

Financial Management Capacity of Principals and School Governing Bodies in Lebowakgomo, Limpopo Province

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ABSTRACT The South African Schools Act (SASA) 84 of 1996 devolves management of state-allocated funds to school governance and management structures. However, school principals and school governing bodies (SGB's) are often not aware of their responsibilities and liabilities when it comes to finances and accountability. This study investigated the extent of SGB's and principals' financial responsibilities and whether or not they are aware of and properly equipped to undertake financial management in their schools. This study found that the challenges include a lack of effective training of principals and SGB members, especially treasurers, by district-based personnel who themselves often lack financial literacy and basic knowledge of bookkeeping. Since financial management and skills play a significant role in improving education and enhancing effective decision-making at all levels of school governance, the study recommends regular and thorough training of school principals and other SGB members. It also suggests the permanent placement of auditors at District offices to audit schools' books each quarter. Other recommendations include that Department of Education's audit processes should demand verifiable evidence to justify any expenditure.

INTRODUCTION

The effective financial management of school funds by schools is of utmost importance for the effective management and long term survival of schools (Cavanaugh et al. 2013: 138; Suk 2013: 272-273). It seems that funds in education are often mismanaged in South Africa (Kanala et al. 2013:12). Since 1994, when the South African government launched the quintillion programme for schools and granted some schools Section 21 status, funds have been deposited in two equal instalments each year for the management of their operational and overheads expenses." The objective is to provide a uniform system for the organization, governance and funding of schools (SASA Act No. 84 of 1996). The South African Schools Act (SASA) 84 of 1996 (hereinafter referred to as the Schools Act) espouses the need for school principals and School Governing Body (SGB) members to act in terms of the law and ensure effective and functional use of these resources (Sanchez et al. 2013: 337). The spending spree by some school principals

has escalated, causing tensions between principals, SGBs, educators and the community at large. Principals' efficiency and ability to reach sound financial decisions have been questioned. This study therefore investigates principals and SGBs' capacity to ensure that the resources provided by the Department of Education are used in the best way possible to uplift communities through education. It is hoped that it will assist the Department of Education in Limpopo Province to implement capacity building programmes and follow-ups to up-skill, re-skill and develop school governance structures in order to ensure sound financial management at school level.

Purpose of the Study

The study was conducted in Limpopo Province in the Lebowakgomo District. Schools in the Mogodumo Cluster were selected to participate. The Lebowakgomo District is made up of diverse schools. The principals selected for this study operate from what are considered previously disadvantaged schools. The Department of Education in Limpopo classifies schools in terms of quintiles 1, 2, and 3. Most fall into quintiles 2 and 3. Quintile 1 schools operate as Section 21 Schools and most schools whose funds are administered by the Department of Education are quintiles 2 and 3 schools. Up until 2002, schools' funds were controlled by the Department of Education. Section 21 status

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is a new concept. By January 2002, just 10 per cent of the schools in Limpopo Province were classified as Section 21 Schools (Department of Education and Culture 2013:17; Suk 2013: 131). This motivated this research study on the financial management role of school principals and SGB members at Section 21 Schools, as this is a fairly new practice. The benefit of choosing this area was that the schools are from previously disadvantaged communities and do not generally reflect the transformation of South African schools.

The selection of research sites for qualitative research is informed by three factors, namely, richness of data, unfamiliarity and suitability (Sanchez et al. 2013: 140). However a drawback was that certain schools were unsure of their status as Section 21 Schools and therefore did not have sufficient experience to answer certain questions. The significance of this study is that it provides an in-depth understanding of desirable operational principles coupled with accountability for the use of public funds by school principals and other stakeholders within the school. The Department of Education in Limpopo could benefit from the study, whose ultimate aim is to propose a plan for an extended and/or improved programme to improve principals and SGBs' financial management skills in public schools in order to enhance service delivery, and thus community upliftment, as well as value for money (Cavanaugh 2013: 276).

Problem Statement

As far as can be determined, very little if any research has been conducted on the budgetary processes of schools in Limpopo Province in order to enhance the effectiveness and efficiency of school management and administration.

The study aimed to:

- ♦ Administer a quantitative checklist survey to determine Section 21 School Principals and SGBs' knowledge of and adherence to financial management regulations and guidelines in order to establish their needs with regard to training and development programmes.
- ♦ Extend and validate the findings of the checklist survey through qualitative and quantitative interviews with a limited number of non-respondents and selected office-based education officials.
- ♦ Compile a plan for an extended and/or improved support, training and development

programme to enhance principals and SGBs' financial management of this cluster of public schools.

Literature Review

This literature review focuses on the legislative framework and previous empirical studies.

The Funding of Schools in South Africa

The current funding norms and standards are based on the original ones published by the Department of Education and Culture (2013: 15). They deal with:

- ♦ the public funding of public schools, in terms of Section 35 of the Schools Act;
- ♦ exemption of parents who are unable to pay school fees, in terms of Section 39(4) of the Act; and
- ♦ Public subsidies to independent schools in terms of Section 48(1) of the Act.

The Schools Act states that it is incumbent on school principals and members of SGBs to manage these resources prudently and account to both parents and the Department of Education on the use of such funds.

Section 21 Schools

The term "Section 21 Schools" is regarded as virtually synonymous with self-managing or self-reliant schools (Department of Education and Culture 2013: 17). When a school acquires Section 21 status, it takes on the following additional functions:

- ♦ Maintaining and improving the school's property, buildings, grounds, and hostels. This includes a plan for improvements and upgrades in line with the specifications laid down by the Limpopo Department of Education and approved by the Department of Education. They would be included in the school development plan and in the annual school budget (Yang 2012: 349).
- ♦ Determining the extra-mural curriculum and the choice of subject options in terms of provincial curriculum policy. This requires a functional curriculum committee that is familiar with current developments as well as applicable legislation and documentation that guides extra-curricular activities (Zacharis 2012: 182).

- ♦ Purchasing textbooks, educational materials or equipment for the school. They maintain that schools' financial records should provide proper and transparent information to stakeholders. Decision-makers outside the school, such as donors and sponsors, are influenced by the level of overall financial management at the school. The government and parents are other interested parties. Financial records will also keep an SGB informed on the school's balance sheet (Yang 2012: 347).

RESEARCH METHODOLOGY

The study employed both quantitative and qualitative research methods. It is important to distinguish between primary data and secondary data. Secondary data refers to data that has already been collected (Kanala et al. 2013: 9; Marishane and Botha 2004: 97) and is available in the published literature. On the other hand, primary data refers to data obtained from the original source. It is important that the primary-data collected during the research process should be of assistance in answering the research question, in this case, whether principals and SGBs at Section 21 schools have the necessary skills and capacity to manage school funds in order to ensure effective and efficient utilization of public funds. Structured questionnaire was distributed to school principals and SGB members (see Annexure one). The semi-structured questionnaire was used to understand the views, perceptions and experiences of teacher and parent members of the SGBs (Mouton 2012: 56). A letter of permission was obtained from the Head of the Department of Education to conduct the study. The questionnaire used in this study contained semi-structured: open-ended and closed-ended questions (Mouton 2012: 56; Suk 2013: 126).

Population and Sample

The population for this study was school principals and SGB members of Section 21 Schools in the Mogodumo Cluster of Lebowa-gomo District. The total population was thirty-six (36) possible participants. This represented eighteen (18) principals, ten (10) parents and eight (8) teachers who are SGB members at the schools. According to Mouton (2012: 57),

the population is a group of elements or cases, whether individuals or objects or events, that conform to specific criteria and from which the results of the research can be generalized. Purposive sampling, which increases the utility of information obtained from small samples, was used. The structured questionnaire was distributed to thirteen (13) principals, eight (8) parents and five (5) teachers that are SGB members of the relevant schools. The sample was heterogeneous in terms of gender. Seven (7) male and six (6) female principals and eight (8) parents and five (5) teachers members of SGBs were interviewed out of a total population of 36 members. Both primary and secondary school principals were interviewed, six from primary schools and the other seven from secondary schools. Principals, and teacher and parent members of SGBs for whom contact details were not available were eliminated from the sampling frame (Mouton 2012: 57). Only thirteen (13) members of the SGBs, including principals from Section 21 Schools were interviewed. Participants were contacted via mail. The final number of participants was twenty-six (26).

Data Collection

The study was piloted among principals in the Lebowa-gomo District in English. The interviews took approximately 40 minutes. After the first two interviews, the researcher made minor changes to the interview guide. Some unanticipated topics and new questions such as the budgetary allocation from the Department of Education being a reason for schools to apply for Section 21 status arose and were included in the interview guide. All interviews were tape-recorded. Observational field notes were also recorded for each interview to describe the setting in which the interview took place as well as to record non-verbal communication. The researcher collected and analyzed all the data.

Data Analysis

The data was analysed by the researcher and an independent encoder according to the prescribed requirements in order to achieve triangulation. Schumacher and MacMillan (2006: 375) state that this involves cross validation among data sources, data collection strategies, time periods and theoretical themes. The identified themes and areas of information obtained were compared to determine the degree of agreement

between the body of knowledge of the researcher and the independent coder. This information was also compared with the existing literature (Patton and Schumacher 2001). The findings were used to formulate guidelines for schools to ensure effective and efficient management of their resources.

OBSERVATIONS AND DISCUSSION

The key findings of the study are aligned with the research questions as follows:

The Importance of Financial Management Knowledge

Sound financial management knowledge is imperative to manage schools effectively (Speculand 2014: 29-30). Fifty percent (50%) of the respondents indicated that background knowledge in financial management is very important in order to organise and streamline schools' financial processes. Furthermore, on-going training in financial management is required.

Can Knowledge of Financial Management Knowledge Contribute to Schools' Growth?

Forty-two percent (42%) of the respondents strongly agreed that financial management can contribute to schools' growth. The question is whether or not they receive sufficient training from the Department of Education in Limpopo Province as per the SASA, to fulfil such functions (Speculand 2014: 29).

Should SGB Members Receive Training in Financial Management?

Training in financial management is also very important to ensure effective management of financial resources (Schroeder 2014: 29). More than a third (38.46%) of the respondents felt that training in financial management is indispensable in performing their roles unhindered and professionally. It is therefore very important for the Department to organise training workshops to equip SGB members.

Should the Appointment of Finance Officers Consider Bookkeeping Skills or Experience?

Fifty percent (50%) of the respondents agreed that prospective finance officers' skills

and experience should be verified before they are appointed, as this would enable them to carry out their responsibilities and provide sound guidance to the governing structure on procurement procedures, budgetary expectations and budget management. Finance officers with accounting and bookkeeping experience would also assist in the preparation of a school's financial statements in preparation for audit. This would ensure that the Department of Education receives accurate and timeous reports on the use of public funds (Zacharis 2012: 174).

Should Internal Control Measures be Put into Place to Ensure Good Financial Practice?

The large majority of the respondents indicated that effective and efficient financial management and practice requires that governance structures develop financial control mechanisms. This would ensure prudential financial management practice by all involved in the management of school resources.

Should All Members of the SGB Have Thorough Knowledge of Financial Management Skills?

Ten (10) of the respondents agreed that it is highly desirable for SGB members to have financial knowledge and skills as this would enable them to understand and fulfil their roles and responsibilities.

Should Circuits Appoint People with Good Accounting Skills and Knowledge to Monitor Schools' Financial Compliance?

The majority of the respondents agreed with the proposition that the Department should appoint such officers. They could also offer the necessary support and training.

Do Teacher Members of SGBs Add Value to the Operation of SGBs?

While the majority of the respondents concurred that teacher SGB members add value to SGBs' operations, some felt that teachers who serve on these structures often retard progress, as they argue and come to meetings with pre-conceived ideas.

Should Section 21 School Principals Draw Up the School Budget and Present It to the SGB for Approval?

The majority of the respondents disagreed with this proposition; however, some agreed. This is a clear indication of the lack of training before they took up their positions as SGB members. The SASA states that SGBs should establish different committees, including a finance committee that is tasked with drawing up the school budget and presenting it to the SGB for ratification, before the parent body approves it (Basu 2014: 31).

Should Parent Members of the SGB be Involved in School Finances?

In line with the SASA, parents should be empowered to make critical decisions relating to finances. The SASA, Act 84 of 1996, states that the treasurer of the SGB has to be a parent (Suk 2013: 129). It seems that the majority of the respondents were not aware of this requirement.

Should Section 21 School Principals Be Engaged in Teaching Despite Their Huge Financial Accountability?

There were varied responses to this question, indicating the lack of policy direction on the part of government concerning the distinction between management and teaching responsibilities. However, the majority of the respondents felt strongly that principals should also teach.

Is There a Need For School Budgets to be Reviewed on Weekly Basis to Ensure Compliance?

Once again, there were mixed responses to this question. However, the majority of the respondents disagreed with the proposition as they felt that this would disempower them as decision-makers at their schools. This implies that they do not see the need to for school financial records to be as accurate as possible to ensure compliance with policy (Speculand 2014: 29).

Is the Management of School Budgets the Responsibility of School Principals or of SGBs?

The respondents provided different answers, illustrating that they are not fully conversant

with the SASA. Section 19 states that the HOD should provide introductory training of newly-elected governing bodies to enable them to perform their functions, including managing and administering their budgets.

Is it Necessary for Schools to Appoint Qualified Auditors to Audit Their Financial Statements?

The majority of the respondents agreed that this is necessary, showing that they understand the provisions of the Act. According to the SASA, a school's financial records and financial statements must be audited by a registered public accountant and an auditor in terms of the Public Accountants and Auditors Act. The appointed treasurer or a designated person may also conduct internal audits during the course of the year. All schools should have internal control mechanisms in place. Governing bodies could appoint a team from the SGB or appoint someone from the community to conduct regular checks of the school's finances (Basu 2014: 31).

Should Audited Financial Statements be Given to Parents to Confirm Compliance?

The majority of the respondents felt that it is important for financial statements to be given or read out to parents during the Annual General Meeting so that they understand how the school resources are utilised.

Should Staff Members be Involved in the Preparation of School Budgets?

The majority of the respondents strongly agreed that some educators' financial literacy could be put to good use in drawing up the school's budget.

Should SGBs Elect Finance Committees to Prepare School Budgets?

The majority of the respondents agreed with this proposition, once again illustrating that they are aware of the SASA's provisions.

Should SGBs Influence the Hiring of Staff Members?

The majority of the respondents disagreed that governing bodies should be involved in hiring staff. They also identified why this is the

case. Again, this shows that they understand the Act.

What Do You Think is the Nature of the Training that Should be Given to School Principals in Financial Management?

Six of the respondents indicated that principals need more training to enable them to manage school finances correctly.

Do You Think Most Principals Have Sufficient Knowledge of financial Management?

The respondents clearly indicated that this is not the case; hence the need for training in this area.

Suggest Three Ways in Which You Think Knowledge of financial Management by School Principals Can Ensure Financial Compliance

Training on budgeting and procurement were the only two areas proposed. This is a clear indication that much remains to be done for SGBs to become financially literate.

Give Any Three Disadvantages of Section 21 Schools

Among the responses were that the Department needs to increase funding so that schools do not run into debt and that they get better discounts on business deals.

Who is Responsible for the Drawing Up the Budget, What is Your Role and When is it Drawn Up?

The majority of the respondents indicated that the Finance Committee is responsible for drawing up the budget and presenting it to the SGB for ratification.

CONCLUSION

The development of new governance and administrative codes or rules for the management of South African schools has added value to school management and administration. The implementation of the South African Schools Act introduced many changes. Schools now have the option of two levels of autonomy, Section 21

or Section 20 schools, according to their internal strengths and resources. However, the Department of Education intends to gradually decentralise decision-making as per the SASA to enable schools to manage their own finances as judiciously as possible. This requires that school principals are fully capacitated to manage their schools. Knowledge of financial management, the functioning of different committees and their responsibilities, and diversity in committee members' expertise should be encouraged to avoid the possible legal repercussions of mismanagement. Above all, this would promote a better learning and teaching environment.

RECOMMENDATIONS

After careful consideration of the above findings, the following recommendations are made:

Thorough and Comprehensive Training in Financial Management

Financial management training is a must to ensure effective management of finances at schools. All school principals should be given sufficient, rather than merely introductory training in financial management. This would reduce misappropriation of public funds and ensure value for money. The budgetary formulas which are used to allocate funds to schools are based on a national norm. As indicated by one respondent, Department of Education officials need to visit schools rather than simply allocating funds based on the physical structure of a school stated on a standard form.

Computerized Financial Software in all Section 21 Schools

It is recommended that the Department of Education set-up computerized financial software in all Section 21 Schools in the Province in order to assist school governance structures to exercise budgetary control. This will reduce manual tasks such as writing out receipts. Systematic software, such as Edupac, would also prevent fraud.

Employment of Administrators at All Schools in the Province

All schools in the Province should employ administrators to ensure that financial transac-

tions comply with the established rules and instructions from the governance structure.

Offer Incentives to Section 21 Principals

In Queensland, Australia, principals are paid extra if they add teaching to their other duties. Similar incentives could be offered to Section 21 principals. Furthermore, school principals should be continuously trained to ensure that they comply with the required record keeping processes. This would render them more efficient and free up time for teaching.

Development of an Electronic Financial Management Framework for schools

The Department of Education is advised to look into the engagement of financial management professionals to develop an electronic financial management system to assist school principals and SGBs in managing their resources.

Appointment of Auditors from the Department of Education

The Department of Education should use its own team of auditors to move from circuit to circuit to audit schools' books. This will assist in the institutionalization of the audit principles and capacitate the responsible functionaries at school level in financial management principles. The Department would then be able to realistically evaluate schools' financial performance.

Periodic Training of School Principals and SGB Members

School principals and SGB members require intensive training on their responsibilities as per the SASA. Furthermore, monitoring and intervention should be conducted on a regular basis to ensure compliance and the implementation of proper financial management principles. The training could include managing budgets; procurement processes; developing internal control measures and financial policies; and the functions, roles and responsibilities of different governance or committee structures.

Develop a Financial Management Systems Framework

It is evident that schools struggle with financial management systems. The framework

that follows is designed as a simple and accessible reference for schools in reinforcing their knowledge and understanding of the implementation of proper financial management systems. It also provides a brief overview of appropriate procedures.

Appointment of Auditors by the Department of Education to Help Schools Ensure Compliance with Financial Management Practices

The Department of Education, preferably at provincial level, should compile a data base of credible auditors that can be recommended to schools for auditing services. This would enable a realistic and reliable evaluation of their financial performance.

Submission of Monthly Financial Reports by Schools to Circuit-based Monitors

Schools should submit monthly journals without fail to identify any deviations that could lead to misappropriation and misallocation of funds.

Monthly Circuit Finance Committee Meetings

It should be compulsory for schools to submit their records and books to the Circuit Finance Committee in order to identify any deviations and strengthen the capacity of appointed finance officers or administrators.

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