

The Management of Finances by School Governing Bodies

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ABSTRACT This paper focuses on the management of finances by School Governing Bodies (SGB). *The South African Schools Act*, 84 of 1996 provides for the establishment of SGB entrusted with the management of school funds. The research was a multi-site case study of the Vhembe district. Purposive sampling of the schools was conducted. Semi-structured interviews, observations and document analyses were carried out. The findings suggest that the finance personnel and committees at school level were not well-established or trained, and thus became dysfunctional. The researchers recommend that finance policies be amended, finance committees be trained, and continuous monitoring of finances be provided by circuit and district officials. The paper outlines a number of limitations to the study which include difficulties in understanding financial terminology by some participants, as well as a fear of handing in financial documents for examination by researchers.

INTRODUCTION

In South Africa, until 1994, the apartheid state excluded the majority of citizens from genuine and equal participation, and it used education to socialise young people into the status quo of inequalities through conformity to authoritarian structures. The new constitution of South Africa ushered in a new educational dispensation, part of which was a new system of education governance and, in particular, public school governance. The government's educational reforms focused on democratisation and redressing historical imbalances and achieving equity as well as active participation of all stakeholders in education.

The *South African Schools Act* (SASA), 84 of 1996 mandated that all public state schools in South Africa must have democratically elected school governing bodies (SGBs) composed of teachers, non-teaching staff, parents and learners. SASA was the first attempt to involve communities in governance, and to set guidelines for self-managing and governing schools. SASA gives the responsibility of financial management to the SGB. However, school governance in South Africa is the single most important factor in education that seems to experience apparently insurmountable challenges (Xaba 2011: 201).

Numerous scholars identified challenges facing school governing bodies in the management

of school finances (Mestry 2004; Chaka 2005). The common factors identified include lack of financial management skills, failure to understand the legislations underlying the management of finances, difficulty in drawing a line between school professional management and governance (Ndou 2012), lack of knowledge of procurement procedures, poor monitoring, and control of and accountability for school finances. It is against this background that the researchers critically analysed the contributions of the authors on management of school finances and came up with recommendations that may contribute to the effective and efficient management of school funds. Therefore, the study sought to answer the question: "What are the challenges facing school governing bodies in the management of school finances?"

Objectives of the Study

The researchers aim at identifying the challenges facing school governing bodies regarding the implementation of finance policies for the management of school funds, suggesting ways and means of addressing such challenges, and identifying roles of the circuit, district and provincial officials in the effective recording and monitoring of school finances. The researchers made recommendations that can help to improve the effectiveness of finance personnel.

METHODOLOGY

The research plan the researchers chose for collecting and analysing evidence that would en-

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able us to answer the research questions the researchers had posed outlined the range of approaches that would provide data that could be used to draw conclusions and make suggestions for improvement. Numerous researchers such as McMillan and Schumacher (1993: 31), Mouton (1996: 35), Cohen et al. (2003: 34), Flick et al. (2004: 146) and Henning (2004: 36) have discussed the nature and purposes of the research plan or method or approach.

The researchers chose the qualitative approach because it interacts with the participants in real settings such as observations and interviews, where they could express their views, perceptions or beliefs on the actual implementation of the finance policies in their schools. Hence the researchers' exploration and description of the phenomenon took place through detailed, in-depth data collection methods, involving multiple sources of information that were rich in context such as interviews, documents, observations and archival records. The interviews enabled them to collect data which was soft, rich in description of SGB members at schools, and conversation by the participants, which include circuit managers, principals, SGB chairpersons, treasurers, and finance and petty cash officers (Bogdan and Biklen 2003: 3).

In this project the researchers employed a case study research strategy as the researchers were interested in studying the challenges facing school governing bodies in the Vhembe district. The study was limited to selected primary and secondary schools. A case study is an intensive analysis of an individual unit (for example, a person, group or event), stressing developmental factors in relation to context. The researchers chose to interview individual members of SGB in a purposeful manner, taking into account the experience and knowledge they have in the management of school funds. The selection of the Vhembe district was based on the locality and accessibility of the research sample by the authors.

RESULTS

According to Marishane and Botha (2007:139), efficient school-based financial management is a solution to the shortage of state resources because sufficient school finances and the effective management thereof will play a major role in building an effective school. In this

regard the majority of the circuit managers reported that they were aware of their responsibilities of empowering the principals and the school governing bodies through workshops and school visits. However, they claimed that they were unable to execute these responsibilities because of the workload they had to contend with. They indicated that their hands were full and their programmes and daily routines were tight.

Most circuit managers had copies of the *Constitution of the Republic of South Africa*, *South African Schools Act*, *Public Finance Management Act*, and the 2009 prescripts for the management of school funds. Very few principals were in possession of the 2011 prescripts for the management of school funds in public schools, which were to be implemented from May 2011 (DoE, Limpopo Province 2011). It therefore appears that one of the challenges in implementing finance policies is inadequate knowledge of the financial legislature.

According to the SASA (1996: 11 Section 19) the provincial legislature (the Provincial Department of Education) must establish a programme to provide introductory training for newly elected SGB members to enable them to perform their functions. Only three of the nine circuit managers conducted workshops for finance personnel in schools. The findings therefore suggest that school finance personnel have little or inadequate knowledge of school financial management. It is evident that, except for the "micro-waved" induction they received immediately after their appointment or assumption of duties, the training of SGB treasurers, finance and petty cash officers had been completely ignored.

According to the prescripts for the management of school funds the finance committee must be composed of the principal, SGB chairperson, treasurer, finance officer and three parents who are not members of the school governing body. While the majority of the schools in the Vhembe district had a finance committee, some had not been established in accordance with legislation. The research findings further revealed that most finance committees were dysfunctional as they did not meet on a monthly basis for the preparation of monthly financial statements. Those schools which did sometimes meet could not produce accurate financial reports as they lacked knowledge of financial matters.

In terms of the 2011 Limpopo Department of Education prescripts for the management of school funds, a monthly financial statement must be prepared and submitted to the circuit on a quarterly basis (DoE Limpopo Province 2011). The majority of the schools submitted such quarterly financial statements to the circuit office. The most common challenge was that these statements reflected negative variances where the actual expenditure is higher than the budgeted amount for a particular item, expenditure on items not budgeted for, and each school had its own format of reporting.

Section 17 of the *Labour Relations Act* stipulates that mismanagement of school funds is a dismissible offence as it is regarded as serious misconduct. Six circuit managers indicated that they did not know of any irregularities in financial management in schools, but they had heard rumours about some principals who were misusing the funds and violating the principles and procedures for governing the use of school funds. However, three circuit managers reported that irregularities and mismanagement of funds had been reported to their offices and they were conducting investigations into the matters.

Chapter 4 of the 2009 prescripts details minimum requirements for the spending of norms and standard funding. The majority of the schools were unable to comply with the minimum requirements of “no fee schools” in terms of the minimum compulsory infrastructure required for the smooth functioning of the schools. These minimum requirements include the availability of fencing, boreholes, fire extinguishers, bat removal and minor renovation of buildings. According to the 2011 prescripts for the management of school funds, principals are resource and accounting persons who must impart knowledge of financial policies to other finance officers and are charged with the responsibility of ensuring that the *Finance Act* and prescripts are adhered to. Thirteen of the fifteen principals indicated that they had conducted workshops on financial management in their schools. The researchers nevertheless found schools where the SGBs were not empowered in terms of financial management so even though they were expected to implement the policies, they were unable to understand and interpret the policies correctly.

The majority of schools in the Vhembe district had finance officers who were appointed in

writing. Evidence of signed declarations by the finance officers on acceptance of the responsibility were kept in school finance files. The responsibilities of finance officers as set out in these declarations were in line with the Limpopo Province Department of Education 2011 prescripts for the management of school funds. Most schools had no petty cash officers, however, and those that did had not appointed them in writing.

The findings indicate that finance officers in many schools in the Vhembe district kept financial records. The majority of such finance officers were educators who had done accounting and other financial management courses, although some had simply been appointed without any consideration of their knowledge and understanding of financial matters. The majority of the schools had strong rooms and safes for keeping financial records. There were also schools in which financial documents such as cheque books were kept by the principal in locked steel cabinets to which the treasurer had access at any time.

The majority of schools in the Vhembe district were spending norms and standards funding as prescribed in departmental circular number 17/P dated 08 December 2009 and as per paragraphs 115 and 116 of the *National Norms and Standards for school funding regulation*, as amended. However, contrary to these guidelines, some schools were utilising such funds on other items such as the building of classrooms, purchase of furniture, and payment of additional educators and administrative staff.

The majority of schools had no school financial policies. They were managing their funds guided by the Public Finance Management Act (PFMA), SASA and 2009 prescripts for the use of school funds. These documents provide only the guidelines, not the specifics, for the particular circumstances of individual schools. According to the SASA, every school must have its own school financial policy based on the *Public Finance Management Amendment* and relevant prescripts established by the Limpopo Department of Education.

Most participants indicated the lack of an advanced communication system for the flow of important information to all the stakeholders in education as one of the factors hampering the implementation of finance policies. Government gazettes, circulars and other departmental direc-

tives should be available in soft copies such as CDs, and transferred electronically through e-mail and fax to all schools. The participants further argued that the use of an electronic version may save time and money rather than the photocopying and transportation of such documents.

According to the SASA, (*RSA Act 84 of 1996*), any parent or guardian of a learner in a particular school may be elected as a member of the school governing body. It became a serious concern to most principals that SASA is silent on the criteria to be considered for electing the most suitable candidate for such huge responsibilities. Some parents who are elected members of a governing body cannot read or write, which limits their active participation in the management of school finances.

According to the 2011 prescripts for the management of school funds in public schools of Limpopo Province, all financial records should be kept in a strong room under lock and key under the care of the finance officer appointed in writing by the principal. It was observed that most schools do not have strong rooms for the safe-keeping of finance documents. The risk of tampering with the finance documents was too high in most schools. The level of accountability by the principal as chief accounting officer could not be guaranteed.

The *Constitution of the Republic of South Africa* and the SASA mandates the Minister of Basic Education to determine the norms and standards for public schools and to fund public schools out of public revenue. When the public (taxpayers) fund schools, schools are accountable to the public (taxpayers) in terms of the *Public Finance Management Act (2000: 28)*, which implies that the principal, as the accounting officer of the school, should maintain a system of financial control and internal audits. Principals indicated that their challenges revolve around the concepts of procurement, monitoring and control of school funds as is expected of them.

DISCUSSION

Findings from recent scholars on finance management share both similar and opposing views on the challenges experienced by school governors. The researchers agree with Xaba (2011: 201) who asserted that considering that more than a decade has passed since the implementation of the *South African Schools Act*, it seems that efforts to have effective school gov-

ernance fall far short of their intended outcomes. Despite various attempts aimed at the training and capacity building of school governors, including financial resources having been expended for this purpose, studies reports numerous challenges in the governance of schools in South Africa (Hystek 2004; Dieltiens 2005; Grant-Lewis and Naidoo 2006; Brown and Duku 2008).

When SASA (*Act 84 of 1996*) gives all stakeholders the mandate to participate in the governance and management of schools, the criteria for recruitment of the parent component are silent on the level of education or qualification of the parent. According to Mncube (2008), the extent of participation by various stakeholders is influenced by several factors, such as the type of school (rural, urban, or a township school), male or female, adult or non-adult, as well as the regularity of attendance of meetings. The lack of capacity, financial management skills in particular, becomes the order of the day in most public schools. Induction and training offered to SGB finance personnel seems to be inadequate. The finance personnel also experience difficulties in policy development, formulation and implementation. The researchers agree with Tsotetsi et al. (2008: 835) when they argue that the actual enactment of roles of SGM governors is often less than ideal.

The question of who is accountable for school finance management is also a barrier in effective school financial management. Most parents and educators see financial accountability as something that is solely the responsibility of the school principal. Most of them do not want to familiarise themselves with finance legislations, finance terminology, procurement, monitoring and control procedures. SASA and the *Employment of Educators Act* define the rights and responsibilities of principals in their official capacity as employees of the provincial departments of education. SASA underpins school governance, while the *Employment of Educators Act (EEA)* emphasises the professional bearing on schools. According to PFMA, principals are accountable to their respective Heads of Departments (HoDs) for subsidies received from the state (Mestry 2013: 164)

Computerised Financial Control Systems

School governing bodies have the task of determining policies and rules by which schools are to be organised, controlled and governed. The SGB must set functional governance sys-

tems that can include the computerised programmed financial management system of recording. According to SASA, the monitoring and control of school finances is the responsibility of the principal as an accounting officer. The task of the principal is complex as he or she is expected to carry on the professional management of the school on a daily basis. The effectiveness of school governance also rests upon the principal's shoulder and is expected to give advice on legislature applicable to the management of finance as well as the procedures and accountability of each finance personnel member. A computerised system of control may be an easy and reliable tool to ensure effective management of school funds.

Common Format for Finance Documents

A school governing body cannot work in isolation. An association of the school governing bodies at circuit, district, provincial and national levels is essential for sharing and strengthening members of the SGBs on the implementation of the SASA and relevant legislation and policies. For school governing bodies to govern effectively, they have to be open to ideas and suggestions from similar bodies in the area. The school governing body of a given school should work as a team in the best interests of the school. Legislation and policies have been promulgated to ensure co-operation among SGB members in the execution of their duties in the school.

CONCLUSION

Numerous challenges facing school governing bodies in the management of school funds were discussed in this paper. It is clear from the participants' responses that there are difficulties in managing school finances. These include, among others, lack of training in school financial management, inadequate facilities for safe-keeping of financial documents, mismanagement of school funds by principals, inefficient financial reporting systems and dysfunctionality of finance committees in schools. It is evident that existing challenges cannot be treated in isolation as one factor contributes to the existence of the other, for example, the illiteracy challenge of the parent component of the SGB contributes to the lack of understanding, interpretation and implementation of finance policies. The causes of these challenges were identified through

observation, interviews and examination of the financial documents from sampled schools. Data analysis, interpretations and a conclusion enabled the researchers to come up with recommendations.

RECOMMENDATIONS

Appointment of Deputy Circuit Managers

The provision of deputy circuit managers in all circuits should be prioritised for effective and efficient management of school finances.

Provision of Workshops to Finance Personnel

The Vhembe district's Department of Education should conduct finance workshops for school governing bodies. SGB workshops should take place at school, circuit and cluster levels and must cater for principals, treasurers and finance officers. The major themes for discussion at such workshops should include effective governance and financial management.

Common Format for Finance Documents

Districts should develop and implement a common format for financial documents for all circuits and schools. Guidelines for the completion of such forms should be illustrated and all finance personnel should be trained on the filing of the financial reporting documents. Checklists should be developed and made available to all principals of schools to ensure quality reporting and compliance with financial policies.

Monitoring Tools for Financial Management

The Department of Education in the Vhembe district should develop monitoring tools for financial management in schools to safeguard school funds and to prevent irregularities. The finance personnel must be appointed in writing and should sign declaration forms as evidence that they understand the finance rules and regulations and that they will abide by them at all times.

Use of Norms and Standard Funding

District officials should monitor the use of norms and standards funding by checking expenditure compliance on a monthly basis when schools submit their reports. An annual assets

audit must be conducted in all schools to comply with policies and apply corrective measures to schools that are misusing school funds. A certificate of compliance must accompany the school financial policy for the school to receive the first tranche allocations of norms and standards funding on the of January each year.

Computerised Financial Control Systems

All schools should have computerised financial control systems to minimise over-expenditure on items in the budget. The errors on totals which are done manually may be minimized and thus quality financial records will be kept at all schools. Induction and follow-up training in financial monitoring programmes must be conducted by all financial committees in public schools.

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