

**“DECENTRALISED FINANCIAL MANAGEMENT IN SOUTH
AFRICAN SCHOOLS: AN EXAMINATION OF IMPLEMENTATION
BY SELECTED PRIMARY AND SECONDARY SCHOOLS IN THE
KWA NDENGEZI AREA OF KWAZULU-NATAL”**

BY

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DECLARATION

Submitted in partial fulfillment of the requirements for the degree
of Master of Social Sciences, in the Graduate Programme in
Social Policy, University of KwaZulu-Natal,
South Africa.

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. I confirm that the external editor was not used. It is being submitted for the degree of Master of Social Sciences in the Faculty of Humanities, Development and Social Sciences, University of KwaZulu-Natal, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

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ABSTRACT

The purpose of this study was to examine Financial Planning and Management in public schools in the Kwa Ndengezi Ward in Kwa Zulu Natal. According to the South African Schools' Act No 84 of 1996, the School Governing Body (SGB) is responsible for Financial Planning and management in a public school. Each public school must establish the Finance Committee, composed of the chairperson of the School Governing Body, the principal, the treasurer and the finance officer. This committee reports to the SGB on regular basis.

The investigation was based on thirty schools in their respective levels; eleven junior primary, six combined primary, seven senior primary and six high schools. The questionnaires were given to the school principals and the chairpersons of School Governing bodies.

The most significant findings of the study were as follows:

- 85% of schools were satisfied with the way in which they keep their accounting records although no school had a part time or full time bookkeeper.
- 85 % of schools did not keep fixed assets registers.
- 70% of schools did not conduct stock-taking on furniture and equipment.
- 60% of schools did not keep petty cash.
- 75% of schools were not satisfied with the conditions of buildings and furniture.
- School fees are the main source of schools' income.
- 60% of school principals were not satisfied with the school financial management training they had.
- 60% of chairpersons of governing bodies were satisfied about their working relationships with the school principals.

Some of the recommendations from the research are as follows:

1. It is necessary for the schools to have persons with good understanding of finance in the finance committees.
2. It is necessary for schools to acquire school management computer software so that they are efficient.
3. It is important for school principals to upgrade their existing knowledge of financial management
4. In order to improve their financial planning and management skills.

5. Other recommendations include cash management, petty cash, working relationships between governing bodies and school principals, financial reporting, fixed asset management, stock management and fundraising.

It is the responsibility of the department of education to provide support to the school governing bodies and principals in matters of governance and management.

LIST OF ACRONYMS AND ABBREVIATIONS

DoE	Department of Education
HOD	Head of Department
SGB	School Governing Body
SASA	South African Schools' Act
VSP	Voluntary Severance Package
PED	Provincial Education Department
EMIS	Education Management Information Systems
FC	Fundraising Committee

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1. INTRODUCTION

South Africa's apartheid government allocated financial resources to schools primarily on the basis of race. The amount spent per pupil in white schools was more than two and a half times than that spent on black counterparts. This system left a deeply entrenched inequality between white schools and black schools in general (Young, 2001; Chisholm, 2005; Fiske and Ladd, 2005). Two of the post-apartheid reforms of the education system involved generating a new funding model for schools as well creating a new local governance platform for the administration of schools. In funding terms the post apartheid government made the allocation of funds to schools reflects the number of learners per school as well as the socio economic status of the area where the school is located. On the governance side, the South African Schools Act No. 84 of 1996 introduced governing bodies of elected parent, staff, and in the case of secondary schools, learner representatives with an explicit mandate vested with the governing body around financial management of the school through the levying of fees, setting of budgets and approval of expenditure. The interaction between this new governance model and the decentralised system of financial management deserves the attention of researchers as it has been widely claimed that historically black schools continue to suffer resource shortages and there has been much concern expressed about the degree to which local governance arrangements have impacted on the allocation of available resources. This research examines financial planning and management in public schools in the Kwa Ndengezi Ward, in KwaZulu-Natal.

1.2 Background to the research problem

The ability of school governing bodies and principals of schools to plan and manage school finances largely depends on financial training programmes that are organized by the department of education. The South African Schools Act mandates the Head of the Department of education to perform this duty. Obviously, the Head of Department (HOD) delegates these powers to the district offices for efficient service delivery. Each district office in the province has a school governance unit that is solely responsible for the task.

One can argue that schools that have received adequate training would better employ the correct and appropriate methods and procedures of financial planning and management. Some schools have full time personnel responsible for financial administration. One would expect that such schools have a sound administration and management of finances.

The South African Schools' Act provides for the submission of audited financial statements to the department of education. This submission should be made six months after the end of each financial year. The financial year for public schools starts from the 1st of January to the 31st of December of each year.

Efficient planning and management of finances in schools calls for correct record keeping. The school principal is an accounting officer of the school. Each school has to keep records for all financial transactions that were effected. Such records are to be made available to the department of education on request.

The inability of schools to manage their finances could not necessarily be attributed to lack of training, other reasons could be poor working relationships between chairpersons of governing bodies and school principals.

It is imperative that principals of schools continuously attend financial management workshops / training to keep abreast of the latest information essential for the task.

Schools that have sound financial planning and management usually have a skilled and a responsible person in charge of the task.

The Kwa Ndengezi Ward is made up of thirty schools in the South of Pinetown (Durban Metro Area. The socio economic conditions in the area may affect the extent to which the school fees are paid. The planning unit of the eThekweni municipality presents the following statistical data; the total population of the area is 32 000, including all the races i.e. Blacks, coloureds, Indians and whites. The employment status is as follows; 17% is employed, 24% is unemployed and the economically inactive is 24%. This clearly shows that the rate of unemployment is relatively high and the most households generally live beyond the poverty line. Most of the families send their children to local schools where education is somehow affordable since the schools do not charge high school fees. The Circuit consists of eleven junior primary schools; six combined primary schools; seven senior primary schools; seven high schools. The head of the ward known as the Superintendent of Education Management is responsible for the management of all these schools.

The process of research needs to establish the sources of income, patterns of expenditure and budgeting process that is employed. In order to accomplish that it was necessary to examine and review the relevant literature and research methodology in the field of financial planning and management. These aspects are dealt with in the forthcoming chapters.

According to the South African Schools Act No. 84 of 1996, the school governing body and the principal must support each other in the running of a school. The governing body is responsible for governing the school. The following are some of the aspects of governance:

- (i) aspects of school governance as set out in the South African Schools Act
- (ii) development of the rules, and policies by which the school must function within the framework of the Schools Act;
- (iii) formation and development of a partnerships based on trust and respect among all stakeholders, namely parents, learners, educators, the local community and the education authorities.

In other words the governing body has decision-making powers concerning the school. The School Governing Body performs the following duties as stipulated by the South African Schools' Act;

- open and maintain a bank account with a registered financial institution,
- management of school finances, budgeting, compiling annual Financial Statements (AFS), reporting to parents on the income and expenditure,
- purchase of school books,
- maintenance of school premises and
- pay salaries to employees employed by the School Governing Body.

The school governing body must establish the finance committee to administer the day to day matters of school finances. The act mandates the finance committee to report monthly to the School Governing Body on matters of finance.

Furthermore, the SA Schools Act stipulates that the principal, appointed by the Head of Department (HOD) must undertake the professional management of a public school. This means that the principal has delegated powers to organize, co ordinate and control teaching and learning at the school effectively.

The South African schools Act caters for public schools to receive state subsidies. The state subsidies form a great percentage of schools' total income. The Department of Education lays down the rules on how the state subsidies could be used by the schools. Among other things, schools can use state subsidies to buy furniture, equipment, textbooks, stationery or to renovate the school buildings.

Apart from the school fees, public schools can generate their income from donations, extra classes, school functions, interest income, rent income, bursaries etc. It is important to mention that if someone donates money to the school on condition that it must be used for a particular purpose (for example, buying a computer) such money can only be used for that purpose.

Schools spend their income in various ways. The common expenses in public schools are salaries and wages for the support staff, water and electricity, text books and stationery, repairs to equipment, telephone, travel expenses, furniture, equipment, garden tools, school functions, and training educators, training administrative staff, sports, music and cultural activities. Most (if not all) public schools have a serious problem of scarce financial resources, therefore, not all schools can satisfy their needs. In the light of the above problems, it was decided to conduct this research on financial planning and management in public schools in the Kwa Ndengezi Ward.

1.3 Research Aims and Objectives

- To examine the sources of income in public schools
- To examine how public schools spend their income
- To examine whether apart from the current sources of school funds, can the public schools establish other sources of funds.
- To make recommendations on the budgeting process and financial planning and management arising from the findings.

1.4 Summary

This chapter covers the background to the problem statement. It was mentioned that the research examines financial planning and management in public schools in the Kwa Ndengezi Ward in KwaZulu-Natal. It was also mentioned that most (if not all) public schools have the serious problem of scarce financial resources. Lastly, the research presents the statement of the problem and identified the structure of the dissertation.

2 LITERATURE REVIEW

2.1 Introduction

The literature review covers in the main some literature on South Africa's education history and context, post apartheid policy with a focus on school financial matters and also general literature on financial management within and beyond the school environment. The intention of the review is not to comprehensively review all aspects of South Africa's education system and its debates but rather to provide some insight into issue that might inform the subject matter. Some detail discussion is provided on specific mechanisms related to financial management in South African Schools as this was at the core of the fieldwork element of the research. The additional material setting out imperatives of effective financial management provides a basis to evaluate what is happening in the selected schools forming part of this research.

2.2. The Legacy of Apartheid

The apartheid government allocated financial resources to schools primarily on the basis of race. The amount spent per pupil in white schools was more than two and a half times than that spent on black counterparts (Fiske and Ladd, 2005:44). Fiske and Ladd (2005) quote a South African expert on poverty, Professor Francis Wilson as stating, "The destructive impact of the "Bantu Education" system brought damage that will take decades if not generations to repair. The old pre-apartheid education system, despite its many faults, had the potential for ensuring a decent education for all South Africans during the second half of the 20th century. But the mean-spiritedness which underlay the philosophy of "Bantu education"; the inadequacy of the funds made available throughout most of the apartheid years; and the crippling effect of job-reservation and the color-bar on the acquisition of skills and experience by the majority of workers could almost have been designed to prevent them from being adequately prepared for the challenges of globalization in the 21st century." (Fiske and Ladd, 2005: 52).

After the 1994 democratic elections in South Africa the new government was faced with major challenges relating to this apartheid legacy. Not only were there unequal sums being spent across the schooling system, but there were also many layers of administration that had been created under the homeland system and also related to the race-based tri-cameral parliament. Furthermore, the context was exacerbated by major differences in infrastructure and considerable diversity in curricula across the different administrations. Central to the new governments approach was a commitment, later to be

incorporated into the South African Constitution (1996) that all citizens had an unqualified right to education (Fiske and Ladd, 2005). This was a particularly bold commitment in light of the challenges the country faced such as high poverty, extreme levels of inequality with the overwhelming majority of black South Africans, and Africans in particular living in poverty. This poverty and inequality was exacerbated by high rates of unemployment and the fact that over 40 percent of households had little or no access to basic services (Fiske and Ladd, 2005: 11).

2.3. School financial management in the context of education reform

In converting the constitutional intentions into policy the South African government made the first nine years of education compulsory and moved ahead with the creation of a single national education system in which both public and independent schools would be allowed. Public schools, in terms of the 1996 South African Schools act were to all establish local school governance structures in the form of School Governing Bodies (SGBs) and within this system the SGBs were to administer funding to the schools and would be tasked with managing issues relating to school fees. The notion of localised school financial management by this type of school governance structure was central to the reforming process and done with the intention of improving accountability of School Principals to their local community and encouraging parent-teacher collaboration in working to improve school educational offerings. However, it is also notable that this imperative was one which also reflected an acceptance by policy makers that Provincial Education Departments would struggle to effectively manage school budgets from a distance under circumstances where they themselves had a major administrative restructuring process to go through.

The national government developed a policy framework in which schools were placed in socio-economic quintiles according to the spatial location with the result that apart from a core allocation of state teaching posts schools would be allocated additional financial resources dependant on the scale of deprivation in their local communities so the schools located geographically in poor areas would get a greater level of additional state subsidy and access to capital funds than those in higher income areas. As a result of this pressure was placed on schools in areas that were not in the lowest quintile to raise additional revenue through the escalation of fees which could in turn retain teacher-pupil ratios at levels which the school communities felt comfortable with and also fund school maintenance, upgrades and co-education (or extra-mural) activities. After concerns were raised about persistent inequalities in the period after the 2000 elections a decision was taken by government to progressively identify “no-fee” schools to avoid pupils in the poorest areas from having to pay fees to access schools

and furthermore, the South African Schools Act was amended to require all public schools, if they had space to accommodate pupils they would be required to do so regardless of the ability, or otherwise, of the pupils parents to pay fees.

Most observers point to significant gains being made under this new policy environment where enrolments were raised and quality improvements, often from a low base, began to be seen across the system. Authors such as Chisholm (2004) point out those matric-results – a key indicator of the health of the system – began to reflect a trend of an improving education system. However, there have also been many critics, including Chisholm, that have pointed out that, despite some improvements, South Africa's education performance has continued to raise concerns (such as Jansen, 2000). Chisholm (2004) reflects that there are three different perspectives that are common in analysis of why inequality in education remains: There are those that point to flawed leadership by government ministers; those that suggest that changes made were largely of a symbolic nature; and finally a group that reflect on the South African government's post 1994 policies of fiscal discipline and agreements not to tamper directly with entrenched economic disparities. Chisholm (ibid) further states that despite the different perspectives of analysts there remains some broad agreement that both contextual factors (in broader society and impact on how the state acts) as well as school specific matters (human and financial resources, management of staff, facilities) are relevant in discussions of educational performance.

Of particular interest in this study is the continued significance of school fees and the adoption of a policy framework which allowed fee-earning schools in better-off neighbourhoods to replace reduced state support (which was now being diverted to formerly black schools in poor areas) with increased fees. Chisholm (2005) makes that point that, "The result of South Africa's fee-paying policy has been that richer public schools have been able to retain their privilege and edge over poor schools by employing additional teachers and improved resources to ensure better quality teaching. Poorer schools, on the other hand, have not charged high fees but are often unable to extract even their low fees from impoverished parents. Poor parents are exempt from fees, and pro-poor funding mechanisms have been instituted, but are virtually unknown in rural areas. Unscrupulous and not-so-unscrupulous principals who require income additional to that provided by the Department, often fail to inform or are unable to implement fee-exemption policies." (Chisholm, 2005: 211) The rationale behind continuing to have a system involving school fees was that in an international perspective South Africa was already allocating a significant amount of the national budget to education and so further resources would have to be generated through fees and changes in allocation to respond to the

apartheid legacy would result from re-allocations within the available budgets (Young, 2001).

This discussion of matters related to the securing of school resources must also be understood in a context where the governance and administration of school finances has been decentralised to the school level. After 1997, the national Department of Education had no direct control over the financial decisions made in the provinces. This involves matters such as implementation of the learner-educator ratio, and also the issuing of Voluntary Severance Package (VSP), this includes the financial implications as well. The government allocates funds to schools for the following services; purchase of stationery and books, teaching and learning aids, office furniture, school renovations and maintenance. The poor and rural community schools receive a bigger allocation than developed and / well resourced schools.

Fiske and Ladd (2004:112) argue that one of the most pressing problems in many poorer communities has been the lack of schools and classrooms. As of 1991 there was a shortfall of 29,000 classrooms in primary schools and 14,000 in secondary schools for blacks through out the country. The department of education is working hand in hand with Department of Public of Public Works in addressing the shortfall.

One can argue that as much as the government is putting so much effort in addressing the shortage of resources, many communities have not yet received the basic needs, more particularly in the rural areas. Chisholm argues that the scarcity of services in poorly developed and rural areas has a direct bearing on the socio-economic status of the community. This does inevitably hinder the delivery of quality education as it is one of the priorities of the Department of Education. It is of great interest that the Department allocates funds to such areas as per the needs and the socio-economic status of the community in the area.

One would argue that the Department of Education has divided schools into Section 21 and non-section 21 schools. The allocation for section 21 schools is paid directly into the school bank account, while the allocation of non-section 21 schools is kept by the department. Such schools procure their goods and services through the department. This has proved to be costly and time wasting. There has always been an outcry by schools in the greater Kwa Zulu Natal that non-section 21 schools should have their status converted. The Head of the Department holds the powers to execute this function. It is notable that the overwhelming majority of Schools without section 21 status remain those that were historically serving black communities. As such the decentralisation of financial management has

been partial in that schools with section 21 status get a lump sum allocation according to criteria discussed previously and are obligated to spend this in terms of a budget approved by the parent body that is administered by a School Governing Body. Schools without section 21 status have to have their SGB and the School principal convey decisions on how to spend allocations to the Provincial Department of Education for procurement related to such decisions. Non-section 21 schools are still required to budget and are also responsible for any fee generated income but are not free to spend state allocated resources without working through the department. It is notable that in general Section 21 schools (many of which were former Model C schools) generally receive little in the way of government contributions as they are more often than not located outside the lowest quintile bands. Therefore Schools with a higher proportion of fee income and lower state operating contributions are generally section 21 schools and have a wider degree of control over managing available resources whilst those with much larger state allocations and lower fee income have reduced authority in terms of financial management.

2.4 Post – Apartheid Government Initiatives

Chisholm argues that in the first two years after 1994, 18 racially divided departments were restructured into one national and nine provincial departments and the National Education Policy Act (1995) was introduced, establishing the foundations for an integrated system of education based on outcomes –based rather than the Christian National Education philosophy. Education budgets began to be designed to achieve equitable outcomes and overcome the racial disparities that marked apartheid budget allocations. Funding for school building programmes and school meals was made available. Schools, colleges, technikons and universities were opened to all races. The South African Schools Act of 1996 provided for the establishment of public and independent schools and decentralized educational control through the establishment of school governing bodies. Curricula, their review and design, were revamped through the introduction of Curriculum 2005. New forms of assessment, qualification and certification were introduced.

New expectations were expressed of teachers, and in the immediate aftermath of 1994, an ambitious exercise was undertaken to redistribute teachers from urban to rural and white to black schools. Numerous poor-quality teacher education colleges located by apartheid governments in the former homelands were closed and some were incorporated into higher education.

The department of Education introduced nine years of compulsory education instead of ten years as it

was the case in the apartheid era. The structure, curricula and certification of the system have been overhauled and aligned with a new qualifications system.

2.5 Facilities and Infrastructure, Basic Services and Adult Education

Inequalities between urban and rural schools are visible in the facilities and resources available to them. Continuing backlogs and inequalities are very unevenly spread across the provinces. There are differences between schools in the same locality and within the same school grounds. The inequalities between the provinces and schools are documented in the School Register of Needs Survey (SRNS) as conducted by the Department of education, first in 1996 and then again in 2000. This survey collects information from every school in the country on its exact geographic location, physical facilities, conditions of school buildings, services provided, and equipment and resources available. There was an increase in the number of schools that reported weak and very weak buildings, and a significant percentage of schools reported on criminal incidents in schools.

Schools are embedded in the various context and both reflect and reproduce patterns of poverty, unemployment and illiteracy that pre-date 1994. One would argue that an increased educational spending can be part of the answer for this challenge.

2.6 Equitable Spending Versus Quality Education

In the post apartheid era, education budgeting was no longer based on the basis of race. Between 1994 and 1999, budgeting priorities fell on reorganizing rather than expanding the existing budget. Under apartheid, per capita expenditure was determined by race. Spending patterns are now visible per province. Spending patterns show that although there has been an increase in per capita expenditure, there is still a large gap between provinces. According to Chisholm (2003), the inter-governmental fiscal review (RSA 2003:54) points out that despite having the biggest education budget, KwaZulu-Natal still has the lowest per learner expenditure.

The table shows the expenditure per learner per province in rands.

Table 2.1

Province	1999 - 2000	2000 - 2001	2001 - 2002	2002 - 2003
Eastern Cape	2846	3362	3866	4466
Free State	3570	3910	4433	5155
Gauteng	4021	4384	4655	5077
KZN	2633	3069	3432	3762
Limpopo	3211	3452	3674	4015
Mpumalanga	3019	3287	3685	4321
Northern Cape	4438	4858	5139	5805
North West	3602	4065	4447	4727
Western Cape	3987	4391	4721	5081
Average	3234	3631	3995	4437

Source: RSA, Inter governmental Fiscal review. 2003:54

Shortly after 1994, the South African government had a challenge of improving both equity and quality within the context of constrained resources. The government's intention was to achieve both by redistributing teachers (the highest cost in the budget) from better resourced, white and mainly urban schools to poorer resourced, black and mainly rural schools and by shifting part of the burden for costs onto parents through school fees.

According to the Intergovernmental Fiscal Review, as produced by National treasury, from 1999 onwards, the budgeting process was stabilized, and the emphasis fell on pro poor funding mechanisms as well as a stronger emphasis on social justice and human rights programmes. In 2000, the Department of Education introduced the National Norms and standards for School Funding, the aim of which is to focus non-personnel expenditure on those schools with the greatest need. All schools are assessed in terms of their physical conditions and poverty levels of the community in which they are located. Resources are then targeted at those schools, items such as water, electricity, teaching equipment and supplies, learner support materials are distributed according to the resource targeting list.

2.7 The role of the School Governing Body in financial Management

In terms of Section 43 of the South African schools' Act;

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:
 - qualified to perform the duties of an accounting officer in terms of Section 60 of the Close Corporations Act No. 69 of 1984.
 - approved by the member of the Executive Council for this purpose.
 - no person who has a financial interest in the affairs of a public school may be appointed under this section.
 - 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.
 - the governing body must submit to the Head of Department, within six months after the end of each financial year, a copy of annual financial statements, audited or examined in terms of this section.
 - at the request of an interested person, the governing body must make the records referred to in section 42 and audited or examined financial statements referred to in this section, available for inspection.

Taking in account these responsibilities it is the job of the SGB to prepare a budget that will guide and inform school expenditure. The SA Schools Act stipulates that in drawing up a provisional school budget (a temporary budget for discussion and further adjustment); the governing body must look at all the probable income for the next year carefully. For example, it must consider the money that the state will probably give, income from school fees (at schools where school fees are charged), income from interest on money of the school, and income from all other projects or sources.

“Then the governing body must consider the probable expenditure. This means all the things on which money will probably have to be spent for educational purposes in the following year, For example,

money to be paid towards electricity and water bills. maintenance of the equipment for the school, bursaries and so on. Obviously, the school cannot spend more money than it has and therefore the budget should be balanced, in other words, the probable income and probable expenditure must be the same. The responses from the Chairpersons of School Governing Bodies indicate that they believe their primary role is to manage their schools' budgets. The chairperson of the governing body or the school principal usually drives the budget-setting process. The importance is not much in which individual holds the responsibility for budget development but in how well that individual leads the other members - and particularly those involved in the finance committee. The emphasis here is on developing the budget and their understanding of the budget together.” (Badenhorst, 1996).

The SA Schools Act states that the governing body cannot approve the budget that it has prepared on its own:

- The governing body must first refer the budget to an Annual General Meeting of parents at school.
- The budget cannot be finalized unless the majority of parents are present and the budget is approved by a majority vote.

The SA Schools Act requires that parents must be informed of a meeting at least 30 days before its set date. When inviting the parents to the meeting, it is recommended that a draft budget prepared by the governing body be attached to the invitation so that the parents can study and consider it. At the meeting members of the finance committee of the governing body must be present to answer possible questions and objections by parents.

In practice, the parents may approve the budget as prepared by the governing body or reject it for certain reasons. If they reject it, the governing body must make the changes desired by the parents and then approve the budget. The school's running view of how the budget is operating can be regularly informed by the monthly monitoring reports of income and expenditure. These reports will automatically be produced by the school's financial information software and which senior management (for example, the head and the bursar or equivalent) can keep under review on a regular basis. An hour a week is sufficient for the head, deputy head or bursar to keep management overview of the budget without becoming over- burdened by the details of particular transactions. (Anderson and Coleman, 2000:142).

The School Governing Bodies have a right to set fees. They vary depending on the wealth of the

supporting community. Fiske and Ladd, argue that it is certainly true that the system has revealed a public one and that fees have not limited access. The Department of Education claims universal access at primary level.

There have been unintended consequences. The result of South Africa's fee paying policy has been that richer public schools have been able to retain the privilege and edge over poor schools by employing additional teachers and improve resources to ensure better quality teaching. Poorer schools on the other hand have not charged high fees but are often unable to extract even their low fees from the impoverished parents. Poor parents are exempt from fees and pro poor funding mechanisms have been instituted, but are virtually unknown in rural schools. In urban areas, access to former white, Indian and coloured schools is limited by the high fees they set. The rapid growth of informal settlements and lack of schools in them means that families rely on access to neighbouring schools but are often excluded by the inability to pay fees.

Universal access does not mean that all children are in school all of the time and flow smoothly through it. Perry and Arends (2003) suggests that more than 50% of approximately aged learners were either outside the school system or held back in primary grades.

There are other burdens that the poor have to carry that inhibit full participation in schooling. A 2003 departmental review of the financing, resourcing and costs of education in public schools (DoE 2003) revealed that despite budget reforms to ensure equality in per- learner expenditure, poorer schools needs assistance in procurement of goods and services and asset management and also continue to suffer from expensive textbooks and an inefficiently managed ordering process, high school uniform and transport costs, as well as poor management of nutrition programme.

Bush, Coleman and Glover (1994), suggest that having a clear grasp of the financial circumstances of a school should not be the domain of one person alone. They argue that if it is the head teacher, governors will never feel empowered; if it is a single governor, the school may face difficulties when that individual's term of office is up.

The following sections present a summary of some selected material pertaining to financial planning and management.

2.8 Financial Planning and Management in Organisations

The financial planning and control function in an organisation has the main objective of assisting the management of that organisation. This function is the most challenging and interesting, compared to other functions of the financial manager. It involves planning and control of the sources of funds (where funds are raised from) and the effective use thereof.

Weston and Brigham (1993:324) point out that financial planning involves making projections of sales, income, and assets based on alternative production, and marketing strategies and deciding how to meet the forecast financial requirements.

They continue to state that financial control moves on to the monitoring phase, providing feedback and adjustment suggestions that are required to ensure that plans are followed and to modify existing plans in response to changes in the operating environment and implement changes. According to Peacock and Taylor (1981:5), a good financial control system is the one that is 'in contest'. They argue that what is done should be relevant to the purposes of that particular organisation and the managers who run it, whatever those purposes and, however, they may be measured and appraised.

Financial managers do need to have a firm understanding of management accounting and financial accounting in order to make informed financial decisions. Asach and Kaye (1996:11) suggest that managers should have some understanding of financial matters rather than leaving it to the accountants. This does not mean that managers must know how accounts are constructed or how accountants do their work, but rather to use financial information to achieve improvements in performance. In the prime function of planning for the future the manager must use the accounting reports designed to aid the managers in the formulation of their plans (Palmer and Taylor, 1980:9).

It is important to emphasise that it does not help when the manager who is told that his costs are too high or his sales too low, does not understand the conventions on which the figures were compiled and, therefore, considers them suspect. The situation could be remedied in two ways. First, less time should be devoted to fruitless inquests on past performance, which is history and beyond the possibility of remedy. Secondly, managers should play a more active role in compiling the work, which gives precision to their own plans. The financial manager should use the figures as means of simplifying his own task, of reducing the element of guesswork in his own decisions (Palmer and Taylor, 1980:11).

“It is true that systems of management accounting are fulfilling essential roles in providing information necessary for management. By the same token, systems of management accounting have certain defects in respect to completeness, the timelines, and the objectivity of the data produced. Therefore, it is important that all organisations have sound systems of internal control and internal audit functions. It has been widely agreed that the internal audit function is now a well established practice and must be developed in parallel with the growth of computerised information systems. The organisation can also use, internal auditing to identify problems arising not only from the application of controls within an organisation but also from operations and performance of the organisation itself. The use of auditing for these purposes has been termed 'operational' or 'management' audit. Internal auditing thus becomes a monitoring tool.” (Konrath, 1989: 30).

Apart from conducting the internal audit, the school financial records and statements must be audited by an external auditor. In terms of Section 42 of the SA Schools Act, the governing body of a public school must:

- (a) keep records of funds received and spent by a public school and of assets, liabilities and financial transactions; and in the process of financial planning and management the following are important:

The Objectives of ‘Financial Planning and Management’

- Forecasting of income and expenditure - planned growth.
- Financial controls, monitoring, feedback, adjustment and implementation.
- Understanding of financial and management accounting.
- Importance of internal audit and external audit.

2.9 Some theoretical frameworks

In order to examine the material generated in this dissertation it is useful to explore some theoretical frameworks that might be useful. In the first instance there is value in identifying some frameworks that can be drawn on in understanding broader social processes which inform the context in which schools operate and government decision are made. The Political economy of a school would suggest that the allocation of resources reflects the distribution of political and economic power in society and the conflicts that occur as a result of such distributions and related struggles to change them. Applied to this context it would be worthwhile reflecting on

macro-level or national policy decisions about how to finance schooling and the processes that informed the particular choices discussed in this research. Furthermore, and perhaps more usefully, it would also be useful to understand within the school environment how different interest groups interact over financial allocation choices – internal to the school and between the school and the community and between the school and government. Actual choices made within schools might not only reflect alignment or failure to align with policy but also demonstrate the existence of struggles over resources for instance between the influence of teacher unions and parents.

Also relevant in this discussion would be an awareness of literature on New Public Management approaches which reflected a growing influence of corporate management practices in the public sphere through processes such as corporatisation of entities, partnerships between government and other stakeholders, the adoption of reporting and accounting techniques alongside performance management systems and alignment of public entities into business units (Harrison, 2006). In this regard the language of the South African Schools Act on financial matters reflects a significant shift to encouraging schools to adopt corporate-style financial management procedures including external audits and accounting systems. Meeting critical financial management imperatives is seen as key to overall performance.

Finally there is value in some exploration of the ideas of Max Weber and in particular his insights into bureaucracies and how they function. Weber outlined that bureaucracies were not necessarily parasitic entities reflective of class interests and further that bureaucrats could be in a position to wield power independent of class formations through their access to power instruments and information embedded in a bureaucracy (Held, 1993). This is potentially useful in exploring the relationships between Provincial Department financial bureaucrats, school principals and the parent representatives on a School Governing Body.

This theoretical material is introduced to enable some measure of deeper analysis of the fieldwork findings other than that generated by some of the perspectives provided in the literature review. Within the constraints of a coursework dissertation this will be limited to some analytical comments in the later sections of the document.

2.10 Summary

This chapter reviews literature that is relevant to the research topic. The literature review is divided into the following sections: The legacy of apartheid, school financial management in the context of educational reforms, the role of school governing bodies in financial management, financial planning and management in organizations, theoretical frameworks. The financial planning and management literature suggests several criteria that can be used to measure the success of the schools' financial management.

The importance of preparing the school budget has been mentioned. In principle, everything must be budgeted for. All cost components for every department, section or project must be calculated as appropriately as possible; and recorded with insight. It is true that no budget can serve its purpose unless income is shared and apportioned correctly.

An educational institution will also have to do a fair amount of estimation on its income items because apart from subsidies and fixed income, the total income is dependent on the number of learners or students who are expected to use the institution's services and also on special projects, which are geared towards generation of income. It is absolutely essential also that the school budget should include all payments for expenses. Fortunately in an educational institution most costs are known and could easily be confirmed from quotations.

The schools like any other organisations sometimes find themselves compelled to spend their resources (money) on certain projects. These projects could include additional classrooms, laboratories, swimming pools, tennis courts, soccer fields, school buses etc.

3 RESEARCH METHODOLOGY

3.1 Introduction

The chapter exposes the research aims and objectives the research. The reasons why a survey was chosen as the research techniques are briefly explained. Furthermore, questionnaires and interviews are identified as two methods for gathering data for the survey.

3.2 Aims and Objectives of the Research

- 1) To examine the sources of income in public schools.
- 2) To examine how public schools made decisions on allocating their income.
- 3) To examine whether apart from the current sources of school funds, can the public schools establish other sources of funds.
- 4) To make recommendations on the budgeting process and financial planning and management arising from the findings.

The South African Schools' Act No 108 of 1996 serves as a guide or source of reference to measure whether the correct methods of financial planning and management are employed in public schools.

3.3 Sampling Technique

There are thirty schools that were selected for the purposes of a survey. The schools were randomly selected so as to ensure objectivity of the results. The sample was composed of eleven junior primary schools, six combined primary schools, seven senior primary schools and six high schools. The principal of each school was given a set of questionnaires, one was general information questionnaire (appendix A) and the other was a school financial statistics questionnaire (appendix B).

The questionnaires were very suitable for data collection because each respondent was asked to respond to the same set of questions and therefore provides an efficient way of collecting responses from a large sample.

Before distributing the questionnaires to the school principals, they were pilot tested first. The purpose

of the pilot test was to refine the questionnaires so that the respondents would have no problems in responding to them. Furthermore it enabled the assessment of issues of validity and reliability of the data that would be collected.

The first step in the pilot-test of the questionnaire was to give my colleagues and friends who are holding senior positions in finance and education to answer the questionnaires. I also encouraged them to give me suggestions in connection with the restructuring of any questions, which they believed were misleading. In addition to that I asked them to list any additional questions that they believed their inclusion would lead to the validity and likely reliability of data that would be collected. Once the questions were established to be appropriate the questionnaires were administered.

(a) General information questionnaire

One general information questionnaire was distributed to thirty school principals. Out of thirty schools, only twenty schools managed to return the general information questionnaire. The questionnaire consisted of twenty one questions. The questions were designed around the budgetary issues, credit control, cash management, stock management, maintenance and control of fixed assets and accounting systems.

(b) School financial statistics questionnaire

The school financial statistics questionnaires were distributed to thirty schools in the circuit. Only ten schools managed to return the questionnaires. The school financial statistics questionnaire was aiming at finding out the actual income and expenditure in the year 2004 and 2005. Furthermore, the school principals had to mention how they spend the schools' income on different items.

3.4 Interviews

As part of research project semi-structured interviews were undertaken with chairpersons of school governing bodies. Before engaging participants to the interview the purpose of the research project was explained to them. Furthermore, the previously agreed right to confidentiality and anonymity was reiterated by stating that nothing said by the participant would be attributed to her or him or their employing organisation without first seeking and obtaining permission.

It was desirable to select semi-structured interviewing technique as it lie between structured and unstructured interview. Since there was insufficient time to interview a large number of chairpersons of school governing bodies, it was decided to interview only ten chairpersons. This means that every fifth school from population of thirty schools was selected. This was done using a random sampling frame. All thirty schools were allocated a number from one to thirty.

3.5 Problems of reliability and validity of data collected

The first problem that could have led to less reliability of data is that some respondents did not give the correct responses as per the situation in their schools. Some were fearful of divulging sensitive information pertaining to school finances. This was merely being fearful of being exposed in cases where finances are inappropriately managed.

Some principals and chairpersons of school governing bodies had reservations and did not cooperate fully and realiably in the survey for fear and uncertainty as to what will be done with the results emanating from their responses.

Another problem was inability of some respondents to return the questionnaires, an average of ten questionnaires was not returned. A number of reasons were cited for not returning them, e g some were lost, others misplaced etc. In some cases they were incompletely filled in, thus essential information was not supplied.

The nature of the opening comments to be made when the interview commences, may lead to the credibility or lack of credibility of data. In order to promote the reliability and validity of data, the clarification about the exact nature of the data required was done. Furthermore, the importance of the research study was explained in detail to the participants.

Another problem that could make data to be less reliable and credible is the approach to questioning. It is important that the approach to questioning should reduce the scope for bias during the interview and increase the reliability of the information obtained. In order to promote the validity and reliability of data, the following steps were taken:

- All the questions were clearly phrased, so that the interviewee could understand them.

- Long questions or those that are made up of two or more questions were avoided.
- Questions were phrased in such a way that too many theoretical concepts or jargon was avoided.

3.6 Summary

This chapter clarified the research topic and outlined the research aims and objectives. The main objective of conducting this research has been to examine the sources of income at public schools and identify patterns of expenditure and budgeting process. The reasons of choosing a survey as the research technique have been discussed. Then the methods that have been used to collect data have been explained. These methods included interviews and questionnaires. Lastly, the problems that affect validity and reliability of data have been discussed, and steps that were taken to overcome these problems have been explained.

4. FINDINGS OF THE RESEARCH

4.1 Introduction

This chapter presents the analysis of findings for the study. The research data were gathered by means of a general information questionnaire (See Appendix A), financial statistics questionnaire (See Appendix B) and semi- structured interviews with chairpersons of school governing bodies using the survey technique (See Appendix C). The discussion is divided into the following distinct areas: responses obtained from general information questionnaire, school financial statistics questionnaire and information from interviews conducted with chairpersons of school governing bodies.

4.2 Responses to General Information Questionnaire

This questionnaire (see Appendix A) was distributed to 30 schools of the 35 schools in the Ward. As they were personally delivered and retrieved there was 86% response. The responses have been consolidated in order to obtain an integrated picture.

Responses to the general information questionnaire showed that 90% of the schools acknowledged that there were no persons sufficiently qualified to act as accounting officers in their finance committees. Two school principals were not sure whether they had accounting officers on the governing bodies or not. However, when asked whether the school principals took all the necessary factors into account when drawing the annual school budgets, 55% responded that they definitely considered all the necessary factors when drawing the annual school budgets. Nine schools were unsure whether they took all the factors into account before drawing the school budgets. Most school principals (75%) were satisfied with the consultation that was done before drawing the annual school budgets. Most schools (75%) were satisfied with the consultation that was done while 15% were unsure of whether their consultation prior to drawing the annual school budget was enough. This could be caused by lack of capacity in some of the School Governing Body members. From these responses it is evident that most of the school principals do give necessary consideration to their budgets. It is necessary to work with the community to ensure that persons with an understanding of finance get elected to the Finance Committee.

The next few questions concerned with the abuse of funds. In order to ascertain whether school finances were being advanced as loans to assist educators, the question was asked whether the educators owed any money to the school. The responses showed that the schools did grant loans to educators. Of the twenty responses 95% acknowledged that the educators owed money to their

schools. Only one school stated that it was not owed any money by any educator. This practice needs attention as the activities of all the schools are constrained by a shortage of funds. Also such abuse of school funds is undesirable and should be eliminated. The South African Schools' does not allow schools to give loans to the teachers.

On the issue of whether there is any educator or member of the governing body or any other person who is owed money by the school for any services rendered to the school, it was discovered that out of twenty responses, only four schools (20%) admitted that they do owe money. The other 16 schools stated clearly that they did not owe any such money. At the same time all 20 schools denied obtaining loans from any educator or member of governing body that were unpaid at the time of the research was conducted.

The school principals were asked whether they ever found themselves in dispute with the governing body over alleged misappropriation of funds. All school principals said that they have never found themselves in such situation. This could be caused by the fact that school principals are managing the finances well, probably due to the training programmes that the department has provided to the principals.

The next four questions were aimed at determining bad debts and financial records. The main contributor to bad debts was the money owed to the schools by learners as outstanding fees. All twenty-school principals responding to the questionnaires admitted that learners owed large amounts of money as school fees. This could be caused by the ruling by the Schools Act that learners may not be excluded from the lessons if they have not paid the school fees. In that way some parents are not really motivated to pay the school fees. Some parents have a strong belief that the government will pay the school fees as promised by the political leaders.

All the schools do have some system in place of keeping day-to-day accounting records, i.e. receipts and payments. Of the twenty schools that responded to the questionnaires 85% were satisfied with the way in which they kept their accounting records.

The remaining three schools were not sure whether they had any system in place or not. Although this is a small ratio it is imperative that all schools must have sound financial accounting systems. Most schools were satisfied that they had adequate accounting systems, although they did not have qualified

bookkeepers maintaining the records. In this respect a fulltime bookkeeper would be a qualified one, and a part time bookkeeper would be an adequately qualified person on the governing body or in the school community assisting the school maintain financial records in his/her spare time. The responses showed that eighteen schools (90%) do not have full or part time bookkeepers to maintain their records. Two school principals were unsure whether the persons keeping the records were adequately qualified as bookkeepers.

Of the twenty schools only two schools (10%) admitted that they do not keep any records of fixed assets. Furthermore, three school principals were not sure whether they kept fixed assets registers or not. When asked whether an annual stock of their furniture, equipment, tools and other assets was taken, only two schools (10%) acknowledged that they conducted complete stocktaking. The responses also revealed that fourteen schools (70%) were not conducting any stocktaking on furniture, equipment and tools. Four school principals (20%) were not sure whether stocktaking on the above-mentioned items was conducted. Such a poor response on keeping school assets may be attributed to the fact that there is no adequate awareness and training on Asset management. It is therefore a challenge to the department to ensure that training of School Governing Bodies and school managers in asset management is a priority.

With the improvements in technology and the proliferation of management information systems in all areas of management the respondents were requested to indicate if they had access to this facility. In particular, responding schools were asked to indicate whether they do have school management computer software, which can generate learner and financial records. All twenty-school principals admitted that their schools do not have any school management computer software. Although the manual records were adequately maintained, it will improve efficiency to introduce modern technology in school management. However at the same time it will be necessary to update the skills necessary to manage such a system. The reason why this facility is not available in schools could be the cost involved, since the providers of this service charge a substantial amount of money for it.

On the contentious issue of petty cash the responses revealed that twelve schools (60%) do not keep any petty cash. Eight school principals (40%) were not sure whether they do keep petty cash in their schools or not. This is regarded as a contentious issue as it is easily abused. A uniform system of maintaining proper petty cash records and limiting the amount of petty cash should be

developed for all schools. A system of checks and balances needs to be introduced.

A large proportion of the running costs of a school are taken up by telephone and electricity accounts. The shortage of funds is indicated by arrears on these payments. In this survey 65% of schools agreed that they are in arrears in water and telephone bills. 35% of schools did not owe any amount in telephone and water bills. As these are essential services necessary to run a school efficiently it is imperative that the Department of Education, the school governing bodies and school staff find ways to eliminate this undesirable situation. School Governing Bodies can assist by raising funds for this purpose. However, school principals' responses showed that at all twenty school governing bodies were not involved in fundraising of any sort.

On the issue of using the school facilities to earn additional income, for example, by allowing the community to hire school property (buildings and furniture) outside school hours, only 20% of schools indicated that they did so. The majority (80% of schools) is not inclined to hire out the school property. In the long run it is necessary for schools to build necessary capital reserves. This practice appears to be one of the ways of raising funds for the school. One would argue that it needs strict monitoring and control.

They can do this by short and long term investments of surplus funds. All responses indicated that no school had such investments in place. The reason for this was that no real substantial surpluses existed. What some schools had were savings accounts that earned minimal income. Perhaps schools should get into the habit of raising funds specifically for investment purposes for future improvement of their services and maintenance of facilities.

Following on from maintenance of facilities, schools were asked whether they are satisfied with the present condition of buildings, furniture and equipment. 10% of schools were satisfied, 75% of schools were not satisfied and 15% of schools were not sure whether the condition of buildings, furniture and equipment was satisfactory or not. On the issue of timely repairs 60% of school principals agreed that they were having cash flow problems and as a result there are items which have not been repaired. 20% of schools were not having any cash flow problems. 20% of schools were not sure whether they do have any item that has not been fixed as a result of cash shortage. Certainly the upkeep of facilities must be made a priority. Otherwise, no matter how well the lessons are delivered the quality of education will deteriorate. The school buildings could be

in a poor condition because of the age of the school, or the shortage of funds to set aside for school renovations.

Finally on the issue of overall management and financial management knowledge 60% of school principals did not regard the existing situation as satisfactory. 40% of school principals were not sure whether they had sufficient financial management skills to manage their affairs.

4.3 Analysis of findings of questionnaire on School Financial Statistics:

Of the 30 school principals in the ward, 10 responded to this questionnaire (see Appendix B). The respondents were required data on income and expenditure of their schools. In order to preserve anonymity numbers 1 - 10 have been used rather than the names of the schools.

4.3.1 Overview of Income and Expenditure

The sources of income of the schools are state subsidy, school fees, donations and donations to a lesser extent. All schools received state subsidies and collected schools fees from learners. 60% of schools received small amounts as donations and 80% of schools earned small amounts as interest on money placed in savings accounts with banks. The principal sources of income are state subsidies and school fees. State subsidies in 2004 ranged from a high of R75 300 for school 7 to a low of R28 000 for school 5. In 2005 the highest state subsidy was R99 000 for school 4 to the lowest amount of R35 000 for school 8. School fees in 2004 ranged from R 120 000 for school 7 to a low of R56 000 for school 5. In 2004, the highest amount of school fees collected was R125 200 for school 7 and the lowest amount of R67 500 for school 5. On average subsidies and school fees account for about 99% of the income of the schools.

The results indicate varying expenditure patterns of the schools. All the schools incurred the following expenditures in 2004 and 2005:

- Salaries and wages to the security and cleaning staff (support staff).
- Bank charges
- Water and electricity.
- Repairs to equipment.
- Telephone
- Textbooks and stationery and sports

The expenditure pattern for the responding schools was as follows: In 2004, 30% of schools incurred expenditure on film hiring. In year 2005 it dropped to only 20% of expenditure. In both 2004 and 2005, 80% of schools incurred expenditure on playgrounds and security maintenance and 70% of schools bought new equipment. In 2004, 20% of schools bought new garden tools. In 2005 the figure dropped to 10%. 40% of schools in 2004 and 2005 spent money on school functions. 70% of schools in 2004 and 2005 incurred expenditure on music and cultural activities. During the same period 90% of schools paid membership fees to various associations. Travel expenses increased between 60% in 2004 to 70% in 2005. This was mainly caused by a number of curriculum workshops that teachers had to attend, so there was an increased traveling. Bad debts have become a serious problem in all schools.

4.3.2 Calculation of school fees and state subsidies

The findings showed that the two main sources of schools Income are school fees and state subsidies, it became necessary to explain how the Department of Education calculate the state subsidies and also what the SA Schools Act NO. 108 of 1996 say about the calculation and payment of school fees at public schools.

4.3.2.1 School fees

Section 39 of the South African Schools Act No 108 of 1996 stipulates that school fees may be charged at a public school if the following requirements are met:

- (a) The majority of parents must decide that school fees will be charged at that school. Parents must vote on this item at a budget meeting held at school.
- (b) The parents must also approve the school fee amount. This means that the governing body cannot decide on its own what the fees will be.
- (c) Equitable rules and procedures must be made on how parents who are unable to pay will be exempted from paying all or part of the school fees. The exemption of payment of school fees is discussed below.

4.3.2.2 Exemption of payment of school fees

According to the SA Schools Act, any parent that earns (gross salary minus income tax) ten times or less of the school fees must be fully exempted from paying school fees. If a parent earns more than ten times but less than thirty times, she or he must be partially exempted.

Table 1 is a schedule on payment of school fees and serves as a guideline in assisting the school to assess which parents who are exempted from school fees, and also to calculate the amount, if any, that is payable for school fees.

Example: The school fees are R1 000 per year:

Table 4.1:

Payment of school fees	School fees / R1000 per year
Parents' earnings per year	Amount payable per year
R10 000 or less	Full exemption (no fees payable)
R10 001 – R20 000	Partial exemption (R300 payable)
R20 001 – R30 000	Partial exemption (R600 payable)
R30 000 or more	No exemption (R1 000 payable)

Source: Department of Education (South African Schools' Act, no 108 of 1996)

4.3.2.3 The State Subsidy

In terms of section 35 (91-102) of the SA Schools Act, the formula for calculating the state subsidy (norms and standards for school funding) as used by the Provincial Education Department is as follows:

"Target List"

The construction of new schools or additional classrooms and learning facilities should be targeted to the neediest population. In this expenditure category, "need" is defined in terms of;

- (a) lack of current schools, or
- (b) overcrowding of existing ones

The document does not give national norm for "crowding". Each Provincial Education Department

(PED) must objectively determine where to site new schools and classrooms based on provincial norms and verifiable crowding and distance indicators (need indicators) developed from available data, including the School Register of Needs, Census data, and the department's own Education Management Information System (EMIS).

Need indicators should refer to the proportion of children who are out of school or are in over-crowded schools. Preference should be given to areas where;

(a) Children are out of school and there is a less crowded local or nearby school, or (b) All eligible children are enrolled in school but the local or nearby schools are crowded; and (c) An analysis of population movements demonstrates that the population concerned is resident and permanent.

Using these criteria, the Provincial Education Departments must develop a ranking of geographical areas from the most needy to the least needy school, based on the numbers of children out of school or in existing crowded schools. Eliminate backlogs by starting with the most needy, most crowded areas and proceeding as quickly as possible down the list of priorities.

In the allocation of new school construction funds, preference is given to:

- (a) facilities serving the compulsory education grades (grades 1 - 9) in order to ensure that all eligible learners have a place in school as soon as possible, and
- (b) extensions to existing schools, rather than new schools, except where extensions would result in schools that are too large to be pedagogically sound, or would otherwise be uneconomical, impractical, or undesirable on educational grounds.

Table 4.2**State Subsidies and School Fees in percentage**

School No.	State Subsidies			School Fees		
	2004	2005	Average	2004	2005	Average
1	35.4	38.2	36.8	64.2	61.3	62.8
2	35.4	38.9	37.2	63.9	60.5	62.2
3	35.6	40.9	38.3	62.6	57.8	60.2
4	38.4	48.1	43.3	61.1	51.2	56.2
5	32.6	35.3	34.0	65.7	62.7	64.2
6	32.3	35.7	34.0	66.9	63.5	65.2
7	38.0	39.3	38.7	60.8	59.4	60.1
8	31.1	33.6	32.4	68.3	65.7	67.0
9	37.7	35.9	36.8	60.6	62.8	61.7
10	37.2	35.9	36.6	61.4	63.1	62.3
Averag	35.4	38.2	36.8	63.6	60.8	62.2

Source: Constructed from data obtained from schools.

Table 4.2 represents the State Subsidies and School Fees as percentages of the total income of each school and as an average of the total income of the ten schools. The distribution among the schools is fairly regular. Subsidies make up on average about 37% and school fees about 62% of total income.

This dependence by public schools on state subsidies and school fees for their income is not the ideal. Attempts should be made to diversify sources of funds. Perhaps the governing bodies and the community can assist by getting local businesses to donate or adopt a school. Some sort of partnerships should be established between the school, the community and businesses in the area to use the facilities efficiently and yet maintain them in good order.

4.3.2.4 Distribution of Expenditure:

The following figures indicate the expenditure patterns of the ten schools. In 2004 the total expenditure ranged between R60 0053 and R172 140 and in 2001 it ranged from R71 115 to R199 274. The total expenditure at the ten schools was R1 211 365 and R1 361 320 for 2004 and 2005 respectively. The increase in nominal expenditure was 12%. The average expenditure for the ten schools was R121 137 in 2004 and it was R136 132 in 2005. In both years 5 schools spent less than the average amount with the lowest in 2004 being 49% of the average and in 2005 the lowest was 52% of the average. This shows a big disparity in expenditure but for any meaningful comparison the per capita expenditure should be used.

The expenditures can be listed as follows in order of magnitude.

Table 4.3

Major Expenditures (Percentage of Average Distribution)

Expenditure	2004	2005
Textbooks and stationery	39.6	40.2
Salaries and wages	12.6	12.9
Sports	7.5	7.3
Water and electricity	6.2	6.6
Telephone	5.8	6.0
Repairs to equipment	4.8	3.9
Music and cultural activities	3.2	3.3
Other	20.3	19.8
Total	100	100

Source: Data obtained from Schools

The other expenditures that make up about 20% of the expenditure consist of:

- Bank Charges
- Computer Expenses
- Film Hire
- Grounds Maintenance

- Security Maintenance
- New Equipment
- New Furniture • New Garden Tools
- School Functions
- Membership Fees
- Travel Expenses
- Sundries

4.3.2.5 Bad Debts

The bad debts of the schools arise solely from outstanding school fees. In 2004 it ranged from a low of R3020 to a high of R9858 and a low of R2800 in 2004 to a high of R8300 in 2005. There appears to be a general reduction between the two years, although one must be careful not to over emphasize this. The average amount of bad debts for the ten schools was R5513.7 in 2004 and R5039.4 in 2005. The average amounts represented 4.6% of the average school expenditure in 2004 and 3.7% in 2005. Whilst these numbers may not be large, all attempts should be made to eliminate bad debts from the financial records. The governing body and community at large can be of assistance.

4.4 Findings Semi-Structured Interviews with Chairpersons of School Governing Bodies

As the school governing bodies play an important role in the policy making and general welfare of schools, a few chairpersons were interviewed to ascertain the relationship between the governing body and the school. Tension could exist if their duties are not clearly indicated, especially with the daily running of the school. Semi-structured interviews (see Appendix C) were conducted with ten chairpersons of governing bodies.

4.5. The working relationship between the school principals and the chairpersons of the SGB s.

The working relationship between the school principals and the chairpersons of SGBs concerning the managing of school finances revealed the following:

Six chairpersons out of ten stated that the rate of working relationship between themselves and

the school principals has greatly improved. The first chairperson stated that when he took over as the chairperson of the governing body, he first experienced some problems. The first problem was that the previous school principal had misappropriated school funds. The explanation given to him was that the principal took the money in order to pay tuition fees for her daughter. She was hoping to pay back the money but she eventually failed to do so. It emerged that the principal in question was later suspended by the Department of Education and was requested to pay back the full amount of money monthly.

The second problem encountered by the first chairperson at the same school, when he took over in the beginning of 2004 concerned financial records. The school principal could not produce the monthly bank statements. The school governing body tried to persuade her to hand over the previous months bank statements but failed in its attempts. The chairperson reported the matter to the Superintendent of Education Management. It was then that the school principal managed to produce the December 2004 bank statement. Since the new principal was appointed from the beginning of 2005, the chairperson has developed a very good working relationship with her generally and especially concerning the school's financial management.

It appeared that the second and third chairpersons encountered similar problems. Both claimed that they are not happy at all with the way financial matters were handled. They both had a feeling that the school principals only needed them when they had to sign the cheques. They felt that they are not fully involved when financial decisions are made. They believed that the school principals have taken it upon themselves as sole financial decision-makers. This is not in accordance with the SA Schools Act. However relationships have improved recently.

The eight and tenth chairperson believed that they are having a very good working relationship with their school principals. They both appreciated the consultation process that the school principals use before any decision on financial matters is made and any major expenditure is incurred. Eight chairpersons (80%) of the chairpersons fully agreed without any reservations that they have not found themselves in dispute with school principals over alleged misappropriation of funds.

One chairperson was suspicious that his school principal misappropriates. The school funds very tactfully. He pointed out that the school principal used to submit an average of ten petrol cash receipts every month claiming the refunds from school. These claims were for travel expenses,

which are claimed by educators who use their own transports for school business. The chairperson revealed that it is very difficult to find out whether the principal has collaborated with the educators who make the claims.

Six chairpersons (60%) out of ten stated that they sometimes find themselves under pressure to approve certain expenditures (signing cheques) while they are not fully convinced of the expenditures' benefits to the school.

The first chairperson said that in the year 2004, he was just instructed to sign a cheque for a substantial amount of money to finance the grade twelve learners' farewell party. It emerged that there was no meeting between the governing body and the school principal concerning the expenditure. The second and third chairpersons pointed out that at other meetings such as interviews for staff appointments they are just instructed to sign cheques for financing that process without prior approval or sufficient explanation. Both chairpersons admitted that both school governing bodies are afraid of questioning the authorities of the two principals. The fourth and fifth chairpersons acknowledged their involvement in financial decision-making. They were satisfied that they did not approve any expenditure unless they were fully convinced of its benefit to the school.

Six chairpersons agreed that they do make some attempts to raise funds to supplement school fees. However, this appeared to be a confusing issue. When chairpersons were further interviewed on this issue it appeared that most of the fund raising activities in all six schools were initiated and conducted by the educators. The school governing body members did not take any part in these fund raising activities. Only one chairperson did substantiate that he does go out to the nearby businesses and get donations on behalf of the school.

All six chairpersons were much concerned about the way in which the schools run the fund raising projects. They pointed out that the fund raising monies are not deposited in the bank account. The educators concerned have the full control over these monies. The school governing body is not even informed about the total amount of money raised or how the money is going to be spent. It was also mentioned that all the money raised by the educators do not appear in the year end financial report as income. This is a serious matter that needs immediate attention.

Four chairpersons agreed that they were not aware that they are supposed to do some fundraising on

behalf of their schools. It appeared that they are of the opinion that the school principal is responsible for doing the fund raising on behalf of the school. This is caused by lack of understanding of the roles of the SGB as this function falls under school governance.

Six chairpersons (60%) out of ten stated that they were fully satisfied with the details of the year-end financial report given by the school principals to the parents in the meetings. The reason behind their satisfaction was that they (chairpersons) are also fully involved in the preparation of the year-end financial report.

Four chairpersons (40%) showed great dissatisfaction when it comes to the issue of the year-end financial report. Their main concern was that in their schools for the past two years the school principals had never given any year-end financial report. They said that they only hear about the year-end financial report when attending meetings in the nearby schools as parents. The chairpersons revealed that they know that the school principals are supposed to give the year-end financial report. Surprisingly, no member of the governing body wants to talk about it to these four school principals. This is also a serious matter that requires immediate addressing.

4.6 Additional Comments emerging from the Semi-Structured

Interviews with the Chairpersons of School Governing Bodies

All ten chairpersons agreed that the workshops on school financial management were being conducted by the district to improve the financial skills of persons involved with financial management in schools. All of them complained about the timing of workshops. They mentioned that the workshops generally take one day, and many of them cannot attend as they are also working. Furthermore, they mentioned that the school financial management training is divided into three stages, namely elementary, intermediate and advanced stages. Sometimes it does happen that elementary stage was conducted in the year 2003, while intermediate stage was conducted in the year 2004. This is not beneficial if a member is elected in the year 2003 as it means he will miss the earlier training and attempt to fit into the higher level. This is a serious problem especially to a person who does not have any financial management background.

On the positive side, it emerged that in these workshops the chairpersons attending are made familiar with the SA Schools Act for more information on school financial management. This is of particular benefit to those who are working and do not have enough time to read the SA Schools Act.

The chairpersons of schools governing bodies were also asked to explain what they understood to be their duties and responsibilities concerning financial management in schools. All of them emphasized the depositing of money collected and signing of cheques. Again this has to be addressed immediately. Members of the governing body need be educated about their role or else they cannot benefit the school.

When asked what measures schools take when they grant loans to educators in order to ensure that the educators repay the loans, it emerged that all schools, which do grant loans to educators do not take any measures. The educator is just given the cheque for that amount he requested and the terms of payments are agreed verbally between the school principal and the educator. The chairpersons concerned did not comment on what will be done if the educator fails to repay the loan.

On the issue of what measures do chairpersons think can improve the financial decision-making in public schools, all responded by saying that there is a need for more consultation between the school principals, school governing bodies and parents. Furthermore, they mentioned that financial management training must be conducted regularly. Lastly, they mentioned that they believe the period of three years, which a person is supposed to serve as a member of school governing body is very short. To them those three years are just a learning period.

4.7 Broader reflections on the findings

The analysis provided in the findings section gives some insight into trends and issues within the selected schools. This section seeks to pick up on some of these findings and reflect on them in terms of some of the matters raised in the literature covered in this dissertation. This is important as there is value in not only understanding some of the practice and technical factors at play but also to explore in theoretical terms some of the other forces that might be reflected as well as engaging with critical material about South African educational performance.

On the matter of South African education performance there are two particular issues worth commenting on in light of the research. In the first instance it is clear that the bulk of schools in the sample face considerable difficulties in effectively managing resources available to them in line with Departmental and Schools Act requirements. The slow processing of expenditure items, non-payment or delayed payment of staff and UTEs and slow appointments can add pressure to schools financial

administration itself. The expectations on governing bodies also appear to somewhat overly optimistic. These findings are in line with those reflected in articles such as that by Chisholm (2005).

Secondly there is a trend displayed that schools remain very dependent, even in poorer communities such as Kwa Ndengezi, on fees income. While the level of fees might not always be high relative former Model C schools, they tend to make up the bulk of discretionary spending in schools and on average are double what state subsidies (over and above teacher salary allocations) are. This scenario would result in ongoing pressure on communities to pay fees and in turn help sustain inequalities where some communities are more able to pay higher fees than others. This supports the work of Fiske and Ladd (2005) and the claims made by Jansen (2000) and others.

The interactions in the research with principals and governing body chairs also provide some useful material in support of the questionnaire data from a more abstracted theoretical perspective. Clearly the political economics of resource allocation in a national sense has very direct impacts on financial management issues at the school level in that choices have to be made around fees and in terms of choices around allocating budgeted income resources. Comments about tensions arising between school staff and parents about priorities reflect some of the broader societal conflicts over resource allocation. The language of the SA Schools Act is very much in line with much of the content identified in new public management literature and it is particularly notable that SGBs have to increasingly accommodate governance imperatives generated from the corporate world which are thought to contribute to guaranteeing performance. However, it is clear that practice often differs substantially from the legislative requirements and assumptions about trust relationships should not be taken for granted in such an environment where powerful local interests (in a school context) such as teachers or principals might be able to influence processes in line with their own priorities.

4.8 Summary

In this chapter the findings of the project have been summarized and analysed.

The general information questionnaire and school financial statistics questionnaire answered by the school principals highlighted the following:

- On the issue of overall management and financial management knowledge 60% of school principals did not regard the existing situation as satisfactory. 40% of school principals were not sure whether they had sound management skills to manage school finances.
- The main sources of schools' income are school fees and state subsidies. In 2004 and 2005

state subsidies made up on average about 37% and school fees about 62% of schools' total income. The minor sources of income were donations, interests and sundries.

- The average expenditure for ten schools was R121137 in 2004 and it was R 136132 in 2005. The major expenditures included textbooks, stationery, salaries and wages for support staff, sports, water and electricity, telephone, repairs to equipment, music and cultural activities.

Furthermore, the findings showed that donations contribute very little to the schools' total income. It could be concluded that public schools are not fundraising enough.

The interview with chairpersons of governing bodies highlighted the following problems:

1. Misappropriation of funds by the school principal through granting loans to educators.
2. Tactful misappropriation of funds by the school principal.
3. Missing school financial records, e.g., bank statements
4. Pressure on chairpersons of school governing bodies to approve expenditures suddenly.
5. Poor working relationship between school principals and chairpersons of governing bodies.
6. Fundraising efforts of school governing bodies not clear.

On the positive side workshops for finance committee members and governing body members are conducted to improve general and financial management of schools.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the conclusion, recommendations and concluding remarks.

The conclusion summarizes the research objectives and the achievement of such objectives rough findings from the questionnaires and interviews. Based on the findings of the research study several recommendations have been suggested to schools. Lastly, the concluding remarks pertaining to the whole research study were made.

5.2 Conclusion

When financial planning and management in public schools in the Kwandengezi Ward was chosen as the research topic for the dissertation, four primary objectives were set. These objectives were:

1. To examine the sources of income in public schools.
2. To examine how public schools spend their income.
3. To examine whether apart from the current sources of school funds, can the public schools establish other sources of funds.
4. To make recommendations on the budgeting process and financial planning and management arising from the findings.

The financial planning and management literature was reviewed in order to broaden the understanding of concepts. Literature review was conducted on the recent literature available on the subject of financial planning and management and other literature related to the research topic. Firstly, literature related to financial planning and management was reviewed. In that section the objectives of financial planning, management and control in an organization were discussed. Secondly, literature related to educational finance was reviewed. In the educational finance section, budget and budgeting were discussed. Some of the aspects that were reviewed were budget preparation, functions of the school budget, approval of school budget and budget monitoring and review.

The next step was a review of the research design and methodology. The advantages and disadvantages of the different survey methods were examined. This was followed by a discussion

on the general information and school financial statistics questionnaires design and the selection of the samples. Furthermore, the reasons for selecting semi-structured interview as another survey method were explained. The selection of the sample for the interview and interviewing process were also discussed.

Moreover, the objectives of the study have been accomplished. It came out from the findings that sources of public school funds include state subsidies, school fees, interest income and donations. The main sources of school funds were state subsidies and school fees. Interest income and donations formed a small percentage of the total school income.

Our findings also showed the pattern of expenditure in public schools. The main expenditure incurred by public schools is textbooks and stationery. Other major expenditures were salaries and wages of support staff, water, electricity, telephone, fax, music, cultural activities, sports and repairs to equipment.

Furthermore, it came out from the findings that public schools were not actively involved in establishing more sources of school funds besides relying on state subsidies and school fees. Although there are fund raising committees in schools, these committees appear to be very ineffective.

Lastly, in view of the findings of the study and its implications, the recommendations on financial planning and management were made.

5.3 Recommendations

Based on the findings of the research study, the following recommendations are suggested:

5.3.1 Competent Persons in the Finance Committee

From these responses it is evident that most of the school principals do give necessary consideration to their budgets. However, it is necessary to work with the community to ensure that persons with an understanding of finance get elected on to the finance committee. The SA Schools Act stipulates that when electing the finance committee, the governing body may elect people who are not members of the governing body on the basis of their knowledge of financial matters.

A person who is registered as an accountant and auditor in terms of the Public Accountants and Auditors Act, No. 80 of 1991 or a person who is qualified to perform the duties of an accounting officer in terms of Section 60 of the Close Corporation Act No. 69 of 1984 can help advise the school governing body and school principal on a number of critical financial management issues.

Furthermore, this person will be able to render an ongoing internal auditing process. Effective internal auditing is vital for a strong control environment. Independent auditing is concerned exclusively with the financial statements prepared principally for external users. The internal auditor, by contrast, is concerned with all kinds of financial and other data generated for both internal and external users. The internal auditor is also engaged in evaluating the efficiency of operations (operational auditing) and effectiveness of management (management or performance auditing), (Konrath, 1989:5).

In South Africa the persons who can practice as accounting officers are expected to be affiliated to any of the following qualifications or are members of the following professional accountancy bodies:

- Institute of Chartered Accountants in South Africa – CA (SA)
- Association of Chartered Certified Accountants - ACCA
- Chartered Institute of Management Accountants - CIMA
- Chartered Institute of Public Finance and Accountants - CIPFA
- Institute of Chartered Secretaries and Administrators - CIS
- Institute of Administration and Commerce- IAC (Accounting Diploma)
- Institute of Commercial and Financial Accountants - CFA

5.3.2 Financial accounting system

All schools that responded do have some system in place of keeping the day-to-day accounting records, i.e., receipts and payments. Of the twenty schools that responded to the questionnaire, 85% were satisfied with the way in which they kept their accounting records. The remaining three schools were not sure whether they had any system in place or not. Although this is a small ratio it is important that all schools have sound financial accounting systems. Although schools may not afford to pay a salary for a full time bookkeeper, a part time bookkeeper can be an option. Financial accounting is an essential component of financial management of a school. Schools need to process, analyze and interpret financial data and information in order to function effectively.

Effective accounting should comprise the following (Badenhorst1996:6);

- Full detail of all income and payments
- A system that is simple enough to be managed by a person with a basic knowledge of

accountancy.

- It should be easy to interpret.
- It should be easy to monitor.
- It must not be open to abuse.

When applied to schools, it means that the accounting system of a school should consist of the following documentation:

- A receipt book
- Deposit books
- Cash analysis book
- Bank statements
- Reconciliation statements
- Order book
- A cheque-book
- Savings account
- Documentary evidence of payments

5.3.3 Petty cash

The responses revealed that 60% of schools did not keep petty cash. 40% of schools were not sure whether they kept petty cash or not. It is recommended that schools should keep a small amount of cash available for payments that do not merit being paid by cheque. Petty cash policy must be put in place, and its implementation must be monitored and controlled. A typical petty cash policy will state the amount that may not be exceeded for any item purchased out of cash, the type of items to be purchased, the procedure for the appropriate keeping of records, and that the petty cash should be balanced daily. Example of items that would be paid from petty cash may be milk, tea, dish- washing liquid, postage stamps and so on.

5.3.4 Removing mistrust between chairpersons and school principals

Our findings showed that there is a remarkable mistrust between the governing bodies and principals in some schools. While six chairpersons were satisfied with the working relationships

they had with the school principals, four were not satisfied at all. There is a great need for ensuring the sound working relationships between the governing bodies and school principals. The school principal is accountable for any expenditure in his / her school. Moreover, it is recommended that schools should improve the reporting of financial information to all stakeholders. Campher (2003: 12) pointed out that effective communication is essential for the management of a school and the communication of financial information is equally essential for the financial management of the school. Reporting can take place in many different forms such as oral reporting, financial statements and diagrams.

5.3.5 School management computer software

All twenty-school principals admitted that their schools do not have any school management computer software. Although the manual financial records were adequately maintained, financial management can improve if the schools can start using the school management computer software. However, it will be important to update the necessary skills to manage this system. Apart from generating the marks for learners' records, the school management computer software has financial information and budget management software. Through using financial information software, it becomes easy for the school to produce the annual financial statements as all financial information is stored in the computer. The software can also be used to calculate what the likely variance is going to be by the end of the financial year. On the basis of transactions to date, known commitments can be projected forward to arrive at a predicted out-turn for the full 12 months. The variance is the amount by which the whole budgets, or any budget component, will apparently under- or over-shoot by the end of the financial year, in comparison with figures in the initial budget (Mc Aleese, 2000:26).

5.3.6 Analysis and interpretation of financial statements

The schools must go one step further after preparing the financial statements. They must do the analysis and interpretation of financial information. It is essential that financial information reach the person responsible for financial decision- making in a form that is accurate, brief and clear. In this way, problems can be identified and solved at an early stage. If the school principal experiences some difficulties in interpreting the financial statements, he / she can use the services of an accounting educator.

5.3.7 Credit policy

Our findings showed that the most important source of income for the school is the school fees paid by the learners. Most of the parents are salary earners who are paid on monthly basis. Although school fees are determined for the year, most parents will only be able to pay in monthly. It is therefore necessary to offer them an option of paying in terms, probably monthly. Therefore it is recommended that the school must have a credit policy in place, so that the collection and payment of school fees can be done in an organized and systematic way. A credit policy is a necessity for effective control of accounts received. This will ensure that bad debts are reduced as our findings showed that learners owe schools huge amount of fees in the year 2004 and 2005. The school governing body should draw and make the credit policy available to the parents. Lock (2002) suggested a number of considerations when it comes to drawing up a credit policy. These include:

- Procedure for dealing with overdue accounts. These should be clear and detailed.
- Discount for lump sum payments at the beginning of the year. This provides parents with an incentive towards payment.
- Outline monthly installments. This should be clear and detailed.
- Methods for keeping track of how long accounts are overdue.
- Writing off of bad debts. This is often a sensitive issue and should receive special attention.

5.3.8 Cash management

It is recommended that the schools should improve their cash budget management. The findings showed that most schools were having cash flow problems. 65% of schools indicated that they are in arrears in water and telephone bills. On the issue of timely repairs of buildings, furniture and equipment, 60% of school principals agreed that as a result of the shortage of funds there are items that have not been repaired. It is important to mention that the school is responsible for the maintenance of the school buildings, furniture and equipment. This should be a collective responsibility involving the school principal, staff, learners and parents.

Maintenance should be done on a regular basis. If defects or damages are reported and rectified promptly, this will save the school a lot of money by avoiding huge maintenance expenses for large-scale repairs. Certainly the upkeep of facilities must be made a priority. Otherwise, no matter how well the lessons are delivered the quality of education will deteriorate.

As it is evident that schools are having cash flow problems, schools must look carefully into the issue of granting loans to educators. Of the twenty responses 95% school principals acknowledged that the educators owed money to their schools. The cash budget is the tool used for the effective management of cash resources in a school. The cash resources include coins and notes, cheques, postal orders and funds held in bank accounts. Effective cash management must ensure that regular reports are given to the governing body. These reports should include the following information:

- Monthly reports on the cash flow position
- Changes in the cash flow
- Projections of expected cash flow and cash requirements.

Regular reporting will ensure that the governing body is able to make optimum use of the available cash and will be prepared for any eventuality.

School funds must be carefully controlled with clear procedures for the collection and paying out of monies. These procedures should include the following:

- All monies received must be paid into the school's bank account.
- Receipts must be issued for all money received.
- Receipts must be obtained for all monies spent.
- The governing body must give permission for expenditure exceeding budget allocations.
- The school funds account must never be overdrawn (Bischoff 1997).

5.3.9 Stock management and control systems

Out of twenty responses only 10% of schools admitted that they did conduct stocktaking in their schools. It is recommended that the schools should improve their stock management and control systems. The school can examine the system prescribed by the provincial department of education for guidelines and identify possible criteria that can be included. Effective stock management should control the use of stock so that misuse and theft are eliminated. Furthermore, it should also ensure that sufficient stock is available when needed. The stock of a school includes stationery, and any other items that are consumed during the year.

For stock management to be effective, the following criteria should be considered (Bischoff 1997:117):

Quantity: It is important to determine the right amount of a specific item that should be available at

all times. It is also possible to save by buying in bulk, but always keep in mind that too much stock is capital that is not liquid and makes control more difficult.

Quality: Stock should always be of appropriate quality in order to save money and / or avoid unnecessary damage.

Timing: Certain items of stock must be available at all times but might be needed in larger quantities at specific times of the year, e.g. paper is always needed but more paper is usually needed at the beginning of the year and during assessment and examination times. It is also possible to save by buying at appropriate times for instance when there is a sale or promotion of items.

5.3.10 Fixed assets management

Our findings showed that only 75% of schools were actually keeping fixed assets registers. 10% of schools were not keeping any fixed assets records while 15% of schools were not sure whether they keep fixed assets register or not. Therefore it is recommended that all schools must keep fixed assets registers. The management of fixed assets is not complete without the maintenance of fixed assets register. This is where the school must record the acquisition and disposal of fixed assets. Furthermore, the school must also provide the depreciation on fixed assets.

Depreciation is the devaluation of fixed assets over a period of time. Van der Westhuizen (1997) maintains that the following are the three types of depreciation:

- Economical obsolescence due to wear and tear.
- Technical obsolescence due to technological developments.
- Regulatory depreciation as directed by the Department of Education.

5.3.11 Fundraising

The findings showed that school governing bodies were not actively involved in fundraising. Governing bodies can assist by raising funds in order to supplement school fees and state subsidies as there is clear evidence that all schools are having cash flow problems. Therefore, it is recommended that the schools must establish the Fundraising Committees (FC). Campher (2003), pointed out that pivotal to the success of school's fundraising efforts would be those who drive the process.

The members must have vested interest in the school and nominations are usually received from SGB, educators and parents. It is recommended that the school principal should also be part of the committee.

Before allocating portfolios to the Finance Committee, it is important to identify each person's capacity. The portfolios must be allocated to members of the FC according to their expertise, experience and interests. The accounting educator may be appointed as the treasurer and one of the parents who work for an advertising company may be responsible for marketing and advertising. The following portfolios are recommended on the Finance Committee:

- Chairperson
- Secretary
- Treasurer
- Advertising
- Project Manager
- Two additional members

It is important to mention that the committee members will have to use their managerial and leadership skills under the guidance of the chairperson to plan, co-ordinate, delegate, control and evaluate each project (Campher 2003:63)

Ramsey (2001: 115) suggested the following fund raising guidelines:

1. Fundraising monies should be collected, recorded, banked, dispersed, and accounted for by a third party whenever possible.
2. No fundraising activity should involve doing anything illegal (e.g. gambling in some communities).
3. No one should ever be embarrassed or intimidated by any school fundraising activity.
4. Every effort must be made to scrupulously avoid exploitation of the school's captive student population for purposes of fundraising.
5. Participation by all fund-raisers must be completely voluntary.
6. Fundraisers should avoid false advertising or any conflict of interests.
7. All fundraisers must be completely non-discriminatory.
8. Safety must be the top priority in all fund raising activities.
9. All fundraising events and activities should be in "good taste" according to community standards.

10. Involvement of students and staff in fundraising activities should be limited during school hours.
11. Money collected through fundraising must be spent for the stated educational purpose for which it was collected.
12. In all fundraising efforts, meticulous record keeping and accounting procedures must be followed. All records should be open to the public and subject to periodic independent auditing.
13. Where possible, monies collected through fundraising should be kept in a separate bank account, and at least two signatures should be required to write cheques on the account.
14. All fundraising projects should be educational, fun-filled and profitable

5.3.12 School tuck-shops

It is recommended that the schools must establish their tuck shops in order to supplement schools' income. The purchasing power of learners is very big. Most principals never planned to become shopkeepers; but that's what's happening in ex- model c schools and independent schools (private schools). Owing to financial constraints the public schools in the City of Durban Circuit cannot afford to stock the items that are available in these schools. It is advisable that these schools keep only limited stock for fast moving items.

A growing number of schools throughout the country are opening up school stores as a means of promoting school spirit, providing hands-on learning (a retail laboratory) for marketing students, meeting the convenience and shopping needs of students, school personnel, and other patrons, and raising funds for school projects and scholarships. Often called Spirit Shops, these stores typically sell a variety of school-related items:

- School supplies (often decorated with the school emblem or logo)
- Spirit clothing and accessories (e.g., T-shirts, sweatshirts, caps, mittens, and ponchos)
- Stadium blankets
- Pennants and pom-poms
- Candy, soda, and baked goods
- Key rings, tote bags, balloon bouquets and umbrellas
- Mugs, mascots, and other memorabilia, (Mac Gregor, McKay and Winkler: 2002).

5.3.13 Financial Planning and Management

School principals as financial managers do need to have a sound understanding of management accounting and financial accounting so that they make informed financial decisions.

It was stated in the literature review that this does not mean that managers must know how accounts are constructed or how accountants do their work, but rather to use financial information to achieve improvements in performance. The findings revealed that 60% of school principals were not satisfied about their financial management knowledge. 40% of school principals were not sure whether they had sufficient management skills or not. Overall, the findings showed that there is still a problem when it comes to financial planning and financial decision-making in schools.

In addition to financial management training which is provided by the Department of Education to school principals and members of governing bodies, the school principals are encouraged to enroll for some formal financial management courses. There are a number of educational institutions in South Africa which are offering financial management courses through distance and part-time learning.

5.4 Concluding Remarks

The purpose of this study was to examine and evaluate financial planning and management in public schools in the Kwa-Ndengezi Ward. Areas of investigation included:

1. The sources of income in public schools
2. Patterns of expenditure in public schools
3. Alternative sources of school funds apart from school fees and state subsidy.
4. Making recommendations based on the findings of the research study.

While precautionary measures were taken to ensure the reliability and validity of data collected, there were some mistakes which could not be totally eliminated. The factors that may lead to less reliability and validity of data were discussed earlier.

The objectives of the research study were addressed through the collection and analysis of data obtained from questionnaires and interviews. Moreover, the research study objectives were addressed through the review of the available literature in the field of financial planning and management.

Some of the major recommendations of the research study were as follows:

1. It is necessary for schools to have persons with good understanding of finance in their finance committees.
2. It is important for schools to introduce modern technology in order to improve efficiency.
3. School principals are encouraged to upgrade their financial management knowledge.

Lastly, I hope this research study will open other opportunities for further research in the field of school financial management that has not been of much interest to the researchers in the past.

Further research may include independent schools (private schools) as they were not included in this research study.

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APPENDIX A

Covering letter and general information questionnaire

PO Box 2753

Pinetown

3600

26 October 2005

The School Principal

School Name

Ndengezi Ward

3600

Dear Sir or Madam:

RE: COMPLETION OF RESEARCH QUESTIONNAIRE

I am at present conducting research on Financial Planning and Management in public schools in the in the Kwa Ndengezi ward in Kwa Zulu-Natal. I would appreciate it if you would complete the attached questionnaire.

Even if you feel the items covered may not apply direct to you please do not ignore them. Your answers are essential in building an accurate picture of Financial Planning and Management in public schools in the Kwa Ndengezi ward. It is important to mention that the research project is going to be of benefit to School Management Teams and School Governing Bodies concerning Financial Management. All the information you provide will be treated with utmost confidentiality.

When you have finished completing the questionnaire please keep it with you, as i will fetch it personally.

I hope you will find completing the questionnaire enjoyable and interesting.

Thank you for taking time to help me. Should you have any queries or would like further information about this project, please call me on 082 346 1918.

Your cooperation is much appreciated.

Yours faithfully,

S Mngoma (Student – Masters in Social Policy Programme) University of Kwa Zulu Natal

APPENDIX B

GENERAL INFORMATION QUESTIONNAIRE

“Decentralised Financial Management in South African Schools: An examination of implementation by selected primary and secondary schools in the Kwa Ndengezi area of Kwa Zulu Natal”

PLEASE PUT A CROSS [X] IN THE BOX NEXT TO YOUR CHOSEN

ANSWER

1. The South African Schools Act stipulates that when electing the finance committee, the governing body may elect people who are not members of the governing body on the basis of their knowledge of financial matters. Does your school have any person who is a member of the governing body qualified to practise as an accounting officer?

Yes	No	Not sure
-----	----	----------

2. Do you believe that you take all the necessary factors into account when drawing the annual school budget?

Yes	No	Not sure
-----	----	----------

3. Are you satisfied with the consultation that is done before drawing the annual school budget?

Yes	No	Not sure
-----	----	----------

4. Is there any amount of money belonging to the school that is owed by the educators or member of the governing body?

Yes	No	Not sure
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5. Is there any educator or member of the governing body or any person who is owed by the school for the service he rendered to the school?

Yes	N	Not sure
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6. Is there any educator or member of the governing body who granted a short term loan to the school but not yet been repaid?

Yes	No	Not sure
-----	----	----------

7. Are there any learners who owe the school a substantial amount of school fees up to now (end of the school calendar year)?

Yes	No	Not sure
-----	----	----------

8. Do you have any system in place of keeping day to day accounting records in your school?

Yes	No	Not sure
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9. Does your school have a full or part time bookkeeper?

Yes	No	Not sure
-----	----	----------

10. Do you keep fixed assets register in your school?

Yes	No	Not sure
-----	----	----------

11. Do you conduct any stocktaking at least once year on furniture, equipment and tools?

Yes	No	Not sure
-----	----	----------

12. Do you have any school management computer software in your school, which can generate an up to date learners' marks records and financial reports?

Yes	No	Not sure
-----	----	----------

13. Do you keep petty cash in your school?

Yes	No	Not sure
-----	----	----------

14. Is your school in arrears for telephone, water etc.?

Yes	No	Not sure
-----	----	----------

15. Does your SGB use other measures to raise more funds to supplement school fees?

Yes	No	Not sure
-----	----	----------

16. Do you allow the community to hire school property (buildings and furniture) in order to generate more income for the school?

Yes	No	Not sure
-----	----	----------

17. Does your school have any short term or long- term investment?

Yes	No	Not sure
-----	----	----------

18. Are you satisfied with the condition of buildings, furniture and equipment in your school?

Yes	No	Not sure
-----	----	----------

19. Do you have any item in your school that has not been fixed or repaired as a result of the shortage of cash?

Yes	No	Not sure

20. Are you satisfied with the financial management training, knowledge or background that you

have?

Yes	No	Not sure
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21. Have you ever found yourself in dispute with the governing body over alleged misappropriation of funds?

Yes	No	Not sure
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22. If you feel there is anything that has not been covered by the questionnaire which can help to improve financial management in public schools, please state it in the space provided.

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APPENDIX B SCHOOL NUMBER:

SOURCES OF INCOME

2004

2005

State subsidy		
Donations		
Trust funds		
Transport		
Extra classes		
School fees		
Tuck shop		
School functions		
Bad debts recovered		

APPENDIX C

Semi-structured interview questions asked to the chairpersons of school governing bodies.

1. Do you have any knowledge of financial management?
2. Would you explain your duties and responsibilities concerning the school financial management?
3. In some cases schools do grant loans to educators. What measures do you take to make sure that the educator repays the loan?
4. Are you satisfied with the working relationship that exists between you and the school principal concerning the management of school finance?
5. Have you ever found yourself in dispute with the school principal over alleged misappropriation of funds?
6. Have you ever found yourself under pressure to approve certain money expenditure while you were not fully convinced of its benefit to the school? If the answer is yes, explain.
7. Does your school take some steps to raise more funds to supplement the school fees? Explain.
8. Are you satisfied with the details of the financial report that is given by the school principal at the end of the year?
9. What measures do you think can help to improve financial management in public schools?

SCHOOL FINANCIAL STATISTICS QUESTIONNAIRE

SCHOOL NUMBER:

EXPENDITURE PATTERNS

2004

2005

Advertising		
Bank charges		
Film hire		
Water and electricity		
Repairs (equipment)		
Security		
Telephone		
Tuck shop expenses		
Garden tools		
Membership fees		
Donations		
School functions		
Training and workshops		
Music and cultural activities		
Textbooks and stationery		
Sports		
Sundries		

APPENDIX D

RESPONSES TO GENERAL INFORMATION QUESTIONNAIRE

1. The South African Schools Act stipulates that when electing the finance committee, the governing body may elect people who are not members of the governing body on the basis of their knowledge of financial matters. Does your school have any person who is a member of the governing body who is qualified to practise as an accounting officer?

yes	not sure	no
10 %	0 %	90 %

2. Do you believe that you take all the necessary factors into account when drawing the annual school budget?

Yes	Not sure	No
55 %	45	0 %

3. Are you satisfied with the consultation that is done before drawing the annual school Budget?

Yes	Not sure	No
75 %	15 %	10 %

4. Is there any amount of money, which belongs to the school owed by the educators or member of the governing body?

Yes	Not sure	No
95 %	0 %	5 %

5. Is there any educator or member of the governing body or any person who is owed by school for the services he rendered to the school?

Yes	Not sure	No
20 %	0 %	80%

6. Is there any educator or member of the governing body who granted a short term loan to the school but not yet been repaid?

Yes	Not sure	No
0 %	0 %	100 %

7. Are there any learners who owe a substantial amount of school fees up to now (end of the school calendar year)?

yes	Not sure	No
100 %	0 %	0 %

8. Do you have any system in place of keeping day- to day accounting records in your school?

yes	Not sure	No
85 %	15 %	0 %

9. Does your school have a full or part time bookkeeper?

Yes	Not sure	No
0 %	10 %	90 %

10. Do you keep fixed assets register in your school?

Yes	Not sure	No
75 %	15 %	10 %

11. Do you conduct any stocktaking at least once year on furniture, equipment and tools?

Yes	Not sure	No
10 %	20 %	70 %

12. Do you have any school management computer software in your school, which can generate an up to date learners' marks records and financial reports?

yes	Not sure	No
0 %	0 %	100 %

13. Do you keep petty cash in your school?

Yes	Not sure	No
0 %	40 %	a.

14. Is your school in arrears for telephone, water etc.?

Yes	Not sure	No
65 %	0 %	35 %

15. Does your SGB use other measures to raise more funds to supplement school fees?

Yes	Not sure	No
0 %	0 %	100 %

16. Do you allow the community to hire school property (buildings and furniture) in order to generate more income for the school?

Yes	Not sure	No
20 %	0 %	80 %

17. Does your school have any short term or long term investment?

Yes	Not sure	No
0 %	0 %	100 %

18. Are you satisfied with the condition of buildings, furniture and equipment in your school?

Yes	Not sure	No
10 %	15 %	75 %

19. Do you have any item in your school, which has not been fixed or repaired as a result cash shortage?

Yes	Not Sure	No
60 %	20 %	20 %

20. Are you satisfied with the financial management training, knowledge or background that you have?

yes	Not sure	No
40%	0%	60%

21. Have you ever found yourself in dispute with the governing body over alleged misappropriation of funds?

yes	Not sure	No
20%	0%	80%

BIBLIOGRAPHY

APPENDICES

Appendix A: Covering letter and general information questionnaire

Appendix B: School financial statistics questionnaire

Appendix C: Semi- structured interviews questions asked to the chairpersons of school governing bodies

Appendix D: Responses to general information questionnaire.