parties concerned. This school wealth tax should be channelled directly to the no-fee and low fee schools.

Should schools be charging a very high school fee, similar to those at private schools, it is recommended that those schools become private schools. They should purchase the school facilities and start functioning totally independently from government. The funds accumulated through the selling of these public school facilities should be utilised for the improvement of the facilities at the deprived government schools. The same school wealth tax that will be charged at the affluent government schools will be applicable to all private schools. The percentage will simply be adapted/decreased, since the private schools are responsible for their own expenses and not partly subsidised by government.

5.7.5.3 Fundraising

Schools located in poor communities should target other communities and change their whole approach to fundraising. Principals should network and build relationships with family, friends, business associates and friends and family of the staff members. When organising a fundraising project the focus should be on these stakeholders and not on the parents or school community. The mentoring process, recommended to improve the training of the role-players (par. 5.7.1), will also assist in providing principals with the necessary skills to effectively run a fundraising project. This skill will be acquired when the mentee assists the mentor.
throughout the whole fundraising effort, from the planning phase to the final reflection on the project.

5.7.5.4 Changes to address disparity

All the recommendations are aimed at the overall improvement of the financial management at schools, and more particularly at the redress of inequalities. Diagram 5.8 summarises the possibilities of addressing these issues.

Distinct flows are reflected in Diagram 5.8. The first is a flow of money from the quintile 3, 4 and 5 schools (fee-paying schools) to government and then from
government to the quintile 1 and 2 schools (no-fee schools). This flow represents the percentage of school wealth tax to be charged by government, which will be channelled to the quintile 1 and 2 (no-fee) schools. The second is a two-way flow, where the implementation of a mentoring system between principals (and/or financial officers) should result in a flow (transfer) of knowledge and skills from the knowledgeable to those in need of the knowledge. The knowledge will flow both ways; it will vary, depending on where the specific pool of knowledge is seated. Quintile 1 and 2 personnel may possess knowledge on certain aspects, needed by the other quintiles (3, 4 and 5) and vice versa. Although this study focused on financial management, this flow may include curriculum support, financial management and human resource knowledge. Another flow apparent from diagram 5.8 is the flow of facilities and equipment (infrastructure). The quintile 3, 4 and 5 schools could make their facilities available to quintile 1 and 2 schools. In addition to making these (including computer laboratories or sports facilities) available, they could also transfer their obsolete equipment and LTSM to the poorer schools. The schools in all quintiles will be affected by the fundraising projects they run, as well as their involvement in partnerships with people in the business world. The partnerships may cause a flow of knowledge and money. The partner from the business world may learn from the school and the school should learn much from the business partner. The partnership may also result in a possible flow of money to the school, although this is not the main aim of the partnership. Should all these flows be realised, they will result in a balancing of scale, where both equity and equality are evident, resulting in an education environment reflecting the principles of a socially just society.

5.8 SUGGESTIONS FOR FURTHER RESEARCH

- Determine the impact of quintile ranking on the results of grade twelve learners
- Develop a meta-model for the effective financial training of financially illiterate SGB members
- Develop a curriculum for a tertiary programme/module on school financial management for teacher training students.
5.9 MY INTELLECTUAL JOURNEY

I am a born teacher! Other people are born astronauts, physicians, researchers, but that’s not me!

After I decided on my topic and my proposal was accepted, I set out on a journey that would surpass my wildest dreams. I am a B Comm. / Financial Management person with absolutely no natural flair for writing. Items are either debit or credit and long explanations, motivations and persuasions have never been part of my field of study.

With limited research skills I embarked on an epic research journey. After many attempts from my side and explanations from my supervisor, chapter one developed from my research proposal. I originally planned to perform a quantitative study, but the professors present at my first colloquium advised that I should rather do a qualitative study, focusing on fewer schools, but undertaking more in-depth study. My research methodology chapter proved to be an intense learning curve, since terminology such as ontology, epistemology, methodology and axiology was never part of my restricted academic research vocabulary. After working through numerous literature and other doctoral studies, I became more familiar with these concepts.

Although I did not know much about research methodology, I was an ardent supporter of Marxism and originally approached my study viewed through this lens. The more I studied this approach, the more I realised that it was just not a proper fit for my study. My supervisor suggested that I start reading on the concept social justice— one of the best pieces of advice I ever received. Once I started to read on this topic, I just couldn’t stop. It was a whole new world opening to me. At last I had found my special lens through which I wanted to look at my study. After this revelation my study became interesting and social justice was the golden thread tying together all elements of my study. Thanks Professor!
My literature review took me a very long time and I had to redo it time after time, much to my frustration. After Chapter two was eventually completed, I revisited my first attempt at the chapter and I was able to recognise the improvement. Through this study, I was able to overcome my oversensitivity to any critique and resentment/rejection. I learnt that critique of my work is not critique of my person. This also forced me to carry out my own critical reflection, both on the quality of my work and on my personal experience of the study. I could still be oversensitive at times but soon realised that although I am not a student attending lectures and writing exams, this is still a learning curve.

My supervisor taught me to deviate from my restrictive debit-credit accounting approach, to an explanatory, detailed approach of thinking things through and motivating why certain trends appear. He made me realise that in research my statement of “that’s just how it is” is not sufficient. I realised I should explain something; then support the explanation with evidence from the literature or the empirical study. Read, research, think, write, rewrite, read more, rethink and write again, became my new approach to my research.

I have also come to accept that it is acceptable to make mistakes. I also realise that there are many people who want to help with your learning and who know a lot more than yourself. After this study, I realise that old professors have a vast pool of knowledge, not only embedded in books, but also in a lifetime of their own studies and experience, that they are craving to share – we only have to ask.

With the constant encouragement of my supervisor, here I am, nearly finished with my doctoral studies, against my own odds!

I am still a born teacher, but through this study, I am now officially an apprentice-researcher, ready to conquer new worlds like an astronaut and help to heal the wounds of the world like a physician. I am ready to become part of the team of scholars and to make my contribution in answering some of the questions that exist and continuously develop in the dynamic field of education.
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Addenda

Addendum A: Permission to conduct research

GDE RESEARCH APPROVAL LETTER

Date: 6 February 2014
Validity of Research Approval: 10 February to 3 October 2014
Name of Researcher: Van Dyk H.
Address of Researcher: P.O. Box 1331
Hartbeespoort
Telephone Number: 012 382 9309 / 082 490 5743
Email address: vandykh@tut.ac.za
Research Topic: Financial Management of schools in Tshwane
Number and type of schools: EIGHT Secondary Schools
District/s/HO Tshwane North; Tshwane South and Tshwane West

Re: Approval in Respect of Request to Conduct Research

This letter serves to indicate that approval is hereby granted to the above-mentioned researcher to proceed with research in respect of the study indicated above. The onus rests with the researcher to negotiate appropriate and relevant time schedules with the school/s and/or offices involved to conduct the research. A separate copy of this letter must be presented to both the School (both Principal and SGB) and the District/Head Office Senior Manager confirming that permission has been granted for the research to be conducted.

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

1. The District/Head Office Senior Manager’s concerned must be presented with a copy of this

Office of the Director: Knowledge Management and Research
9th Floor, 111 Commissioner Street, Johannesburg, 2001
P.O. Box 7710, Johannesburg, 2000 Tel: (011) 355 0506
Email: David.Makhado@gauteng.gov.za
Website: www.education.gp.gov.za

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Addendum B: Informed Consent

Private Bag X07, Pretoria North 0116
Tel: (012) 799-9601 Fax: (012) 799-9685
International: Tel: (+27 12) 799-9601 Fax: (+27 12) 799-9685
SHOSHANGUVE CAMPUS

FACULTY OF HUMANITIES

DEPARTMENT OF EDUCATIONAL STUDIES

INFORMATION LEAFLET AND INFORMED CONSENT

PROJECT TITLE: FINANCIAL MANAGEMENT OF SCHOOLS IN TSHWANE

Primary investigator: Me Helen van Dyk
Study leader: Prof C.J. White, Department of Educational Studies, Tshwane University of Technology, Pretoria

Dear research participant,

You are invited to participate in a research study that forms part of my formal D.Ed.-studies. This information leaflet will help you to decide if you would like to participate. Before you agree to take part, you should fully understand what is involved. You should not agree to take part unless you are completely satisfied with all aspects of the study.

WHAT IS THE STUDY ALL ABOUT?

Title of the study:
Financial Management of schools in Tshwane: a social justice approach

Research question:

What requirements should be met to ensure the fair and effective management of school finances?

Objectives:
In developing guidelines for the effective financial management of schools, the researcher intends to:
Identify changes occurring in school financial management since implementing the Schools Act 84 of 1996;
Understand the impact of school-based management on school financial management;
Investigate the differences/similarities between the financial management of different schools;
Examine the contribution of SGB members regarding financial management of schools;
Develop a system of ratios to effectively analyse and interpret the financial statements of a school.
Determine the influence of the economic welfare of the community on the financial position of a school.
Identify the social justice principles applicable to the financial management of schools in Tshwane.

WHAT ARE YOU REQUIRED TO DO IN THE STUDY?

If you decide to take part in the study, you will be required to do the following:

To sign this informed consent form.
To be interviewed face to face with open-ended questions, once only. The interview will take a maximum thirty (30) minutes of your time. The location will be
a quiet boardroom or office arranged at your school. Interviews will be conducted with:
the school principal;
any (1) School Governing Body (SGB) member;
person responsible for handling the day-to-day school finances (administrative/financial officer).
To analyse and interpret the financial statements and financial policy of the school.

WHAT ARE THE RISKS INVOLVED IN THIS STUDY? or CAN ANY OF THE STUDY PROCEDURES RESULT IN PERSONAL DISCOMFORT OR INCONVENIENCE?

Interviews: In the interview/s you will be sharing your personal experience with regard to the financial management aspects of the school. There will be no sharing of emotionally sensitive and intimate details about you.

Document analysis: Analysis and interpretation of documents (financial statements and minutes of meetings) will be done. Questions for clarity will be asked only where necessary.

WHAT ARE THE POTENTIAL BENEFITS THAT MAY COME FROM THE STUDY?

The benefits of participating in this study are:
You will make a contribution towards the development of specific guidelines for the fair and effective financial management of school finances.
These developed guidelines will serve as a source of information for researchers, academics and other schools as well.

WILL YOU RECEIVE ANY FINANCIAL COMPENSATION OR INCENTIVE FOR PARTICIPATING IN THE STUDY?

Please note that you will not be paid to participate in the study.
WHAT ARE YOUR RIGHTS AS A PARTICIPANT IN THIS STUDY?

Your participation in this study is entirely voluntary. You have the right to withdraw at any stage without any penalty or future disadvantage whatsoever. You don’t even have to provide the reason/s for your decision.

HOW WILL CONFIDENTIALITY AND ANONYMITY BE ENSURED IN THE STUDY?

All the data that you provide during the study will be handled confidentially. This means that access to your data will be strictly limited to the researcher, the supervisors of the study and the designated examiners (appointed by Tshwane University of Technology). Also, your data and personal information will be kept and stored in a confidential format which will only be accessible to the researcher.

IS THE RESEARCHER QUALIFIED TO CARRY OUT THE STUDY?

The researcher comes from a background of teaching in secondary schools and colleges, as well as working in the financial sector. Her experience during teaching practice visits to schools highlighted the need for guidance in respect of school finances. The researcher is qualified and trained in the field of research for example: B Com Hons (Acc), HED (Post-graduate) (UP) and M Ed (UJ). The mini-dissertation for the Masters’ degree was: Financial reporting and asset control of RAUTEC.

HAS THE STUDY RECEIVED ETHICAL APPROVAL?

Approval from the Gauteng Department of Education and the Faculty of Humanities Research Ethics Committee has been obtained.

WHO CAN YOU CONTACT FOR ADDITIONAL INFORMATION REGARDING THE STUDY?
The primary investigator, Me H van Dyk, can be contacted during office hours at Tel (012) 382-9309, or on her cellular phone at 0824905743. The study leader, Prof C.J. White, can be contacted during office hours at Tel (012) 382-9312. Should you have any questions regarding the ethical aspects of the study, you can contact the chairperson of the TUT Research Ethics Committee, Dr WA Hoffmann, during office hours at Tel (012) 382-6265/46.

A FINAL WORD

Your co-operation and participation in the study will be greatly appreciated. Please sign the underneath informed consent if you agree to participate in the study. In such a case, you will receive a copy of the signed informed consent from the researcher.

CONSENT

I hereby confirm that I have been adequately informed by the researcher about the nature, conduct, benefits and risks of the study. I have also received, read and understood the above written information. I am aware that the results of the study will be anonymously processed into a research report. I understand that my participation is voluntary and that I may, at any stage, without prejudice, withdraw my consent and participation in the study. I had sufficient opportunity to ask questions and of my own free will declare myself prepared to participate in the study.

Research participant’s name: ________________________________

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Addenda

Addendum C: Table reflecting E for exemption formula

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Addenda

Addendum D: Faculty of Humanities Research Ethics Committee - approval

Tshwane University of Technology

Faculty of Humanities Research Ethics Committee [FREC-HUM]

The TUT Research Ethics Committee is a registered Institutional Review Board (IRB 00005968) with the US Office for Human Research Protections (IORG# 0004997) (Expires 19 Jan 2014). Also, it has Federal Wide Assurance for the Protection of Human Subjects for International Institutions (FWA 00011501) (Expires 31 Jan 2014). In South Africa it is registered with the National Health Research Ethics Council (REC-100309-21). The FREC-HUM is a subcommittee of the TUT Research Ethics Committee.

25 MARCH 2014

Ref #: FREC/EDU/STF/2014/03
Name: van Dyk, H
Student #: 2113040022

Van Dyk, H
C/o Prof. C.J. White
Department of Educational Studies
Faculty of Humanities

Dear Ms./Mr. van Dyk, H

Title: Financial Management of schools in Tshwane
Investigator: van Dyk, H,
Qualification: D. Ed
Supervisor: Prof. C.J. White
Co-supervisor: None
Co-supervisor: None

Thank you for submitting your proposal for ethics clearance.

Decision: Approved

In reviewing the proposal, the following comments/notes, emanating from the meeting are tabled for your consideration/attention/notification:

- Although the study’s data gathering does take place at a school, no learners are included as respondents (only the school’s principal, financial administrator and school board members are involved).

- Permission for them to participate has been obtained from the Gauteng Department of Education.

- All the necessary informed consent documentation and forms are in order.

The Faculty of Humanities Research Ethics Committee reviewed the documents at its meeting on 13 March 2014. The study is approved.

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INTERVIEW QUESTIONS: FINANCIAL MANAGEMENT OF SCHOOLS IN TSHWANE.
INTERVIEWER: Helen van Dyk
INTERVIEWEE:
SCHOOL: 
Date: 

PRINCIPAL

1. How did your financial responsibilities change over recent years?
   Probe: how long have you been in this position?

2. How much of your working day is taken up by financial tasks and responsibilities?
   Probe: how does this interfere with your other day-to-day work? How do you think this differs from a principal at a Section 21 school?

3. Briefly explain the structure of the finance office/section of the school.
   Probe: what, if possible, would you like to change in the finance office?
4. To what extent do you rely on the accounting officer to handle the finances?
Probe: What type and how often do you interact regarding the finances?

5. What kind of financial background/qualification do you have?

6. What type of financial training and/or assistance was provided by the Department of Education?
Probe: are you in possession of a detailed departmental manual describing all facets and steps regarding the proper handling of school finances?

7. Can you make any suggestions regarding possible financial training?

8. What problems do you experience with regard to the management of the school finances?
Probe: what do you think could be done to alleviate these problems?

9. Explain the budgeting procedure followed at your school.
10. How and how often do you do budget control?
   Probe: if there are variances on the budget, what procedure is then followed?

11. What difficulties, if any, would you encounter if the SGB does not assist with the financial matters?

12. Are you satisfied with the qualifications/ability of the SGB members to assist with the financial decision making?
   Probe: what is the highest financial qualification of an SGB member?

13. To what extent do you do fundraisings to accumulate funds for the school?

   Briefly take me through your last fundraising project, from planning to the assessment after the project.

14. What type(s) of in-school marketing do you have at the school?
   Probe: if nothing, why not, will you consider it?

15. With regard to the maintenance of the school, what exactly does the maintenance allocation from the department cover?
Probe: is it sufficient to do proper maintenance?

16. Once the financial statements have been completed, what type of analysis is done?
Probe: does the analysis provide you with sufficient information to really assess the school’s financial position and properly budget and plan based on that?

17. What is your opinion regarding the influence of finances on the quality of education in your school?
Probe: how would additional funding influence the teaching and learning or holistic development of learners in your school?

18. Please take me through the steps, from the ordering of goods to the actual payment of the invoice, tendering etc.

19. To what extent could you, as the principal and SGB member, be held personally responsible regarding school finances?
20. What advice regarding finances, would you give to a newly appointed school principal?

21. How do you think disadvantaged schools could go about to improve their financial position?

22. In which way could so-called wealthy schools assist and support the poor schools?

23. What is your feel on the possibility of sharing facilities with other disadvantaged schools?
   Probe: are you currently making facilities available to any such schools?

24. Is the school actively involved in any community service?

25. What is your opinion regarding the possibility of school principals and financial officers with good financial knowledge, mentoring others?
   Probe: do you have any suggestions as to how this could be facilitated / implemented?
26. How and how often is networking done between principals in different schools and different districts?
Probe: how does that influence the efficiency of principals?

27. How do your activities regarding finances correlate with a manager in the private sector?

28. Explain how the trust of the school operates.

29. Have your school registered a non-profit organization? If so, kindly discuss the purpose thereof. How is this incorporated into the financial statements or records of the school?

30. What does the auditing of the financial statements entail?

31. How did the school decide on the specific auditor appointed in the position and what is his/her qualifications?

32. How much time and resources are spent on auditing?
33. To what extent are the Accounting teachers involved in the financial activities of your school?

34. How do you calculate and manage additional remuneration to teachers?

35. How many teachers do you have at the school? How many are remunerated by the SGB?

36. How does the remuneration of a person in a departmental post differ from someone in a SGB post?

37. Are you satisfied with the way in which the quintile ranking of schools is determined?

38. Briefly describe the economic welfare of the community the school is situated in.
INTERVIEW QUESTIONS: FINANCIAL MANAGEMENT OF SCHOOLS IN TSHWANE.

INTERVIEWER: Helen van Dyk

INTERVIEWEE: 

SCHOOL: 

Date: 

ACCOUNTING OFFICER/ ADMINISTRATIVE PERSON

1. What type of financial training and/or experience do you have?

2. What type of training and/or assistance do you receive from DoE?

3. Describe your interactions with regard to finances with the principal and the financial committee/ SGB members.

4. What advice would you give to inexperienced accounting officers entering into such a position?

5. What type of training would be advisable to prepare a person for the job?
6. What frustrations and pleasures do you have in your day to day work?

7. If you are given the opportunity to make changes to the financial function at your school. What would it be?

8. What are the steps taken by the school in the case of non-payment of school fees?

9. How often does non-payment of school fees result in legal action?

10. Which % of the learners is exempted from paying school fees?

11. What is your involvement in the fundraising activities at the school?

12. What contribution does the SGB make towards the effective running of the school finances?
13. How often are they involved in the financial matters?

14. To what extent do you do fundraisings to accumulate funds for the school? Briefly take me through your last fundraising project, from planning to the assessment after the project.

15. Once the financial statements have been completed, what type of analysis is done?

16. How often is the school visited by the auditors and what exactly does the audit entail?

17. Please take me through the steps, from the ordering of goods to the actual payment of the invoice.

18. You are responsible for handling the school finances, a very big responsibility as such. Do you have a personal liability in respect of your duties?
19. What is the reporting channel in the finance department/office?

20. Do you network with financial officers of other schools or others outside the school environment?

21. Has our school registered a non-profit organization? If so, kindly discuss the purpose thereof. How is this incorporated into the financial statements or records of the school?
INTERVIEW QUESTIONS: FINANCIAL MANAGEMENT OF SCHOOLS IN TSHWANE.
INTERVIEWER: Helen van Dyk
INTERVIEWEE: -----------------------------------------------
SCHOOL: --------------------------------------------------
Date: ---------------------------------------------------

SGB MEMBER

1. Explain your involvement in the school finances.

2. Do you feel you are adequately qualified to handle the financial matters of the school? What are your qualifications?

3. How effectively can the finances be run if none of the SGB members has any financial knowledge?

4. What type of financial assistance was provided by the Department of Education?

5. Can you make any suggestions regarding possible financial training?
6. How is the non-payment of school fees handled by the SGB?

7. What problems do you experience with regard to the management of the school finances?

8. What is the involvement of the SGB in the fundraising projects of the school?

9. Explain your personal liability with regard to the finances of the school.

10. What interaction takes place between you, the financial officer and the principal, regarding the financial matters of the school?

11. Once the financial statements have been completed, what type of analysis is done?

12. What is your opinion on the effectiveness of the functioning of the SGB as a management team of a school?
13. What, if anything, would you like to change with regard to the finances of the school?

14. What type of training did you receive from DoE, to equip you for the financial management activities that you need to handle as an SGB member?

15. Does the school have a Trust? What is the involvement of the SGB in the affairs of the Trust?

16. Did the school register a non-profit organization? If so, how is the SGB involved in this and is this incorporated or reflected in any way in the annual financial statements of the school?

17. If the financial knowledge of the SGB members is insufficient, how will you handle this?

18. What is the involvement of the SGB in the budget process?
Addendum H: document analysis form

DOCUMENT ANALYSIS FORM:

DOCUMENT DATE: -------------------------------------
DATE OF DATA GATHERING: -------------------------------------

NAME AND DESCRIPTION:


IMPORTANCE/RELEVANCE OF DOCUMENT:


SUMMARY OF CONTENT:


CONCLUSIONS:
Addenda

Addendum I: Transcriptions of interviews