

## Is it a Myth that SGBS Can Manage Finance? A Diagnosis Approach

Jacob M. Selesho<sup>1</sup> and Joel R. Mxuma<sup>2</sup>

<sup>1</sup>*Faculty of Education, University of Fort Hare, East London, South Africa  
E-mail: jselesho@ufh.ac.za*

<sup>2</sup>*Department of Communication and Education, Vaal University of Technology*

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**ABSTRACT** This paper sought to investigate the role of the school governing body with regard to the management of finances. The research derives from the study conducted in twelve public schools in the Mangaung Township, Motheo District. The finance committee of the School Governing Body was chosen as the focus of the study. Two research approaches, the qualitative and quantitative approaches, were used in this research and they were found to be appropriate as they have as their focal point the gathering of information to understand phenomena. The questions for the interview were structured in such a way that not only financial knowledge and duties of the School Governing Body were probed, but also the importance of training in making the School Governing Body more efficient in managing the school finances. The findings of the study have shown that all is not that dark and gloomy in most schools in the township with regard to the knowledge of the governors and their role in the management of school finances. However, on the flip side, the study also revealed some shortcomings with regard to the efficiency of the governing bodies in executing their role in the management of school finances.

### INTRODUCTION

The rationale behind the current article stemmed from the fact that most schools in the Republic of South Africa, particularly schools in the historically disadvantaged areas, experience certain problems in the control of their finances. There is an almost daily outcry, country-wide, of students, parents and the public at large, complaining about how school principals mismanage school funds. This public outcry is usually accompanied by the demand that the alleged culprits should either resign or that strong action be taken against them. These public remonstrations and demonstrations are usually captured in newspaper headlines (*vide* newspaper cuttings for Sowetan 2 November 2010; City Express 01 June 2003).

This article argues from the premise of the role of the School Governing Body (SGBs) in the control of the school finances and makes an attempt to an effective system to control these finances. The Regulations of the department of education stipulate that the governing body must appoint a Finance Committee that will be responsible for the control of the financial affairs of the school. The finance committee consists of an Accounting Officer (the principal) and at least one member of the governing body (Van der Linde and Strauss 1998: 4).

### CONCEPTUAL UNDERSTANDING

The state on its own will achieve little or no success if the people whose responsibility is to ensure a successful implementation of policies and efficient usage of resources are not taken on board. The imperative is for the state to establish a partnership with the other stakeholders such as the parents, educators, learners and other members of the community. The South African Schools Act (SASA) (South Africa 1996) is a new law that recognises the rights and duties of stakeholders. This SAS Act has made it a requirement that every public school must establish a governing body which represents the school community (Department of Education 1997 First Steps 6). Glatter (1995: 11), in explaining this requisite, posits that for some years there has been an increasing emphasis on the need for schools to be more responsive to students, more accountable to taxpayers (and to government which acts as proxy); and more responsible for their own efficiency and effectiveness.

The role of the governing body is therefore critical in terms of the governance and management of the school. Parents, who are by far the largest component within this organisational structure, wield an inherent power and influence. Glatter (1995: 69) acknowledges the positional strength of parents within this structure. He states that parents within the school community

are “consumers, purchasing from independent and competing suppliers”. Also, in becoming customers of a particular supplier, parents enter into the organisation whose customer they become, and can influence what it does. This parental power depends on how far parents prove able to wield sustained and constructive influence in school decision making and micro-politics. An important component in school’s improvement will be parents’ involvement in its activities and governance (Glatter 1995: 76).

### **The Role of School Governing Body in Financial Matters**

The existence of school governing bodies is the result of a statute and by implication a governing body is a legal persona or juristic person (an entity capable of being a bearer of rights and duties) (Van der Linde and Strauss 1998:1). It acts on behalf of the school and stands in a position of trust towards the school (SASA Section 16[2]) (South Africa 1996). Whereas the governing body of a public school is charged with the responsibility of governing the school, the professional management of the school is the sole prerogative of the principal. The governing body guides the principal regarding school policy and the direction of the school. The job of the governing is to promote the best interests of the school and to ensure that the learners at the school receive the best education possible. Members must always put the best interest of the school before any personal benefit (Department of Education 1997 First Steps 7).

Ormston and Shaw (1994: 33-34) asseverate that the governing body of a school is responsible for policy and strategic planning, and for broadly overseeing that the headteacher’s day-to-day running of the school is happening. They further suggest that the governing bodies should be encouraged to select a very few tasks, central to their mission, and concentrate on doing them well. From the foregoing it is obvious that if the governing bodies are to contribute effectively to the improvement of their schools, then they need to be very clear about their purpose and to concentrate their efforts, perhaps more sharply than they do at present (Middlewood and Lumby 1998:130). After all, the core business of the governing body is to maintain and improve its school’s standard of education.

The governing body which works with its local education authority must have a clear sense of what it wants its school to achieve. It will lay down its aims and objectives for the school, and will plan all its policies and procedures. It will ensure that the school implements these, and it will monitor pupil progress. It will also evaluate the school’s achievements (Gann 1999: 11).

Paisey (1992: 81) states that of all the kinds of information in the school system none is more important than financial information since all the activities of the school and its ultimate performance turn on soundly managed finances. It is against this background that one of the functions of the governing body is to establish a finance committee whose function it is to raise funds, open a bank account and oversee the school’s income and expenses (Department of Education 1997 First Steps 7). Paisey (1992: 82-83) further states that with the practice of local financial independence, a financial culture needs to be prominent in schools. It needs to be prominent but not dominant. Cash flow or liquidity - having enough ready money to pay one’s way - is a manager’s regular chief financial responsibility.

Financial management involves maintaining liquidity in the face of ever-changing conditions both on the supply side (income) and on the demand side (expenditure). In order for the governing body to be able to realise the objectives of its school, it needs to be knowledgeable about financial management. It is in this regard that the SGB should establish a finance committee that is democratic to ensure legitimacy. This committee should include members with some financial or accounting background, either in terms of experience or qualifications. The chairperson of this committee should act in collaboration with the principal as chief executive officer of the school, to handle the day-to-day financial matters of the school. Most schools also include the administrative person in the office on this committee (Bisschoff 1997: 92-93).

Williams (1997: 27) further suggests that two staff members with specialised knowledge in accounting could be chosen to serve in the finance committee. One could be a bursar with a primary function of monitoring the income and expenditure in relation to the budget and reporting noticeable deviations to the principal and governing body. The bursar must also keep accurate records of all transactions and prepare documentation for the auditors.

### **The Need for a Sound Financial Policy**

The financial policy forms an integral part of the school policy. The financial policy should be seen as a document that may change over time. This process should at all times be inclusive and transparent. The starting point for the financial policy lies with the mission statement of the school (which should be drawn up by the school governing body) (Bisschoff 1997: 77-78).

Williams (1997) further states that the governing body, through its finance sub-committee, must ensure both the existence and the effective execution of a sound, water-tight financial policy. While regular checks and counter-checks might prove to be somewhat of a nuisance, they must be seen as a safeguard against a principal unwittingly becoming guilty of the mismanagement of funds. No policy is foolproof, but there is no substitute for effective and regular control by the finance sub-committee. In addition to the drawing up of a policy, the governing body must also ensure that a system is in place which will, as far as possible, safeguard both those who handle the funds and the funds themselves. For financial management in a school to be sound, an effective financial policy must exist and must be adhered to. The policy must give clear guidelines on all matters pertaining to sound fiscal practice. While the policy itself will not guarantee sound management, it will serve as a clear guideline and will also hold those involved accountable for their actions.

### **Efficient Financial Management**

Rothman (1996) defines efficient financial management in schools as the act of maximising the financial resources of schools where input is at a minimum and output at a maximum. Paisey (1992: 86-90) cautions that the financial management of a school is subject to public audit. The job of a public auditor is to see to it that the money which is supplied from public sources is properly spent and accounted for. The auditor also has to confirm that legal and accounting standards have been met. Paisey further declares that the survival of the organisation and the realisation of its objectives as contained in the School Plan depend upon effective financial control. The management responsibility is to see to it that enough rules and procedures are adopted to prevent fraud, anticipate overspending and

have a continuing and accurate knowledge of the overall financial position. The finance sub-committee will do well to ensure that not only are they (the members) conversant with but are actually knowledgeable with regard to financial concepts such as budget, balance sheet, spread sheets, income, and expenditure and auditing.

### **The Incapacity of the Governors to Manage School Finances**

In a research study on fiscal practices conducted by Gonzalez and Bogotch (1999: 39) high school principals were asked questions about their policies and practices pertaining to the fiscal management of discretionary funds (monies that make up the 'hidden economy' in public schools) and about where and how they learned about money management. The responses they received suggest that most principals learn school budgeting and how to handle discretionary, school-generated funds through on-the-job experience. These researchers question the wisdom of continuing this kind of learning in a leadership role that is continually changing.

On the part played by the governors insofar as the management of school finances is concerned, Gann (1999: 11) observes that few governing bodies are assertive. They may be undermined by the professionals within their school, or by the local education authority itself.

## **METHODOLOGY**

This study sought to investigate the role of the school governing body (SGB) with regard to the management of finances. The research derives from a study conducted in twelve public schools in the Mangaung Township, Mofheo District. Mofheo is one of the five districts that are administered by the Free State Department of Education. Mangaung township is an urban area and is characterised by a large population of children of school-going age.

There are twelve high schools in Mangaung that cater for the educational needs of these children. Basically the children who attend school in Mangaung share a homogeneous background and experience. They come from families of working class parents, most of whom are poor and can only afford to send their children to schools in the township. Also, these families belong to a sector of the population that was previously dis-

advantaged, both economically and politically. The governing bodies of these schools constituted the population of the study.

The researcher chose to conduct the study in twelve schools largely because they are homogeneous in terms of how they are governed and administered. The hierarchical system of each school is structured in such a way that the principal is the head, then there is the deputy, the heads of department (who are collectively known as the School Management Team) and the educators. These persons are basically charged with the responsibility of managing the school. The role of governance is the responsibility of the SGB. One of the functions of the SGB is to manage the school finances. It does this by establishing a finance committee. This finance committee (a sub-committee of the SGB) is responsible for the collection and distribution of funds to meet the objectives of the school. Two research approaches, viz. the qualitative and quantitative approaches, were used in this research and they were found to be appropriate as they have as their focal point the gathering of information to understand phenomena.

**Data Collection:** Data was collected by means of questionnaires and interviews. The researcher chose the closed-ended type of questionnaire because it is structured, easy to administer and questions are followed by a list of alternatives from which respondents must choose (Cohen and Manion 1996:94). With the information collected the researcher hoped to ascertain if variables such as gender, age, educational qualifications (or lack thereof) and occupation have a bearing on the efficiency or inefficiency of the SGB in their role of managing school finances. From the information collected the researcher hoped to find out if the SGB understood its obligation and responsibility with regard to its role in the control of school finances. The researcher also hoped to find out if it (the SGB) had the capacity and knowledge to carry out this mandate

The questions for the interview were structured in such a way that not only financial knowledge and duties of the SGB were probed, but also the importance of training in making the SGBs more efficient in managing the school finances. The following is a transcript of the interview guide: The researcher then visited the target schools and personally delivered all the relevant documents, including the questionnaires, to the

principals. In some schools the principals were not available and documents were left with the receptionists.

A week later the researcher made follow-up visits to the schools with a view to collect the questionnaires, and to find out when it would be convenient to conduct interviews with the members of the SGB, in particular the members of the finance committee.

**RESULTS AND DISCUSSION**

The following tables provide the results of the survey as obtained from the questionnaires.

**Responses to the Composition of the Finance Committee**

Table 1 represents the responses of the participants with regard to the composition of the finance committee of the SGB and some of the functions of its office-bearers. To the question of whether the SGB has a legal duty to establish a finance committee, 28 (70%) of the respondents strongly agreed. 11 (27.5%) of the respondents also agreed. Understanding the SA Schools Act (1997:27) stipulates that one of the functions of the governing body is to establish a finance committee whose function it is to raise funds, open a bank account and oversee the school's income

**Table 1: Responses to the composition of the finance committee**

<i>Parameter</i>	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>
The SGB has a legal duty to establish a finance committee	28 (70%)	11 (27.5%)	-	1 (2.5%)
The members of the committee are elected democratically	26 (65%)	10 (25%)	-	4 (10%)
The chairperson works in collaboration with the principal	26 (65%)	10 (25%)	2 (5%)	2 (5%)
There is a member who monitors and keeps accurate records of the income	27 (67.5%)	8 (20%)	4 (10%)	1 (2.5%)
There is a member who receipts, balances and banks all income	26 (65%)	10 (25%)	3 (7.5%)	1 (2.5%)

and expenses. Only 1 (2.5%) of the respondents strongly disagreed with this statement.

To the question of whether the members of the SGB are elected democratically, 26 (65%) of the respondents strongly indicated their concurrence. A further 10 (25%) of the respondents registered their agreement with the statement. These results are supportive of Bisschoff's (1997: 92-93) postulation that the election should be a process that is democratic to ensure legitimacy. Only 4 (10%) of the respondents strongly disagreed that the elections are democratic.

Twenty-six (65%) (strongly agree) and 10 (25%) (agree) of the respondents indicated that the chairperson of the governing body works in collaboration with the principal. These results lend credence to Bisschoff's (1997: 92-93) assertion that the chairperson of the (governing) committee should act in collaboration with the principal as the chief executive officer of the school to handle the day-to-day financial matters of the school. 4 (10%) of the respondents were in disagreement with the statement.

To the question of whether there was a member who monitored and kept accurate records of the income, 27 (67.5%) (strongly agree) and 8 (20%) (agree) of the respondents actually confirmed the existence of such a member. Regarding whether there was a member who receipted, balanced and banked all income, 26 (65%) of the respondents strongly agreed and 10 (25%) of the respondents agreed. Williams (1997) suggests that two members with specialised knowledge in accounting can be chosen to serve on the finance committee. One could be a bursar with a primary function of monitoring the income and expenditure in relation to the budget. The second staff member could serve as a cashier.

Five (12.5%) of the respondents disagreed with the statement that there was a member who monitored and kept accurate records of the income. Four (10%) of the respondents indicated that there was not a member who receipted, balanced and banked all income.

**Responses to the Items on the Financial Policy**

Table 2 shows the responses of the respondents to the question of whether the financial policy formed an integral part of the school policy. Twenty-five (62.5%) of the respondents strongly agreed and 10 (25%) of the respondents agreed. Although Bisschoff (1997: 77-78) states

that the financial policy forms an integral part of the school policy and its starting point lies with the mission statement of the school, 1 (2.5%) of the respondents disagreed and 4 (10%) of the respondents strongly disagreed, with this statement.

**Table 2: Responses to the items on the financial policy**

<i>Parameter</i>	<i>Stron- gly agree</i>	<i>Agree</i>	<i>Dis- agree</i>	<i>Strongly dis- agree</i>
The financial policy is an integral part of the school policy	25 (62.5%)	10 (25%)	1 (2.5%)	4 (10%)
The financial policy is in line with the school's mission statement	21 (52.5%)	7 (17.5%)	8 (20%)	4 (10%)

To the question of whether the financial policy was in line with the school's mission statement 21 (52.5%) of the respondents strongly agreed that it was and 7 (17.5%) of the respondents agreed. These results concur with the opinion of Bisschoff (1997: 77-78) that the school's mission statement should inform the financial policy of the school. 12 (30%) of the respondents registered their disagreement with the statement.

**Efficient Financial Management**

Table 3 represents the preferences of the respondents with regard to the question on whether there are rules and procedures for financial control and accountability. Twenty-six (65%) of the respondents indicated that they strongly agreed and 9 (22.5%) of the respondents said that they agreed that there were such rules and

**Table 3: Efficient financial management**

<i>Parameter</i>	<i>Stron- gly agree</i>	<i>Agree</i>	<i>Dis- agree</i>	<i>Strongly dis- agree</i>
There are rules and procedures for financial control and accountability	26 (65%)	9 (22.5%)	3 (7.5%)	2 (5%)

procedures. Paisey (1992: 86-90) explains that the management responsibility is to see that enough rules and procedures are adopted to prevent fraud and anticipate overspending. Rothman (1996) defines efficient financial management in schools as the act of maximising the financial resources of schools where input is at a minimum and output at a maximum. Five (12.5%) of the respondents held a different view, disputing the existence of any rules and procedures in their schools.

**Inefficient Control of School Finance: Responses**

Table 4 outlines the responses of the participants with regard to the inefficient control of the school finances. To the question of whether members of the SGB learned about money management and school budgeting through on-the-job experience, 30 (75%) of the respondents: 15 (37.5%) strongly agree and 15 (37.5%) agree; answered in the affirmative.

Gonzalez and Bogotch (1999), in their research study on fiscal practices, found that most principals learn school budgeting and how to handle discretionary, school-generated funds through on-the-job experience. Only 10 (25%): 6 (15%) disagree and 4 (10%) strongly disagree; of the

**Table 4: Inefficient control of school finance: Responses**

<i>Parameter</i>	<i>Strongly agree</i>	<i>Agree</i>	<i>Disagree</i>	<i>Strongly disagree</i>
Members of the school governing body learn about money management and school budgeting through on-the-job experience.	15 (37.5%)	15 (37.5%)	6 (15%)	4 (10%)
Members of the school governing body, because of their lack of knowledge, are undermined by the professionals within the school.	6 (15%)	5 (12.5%)	13 (32.5%)	16 (40%)
Some members of the school governing body are inherently indifferent to their duties.	11 (27.5%)	11 (27.5%)	10 (25%)	8 (20%)

respondents held the opposite view. To the question of whether members of the governing body were undermined by the professionals in the school 11 (27.5%) of the respondents: 6 (15%) strongly agree and 5 (12.5%) agree; replied positively. This study has also shown that the bulk of SGB membership consists of professionals 31 (77.5%). These results are in contradiction with the observation of Gann (1999:11), who found that few governing bodies are assertive and that they may be undermined by the professionals within their school. 9 (72.5%) of the respondents did not agree that the governing body members were undermined by the professionals.

Regarding the question of whether some members of the SGB were inherently indifferent to their duties, 22 (55%) of the respondents: 11 (27.5%) strongly agreeing and 11 (27.5%) agreeing; responded in the affirmative. Corrick (Earley et al. 1996:149) assert that the evident lack of effectiveness among governors may also be related to the kind of training they receive. Eighteen (45%) of the respondents: 10 (25%) disagree and 8 (20%) strongly disagree; felt that the governors were not inherently indifferent to their duties.

**An Interview with Members of the SGB**

The with members of the governing bodies were held at each governing body's school. The time and the day were mutually agreed upon. At the agreed time all the participants were already assembled in the designated classroom. Among the members present were the principal or the deputy principal, the treasurer, the chairperson or one or two members of the governing body and a learner representative.

When everybody was settled the researcher introduced himself and explained the purpose of the gathering. Participants were reminded that their participation in the survey was strictly voluntary. The interviewees were also assured of the confidentiality of the whole process and that they would not be identified in any way. They were also given an assurance that nothing they would not want published would be published. When the interviewees had audibly indicated their understanding and acceptance of these conditions, the interview commenced.

At the beginning, as a way of breaking the ice, the interviewer attempted to find out what they felt would constitute an efficient and viable

SGB. There was unanimity by all that awareness and knowledge of the financial concepts were the bedrock for efficiency, in particular, for the finance committee of the SGB.

There was also unanimity regarding what they saw as eligible persons to serve in the finance committee of the school. Such a person needed to have the necessary skill, expertise and knowledge. Such a person could be a member from the teacher component whose expertise is commerce and accounting. In all the participants' schools, except for one, there was a teacher serving in the finance committee whose expertise was commerce and accounting. In one school it came to light that a parent, who used to work at a furniture shop as cashier and collector, had amassed such a wealth of knowledge in terms of financial transactions that he became the obvious choice for the office of treasurer.

All the participants indicated that their financial management was subjected to public audit. The reasons advanced were multifarious. First, the school funds were in actual fact public funds, and the public has a right to know if their monies were being used correctly. If the public did not have access to information regarding their funds then they would have no confidence in the school. Another reason advanced was that the auditing of the school funds was a legal requisite and failures to do so constitute a transgression. This transgression is actionable by law and the office-bearers can even face prosecution. All the participants indicated that they had enlisted the services of outside auditors and that upon receiving the audited financial statements; the latter were then communicated to the relevant stakeholders.

All the participants agreed that a financial policy was a necessity. This outlines the procedures to be followed in both the procurement and usage of the funds. It was also stated that the financial policy is there to safeguard both the funds and the user, and to ensure accountability. When asked if all the participants had a financial policy, all but one said they had.

There was also consensus on how the school funds should be protected. In one school it was stated that before any money could be disbursed there must first be a requisition (in writing) accompanied by quotations (at least three). All agreed that only the school cheques, bearing two signatures, should be used to make pay-

ments and that receipts for money issued and invoices of things bought should be submitted to the finance clerk. He/She (the finance clerk) will then keep a record of all these transactions. The memo, cheque book and receipt book are locked up safely by the finance clerk/officer. A member from one school indicated that at his school the chairperson and the principal have a standing arrangement that the chairperson would sign several (blank) cheques in advance so as to obviate the inconvenience of having to call the chair (for his signature) every time payments needed to be made.

### CONCLUSION

The findings of the study have shown that all is not that dark and gloomy in most schools in the township with regard to the knowledge of the governors (with regard to the management of finances) and their role in the management of school finances. Most of the governors interviewed demonstrated a functional knowledge of who is eligible to serve in the finance committee of the governing body and the proper procedures to follow to maintain and enhance an efficient management of school finances. However, on the flip side, the study also revealed some shortcomings with regard to the efficiency of the governing bodies in executing their role in the management of school finances.

The study revealed that in spite of the good intentions of the department of education to provide resources there is a breakdown insofar as service delivery by the appointed personnel/officials concerned. It was established that some of the SMDs were found wanting insofar as their work to empower the governors. The training they were supposed to give the governors was, if it ever materialized, unscheduled (that is, did not conform to any workable programme) or the sessions were few and far between.

In some instance, the governors reneged on their responsibility to draw up a financial policy and this is a flagrant disregard of the duty of the governing body. The other worst scenario was the revelation from one school that the chairperson of the school has an agreement with the principal to sign blank cheques in advance. It was also disclosed that a principal from one school does loan the school money to other people.

The foregoing situation demands that an urgent and deliberate programme of action should be initiated by the authorities to remedy the situation. A system to help profile the right people, with the right qualifications and whose integrity is beyond reproach, must be drawn up to ensure that the right people will ultimately populate the governing bodies. Also, a monitoring system must be put in place to check the activities of the governors, particularly with matters finance. No amount of money should be spared when it comes to capacitating the governors to execute their role as financial managers of their school. Well-coordinated workshops, with proper workable programme must be planned and communicated unambiguously to the governors. The disbursements of the funds should not only be the prerogative of the principal and the chairperson, but all members of the finance committee should be involved in decisions pertaining to the signing of all the cheques.

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