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# THESIS SUBMISSION

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**Title: Exploring the roles of school governing bodies  
in the management of school finances in Limpopo  
Province**

**Full Name and Surname: Emanuel Tebogo Mmako**

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Supervisor: Prof P Mafora

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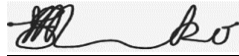
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## **ABSTRACT**

The study explored the role of school governing bodies (SGBs) in managing school finances in Limpopo, focusing on concerns that cases of SGB dysfunctionality continue to be referred to the Department of Basic Education (DBE) and Provincial Education Departments (PED). This suggests a longstanding failure to achieve value for money in schools.

The research was framed using the principal-agent (P-A) theory and adopted a constructivist ontological worldview. An interpretive paradigm was used to construct the social reality of the research problem. Data was collected from SGBs of five public ordinary schools in the Capricorn South District, Limpopo. The selection included three no-fee schools and two fee-paying schools to provide a broad perspective. A case study approach was adopted, and thematic analysis was applied to data from financial document reviews, observations, interviews, and focus groups.

The study identified several factors influencing school fiscal management, including both internal and external stakeholders. Findings revealed gaps in knowledge of applicable legislation, especially in no-fee schools, the appointment of ineligible independent reviewers for financial statements, unethical practices by senior state officials, and issues with external auditors. These challenges contribute to inefficiencies in SGB fiscal management.

In response to these findings, the study recommends several interventions: the creation of a resolute SGB capacity-building directorate, implementation of robust training programs, a review of the eligibility criteria for independent financial reviewers, and enforcement of accountability measures for officials engaging in unethical conduct. These recommendations aim to enhance SGB effectiveness in managing school finances, ensuring better outcomes for schools, especially in poorer communities.

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## LIST OF ACRONYMS AND ABBREVIATIONS

APP	-	Annual Performance Plan
ASB	-	Accounting Standard Board
DoE	-	Department of Education
DBE	-	Department of Basic Education
DSD	-	Department of Social Development
FinCom	-	Finance Committee
GAAP	-	Generally Accepted Accounting Principles
GDE	-	Gauteng Department of Education
GRAP	-	Generally Recognised Accounting Practices
HOD	-	Head of Department
IRBA	-	Independent Regulatory Board of Auditors
KRAs	-	Key Responsibility Areas
LDoE	-	Limpopo Department of Education
NNSSF	-	National Norms and Standard for School Funding
NPM	-	New Public Management
MEC	-	Member of the Executive Council
PED	-	Provincial Education Department
PFMA	-	Public Finance Management Act
POI	-	Provincial Outcome Indicator
PwC	-	Price Waterhouse & Coopers
RSA	-	Republic of South Africa
SASA	-	South African Schools Act
SAICA	-	South African Institute of Chartered Accountants
SGB	-	School governing body
SMT	-	School Management Team
Stats SA	-	Statistics South Africa
UK	-	United Kingdom

WCED - Western Cape Education Department

## CHAPTER ONE

### INTRODUCTION TO SCHOOL FINANCIAL MANAGEMENT

#### 1.1 INTRODUCTION

The advent of democracy in South Africa came with a myriad of changes in several sectors, including education. Among the notable changes was the New Public Management (NPM) which saw the migration of corporate governance to the public sector. Researchers claim that good governance is underpinned by the principles of transparency, accountability, responsiveness, and professionalism (Jashari & Pepaj, 2018; Khotami, 2017; Keay, 2015; African Development Bank, 2013). Currently, governance in public administration has become a global issue because of the continuous stream of governance failures, fraud, inefficiency, corruption, and poor internal control and financial management (Dondolo, 2025; Kgobotlo, 2023; Tladi & Madue, 2022; Dwangu, 2021; Masuku, 2019; Abd Aziz, Ab Rahman, Alam & Said, 2015). These public governance failures cascade from the national sphere to all spheres of the government and its organs, and the public education sector is not an exception. The State's good intentions in the public sector marred by these failures are extremely compromised, to mention but a few,

- Thousands of rands of school funds meant for student resources misappropriated by teachers at Harmonia farm school in the Free State (Dondolo, 2025).
- Misappropriation of funds at Thuto Tsebo Primary School in Lindley in Free State (Kgobotlo, 2023).
- More than R6m concealed in eight illegal bank accounts for the school principal's lavish lifestyle and a few members of the SGB Glenvista Secondary School in Gauteng (Chaskalson, 2017).

These malpractices are by and large a global phenomenon as such occurrences continue to emerge in other countries among others,

- In Nottinghamshire at Bramcote Church of England Primary School, the school finance manager looted more than £70,000 over a six-year period leaving learners without computers and pens and parent-teacher association had to donate funds to procure such (Dutton, 2024).
- Orange County education official embezzled more than \$16.6 million from school district in the United States of America (McEnvoy, 2023).
- More than \$6 million embezzled from the State's schools spent on overseas travels, alcohol and lavish lunches (Cook, 2017).

In its endeavour to make education available and accessible to its citizens, the South African government provides for everyone's right to education in terms section 29 of the Constitution (Republic of South Africa (RSA)1996a). The South African government also funds public schools and subsidise non-profit independent schools (RSA, 1996b) to further promote access to education. In public schools, the State equitably funds schools in terms of quintiles determined annually by the Minister of Basic Education.

Public ordinary schools in South Africa are grouped into five categories called quintiles for equitable allocation of state resources. A quint is therefore one over five of these categories where quintile 1 represents the schools in poorest communities and quintile 5 representing schools in the less poor communities (White & Van Dyk, 2019; DBE, 2017b). The implementation of the Amended National Norms and Standards for School Funding (ANNSSF) policy is based on these categories called quintiles when funding public ordinary schools in the country to ensure equity and uniformity. School Governing Bodies (SGBs) were legally promulgated as custodians of these funds in terms of the South African School Act 84 of 1996 (SASA) and are expected to act in the interest and on behalf of the school as a juristic person (RSA, 1996b). In its attempt to strengthen the SGBs governance capacity and custodianship of these funds, the State promulgated introductory training and continuous training of SGBs in terms of section 19(1) (a) and (b) of SASA (RSA, 1996b). These trainings cover, among others, general issues of governance, policies in governance, school financial records keeping and

procurement procedures (RSA, 1996b; LDoE, 2020). The effectiveness and efficiency of these trainings are, however, criticised as they are considered to be limited (Pakade & Chilenga-Butao, 2021, Nguyen, 2013); hence relinquishing school financial management by SGBs to school principals. Supporting the limited nature of capacity building, a study by Mmako (2018), made adverse findings about these trainings as follows:

- Lack of requisite skills among training facilitators;
- Have a short duration;
- Infrequent SGB training programme;
- Ineffective presentation style used during SGB training;
- Capacity building that is not contextualised; and
- Ineffective cluster approach.

Notwithstanding these inputs by the State, schools continue to lose massive amounts of money through mismanagement, misappropriation and fraud (Dondolo, 2025; Kgobotlo, 2023; Tladi & Madue, 2022; Dwangu, 2021). Research suggests that SGBs lack the necessary financial knowledge and skills (Basson & Mestry, 2019; Botha, 2019; Heystek, 2011) and are placed under tremendous pressure because they are unable to develop practical solutions to practical problems (Modisaotsile, 2012) regardless of the capacity building workshops provided to them (Graaff, 2016) in terms of section 19 (1) (a) and (b) of SASA (RSA, 1996b). Substantiating the ubiquity of this challenge, Rangongo et al (2016) point Limpopo as one of the provinces with the highest number of reports of misappropriation of funds in schools. Rangongo et al (2016) maintain that the failure of the SGBs to be responsive to financial management challenges results from the dearth of requisite financial skills and competence. Moreover, these challenges are exacerbated by incompetent facilitators without financial background conducting the SGB capacity building workshops (Mmako, 2018; Ogunleye, 2016; Beyers & Mahlakoana, 2015). This is tantamount to the blind leading the blind.

The incompetence of SGBs in the management of school finances manifests in multiple ways. Owing to lack of the necessary skills, SGBs shift their governance

roles and responsibilities to school principals and members of the School Management Team (SMT) (Basson et al 2019; Mohapi & Netshitangani, 2018). Cases are reported where, under the watch of incompetent SGBs, school principals collude with service providers to overcharge schools (Corruption Watch, 2012; Schoeman, 2012). Hundreds of school principals are also blamed for colluding with external auditors through financial misrepresentation of financial records where schools get clean audit opinion fraudulently (Siziba, 2018; Shoaib, 2017). Moreover, the responsibility of the SGBs' Finance Committee (FinCom) to prepare annual financial statements is outsourced to reviewers (Mmako, 2018; DBE, 2017a).

Inferred from the foregoing discussions, the financial management challenges faced by SGBs starts with the SGB itself. SGB members are elected based on having children in schools despite their lack of requisite governance skills (Dibete & Potokri, 2018). Consequently, the SGB may have nothing to contribute to school governance, especially in financial management as it requires specialised accounting skills. In addition, with little or no knowledge of financial management, the SGB cannot oversee how the funds are being handled at school leaving more room for corrupt activities by unscrupulous knowledgeable officials, service providers and external auditors or independent reviewers to use the opportunity for their nefarious agenda (Mashaba, 2024; Cassim & Osler, 2023; Rangongo et al, 2016).

## **1.2 STATEMENT OF THE PROBLEM**

Over the years, basic education accounted for the largest share of expenditure in South Africa's annual national budget, exceeding all other budgeted expenditures (Fuzile, 2016; 2017; Mogajane, 2018; 2019; 2020). The South African government allocates billions of rand to basic education to fulfil its constitutional mandate of providing education in terms of section 29 of the Bill of Rights (RSA, 1996a). The biggest share of these billions is allocated to schools as part of the State's pro-poor National Norms and Standard for School Funding (NNSF) allocations, equitably distributed according to quintiles. Every Provincial Education Department (PED) is mandated to issue out Directives to schools through its Head of Department (HOD)

as guidelines on how these funds are to be appropriated and accounted for (RSA, 1996b). Members of Executive Councils (MECs) for Education are also mandated by SASA to develop prescriptions to schools on how to keep records of these funds (RSA, 1996b). In addition to these Directives and prescripts, SGBs as the custodians of these billions of rand are mandated to develop, among others, finance policies which should outline how school funds are to be handled (RSA, 1996b). All finance policies developed in line with the SASA, and related legal frameworks are ratified at circuit level with the premise that implementation thereof will ensure efficiency and efficacy in school finances. Furthermore, training is provided to the SGBs in terms of section 19 of SASA (RSA, 1996b) to augment the skill they are presumed to bring with them in school governance.

Despite all these endeavours by the State to ensure efficiency and effectiveness in school finances, there are concerns that SGBs are dysfunctional. SGBs are deemed to be lacking the necessary skills (Dibete et al, 2018). Corroborating this assertion, research depicts a long-standing critical challenge in many schools that the SGBs lack a clear understanding of their roles, duties and responsibilities (Basson et al, 2019; Hartell, Dippenaar, Moen & Dladla, 2016; Majola, 2013; Squelch, 2001). They also lack the necessary capacity to fulfil their duties. There are numerous cases of financial mismanagement through misappropriation of funds, lack of adequate account of the use of finances, flouting the budgeting procedures, disregard for governance processes, lack of financial reporting (Corruption Watch, 2020), and the absence of, or poor internal auditing. In addition, there are concerns of manipulation and flouting of procurement procedures and related regulations. Furthermore, school fees and fee exemption policies are said to be flawed thereby compromising transparency, equity and equal access to schools. Annual budget approval by parents takes a blanket approach other than voting for each budget item individually. Budgeted items are seldom supported by the resolution registers and attendance registers to reflect the total number of parents in attendance.

Inferred from the foregoing discussions, SGBs in schools do not cope with their financial role as outlined in the SASA as amended, the Amended National Norms and Standards for School Funding (ANNSSF) and other applicable legal frameworks. This study sought to examine how the role of SGBs in the management of school finances is conceptualised, experienced, and implemented in public schools across all school quintiles and phases. In the light of the problem, this study sought to answer the following research questions.

### **1.3 RESEARCH QUESTIONS**

#### **1.3.1 Main research question**

To address the problem as articulated, this study sought to answer the following question:

What is the role of SGBs in the management of school finances in Limpopo Province? From the main research questions, the following sub-questions were drafted to guide the study:

#### **1.3.2 Secondary research questions**

- (a) What constitutes the role of the SGB in managing school finances?
- (b) How do SGB members perceive their role of managing school finances?
- (c) What is the nature of impediments, if any, faced by the SGB when executing their role of managing school finances?
- (d) Which recommendations could serve as guidelines for enhancing the effectiveness of the SGB in managing school finances?

### **1.4 AIM AND OBJECTIVES OF THE STUDY**

#### **1.4.1 Aim of the study**

This study aimed to explore the role of the SGBs in managing school finances in schools in Limpopo Province.

### **1.4.2 Objectives of the study**

- (a) Determine what constitutes the role of the SGB in managing school finances.
- (b) Establish how SGB members perceive their role of managing school finances.
- (c) Determine the nature of impediments, if any, that are faced by the SGB when executing their role of managing school finances.
- (d) Recommend guidelines for enhancing the effectiveness of the SGB in managing school finances.

To respond to the set research questions and to achieve the study objectives, theoretical framework, legislative and policy framework and the literature around the research conundrum were reviewed. In the following section, the theoretical framework governing the role of SGBs in the management of school finances is reviewed.

### **1.5. THEORETICAL FRAMEWORK**

In this section, the researcher outlines the adopted theoretical framework as a structure to support the theory of this research study. An established theory is adopted to illuminate the study phenomenon, and the corresponding assumptions adopted (Luft, Jeong, Idsardi & Gardner, 2022). The logical connections of characteristics, concepts and underlying assumptions of the theories about the research phenomenon becomes the theoretical framework upon which the research is founded. This is affirmed by Varpio, Paradis, Uijtdehaage and Young (2020) as they define a theoretical framework to be a logically developed and connected set of concepts and premises developed from one or more theories that a researcher creates to scaffold a study.

In this section of the study, the researcher starts by unpacking the ontology of the research phenomenon which also grounds the study within the adopted theoretical framework as Varpio et al (2020) assert that, a theoretical framework reflects the work the researcher engages in to use a theory in a given study. Therefore, the

nature, concepts, assumptions, and theories legislative, policy and other underpinnings of the role of SGBs in the management of school finances are discussed within the confines of the identified, relevant theoretical framework.

Section 16 (2) of SASA stipulates that a governing body stands in a position of trust towards the school (RSA, 1996b). In addition, different sections of SASA repeatedly mandate the SGB to act in the best interest of the school, the learners, parents and the education. Section 20(1) of the SASA mandates the SGB of public schools to promote the best interests of the school and strive to ensure its development through the provision of quality education for all learners at the school. The best interest of the parents and learners is also implied in section 38 (2) of the SASA. The SGBs is mandated in terms of this section to present an annual budget to a general meeting of parents for consideration and approval by most parents present and voting. Furthermore, section 39(1) of the SASA mandates that school fees may be determined and charged in public fee-paying schools if a resolution to do so has been adopted by most parents attending the meeting (RSA, 1996b). These multiple beneficiaries to public education are to be kept informed of any developments in the school. This is evidenced through SGBs 's consultations with parents when financial and other decisions are to be taken. These includes meetings convened by SGBs for parents' approval of the annual budget, the approval school fees charged in fee-paying schools and availing financial statements and budgets for viewing by stakeholders, including parents (RSA,1996b). The old maxim "*Nihil de nobis, sine nobis*" holds true that "Nothing about us, without us," hence all the beneficiaries are taken on board in decision-making.

SGBs are considered as custodians of public resources acting on behalf of the school. They are mandated through SASA as amended and the ANNSF, among others, to keep monthly and annual financial records to account for the public resources entrusted to them (RSA, 1996b; DBE, 2016). Therefore, the SGB is the only organ holding bureaucratic authority over school finances, among others.

Section 16A (1)(b) (ii) of the SASA mandates the school principal as a member of the governing body to use available resources effectively. Substantiating this

provision, the South African Constitution advocates to those in public administration in terms of section 195 (1) (b) to adopt values and principles that promote the effective, economic, and efficient use of public resources (RSA, 1996b). SGBs are as a matter of principle and in terms of the Directives for the Administration and Management of School Funds (LDoE, 2022) expected to seek a minimum of three quotations from different service providers or suppliers when procuring goods and/or services. Lower prices and best quality are criteria for the choice among the quotations which indicate the promotion of value for money and the economic principle of “acquiring more inputs with less output.”

Inferred from the preceding discussions, the role of SGBs has the element of bureaucracy that is guided by law and economic principles. In addition, the SGB operates in a multiple principal (beneficiaries) environment. In the context of this study, their role in the management of school finances puts them in the finance and accounting environment. All this characterises concepts of the principal-agent theory.

The study has, therefore, adopted the principal-agent theory as it is based on finance, accounting, economics, and law (Wood & Waterman, 1991; 1993; 1994), having all concepts that typify the principal-agent theory.

### **1.5.1 The Principal-agent theory**

The role of the SGBs in the management of school finances falls within the underpinnings of the principal-agent theory (P-A theory) in that similar concepts such as finance, accounting, economics, and law characterise the theory (Hu, Ren & Yang, 2022; Wood & Waterman, 1991; 1993; 1994). The SGB’s mandate as per their role is to manage the finances of the school as custodians thereof; they are expected to compile financial (accounting records), among others, the annual budget, and annual financial statements (RSA, 1996b). In addition, they are to be effective, economic, and efficient in the use of financial resources as participants in public administration (RSA, 1996a). Furthermore, they are to conduct their role in terms of SASA as amended and other applicable legislations.

According to Conrad (2015), agency theory is well suited to economic relationships between a principal and the agent. Affirming Conrad (2015)'s assertion, Hu, et al. (2022) only emphasise economics as central to this theory while also acknowledging that it was universally used in finance too. In addition, I considered the theory relevant as it is also based on the bureaucracy of the agent (the SGBs) as elected officials (Wood & Waterman 1991; 1993; 1994). Furthermore, that the theory allows for multiple principals (beneficiaries). The principals in this study include, among others, the parents of the learners at school, the learners, the PED, school sponsors, and donors. The only agent in this study is the SGB who is mandated by SASA and the ANSSSF to act in the best interest of the learners, the parents, the school, and education (RSA, 1996b).

The principal-agent theory is premised on the notion that public sector performance can be improved if incentive-based contracts between different actors are implemented. In this case, parents and other school communities will benefit through the delivery of quality education. It is, however, worth noting that there is a thin line between the agent and the principal in this study in terms of incentives. In terms of section 23(9) of the SASA, *"The number of parent members must comprise one more than the combined total of other members of a governing body who have voting rights"* (RSA, 1996b). By implication, it is the majority parent members of the SGB that are incentivised through the provision of quality education and good governance the SGB could provide to the school, hence not a palpable or monetary incentive. Therefore, the SGB parent members as a bigger component of the SGB, also share same benefits with their constituencies – the parents as they are selected from that parent pool, based on them being parents of the learners at the school. The theory assumes that principals will be more likely to achieve their desired outcomes, while agents will have clarity around work programmes and goals.

The theory further makes two assumptions that goal conflict exists between principals and agents and that agents have more information than their principals. Studies by Dwangu (2021), and Naidoo and Mestry (2017) made finding on SGB's conflict of interests were issues of corruption, embezzlement of funds and pilfering,

were revealed with schools' operations being compromised in the process. SGBs will sometimes make decisions that make their education provisioning costly to attain thereby infringing on the right of learners to basic education by limiting access to their schools. Furthermore, Dass and Rinquist (2017) affirm that SGBs adopt exclusionary practices of hiking the school fees to limit access to learners they think may struggle to keep up financially. Fees are hence increased with unethical intentions and often without a majority vote of parents. Information which may benefit the parents such as fee exemption is sometimes withheld because of information asymmetry between the SGB and the parents and learners. SGBs' possession of more information than parents give them the upper hand to manipulate the relationship if they choose to be cynical.

Deduced from the foregoing discussion, the role of SGBs in the management of school finances matches in all respects, the attributes of the principal-agent theory. In an endeavour to further explore the research problem, the study delved into the school financial management legislative and policy framework. Given that the principal-agent theory is based on finance accounting economics and law (Wood & Waterman, 1991; 1993; 1994; Hu, Ren & Yang, 2023), the study also sought to review the legislative and policy framework using the lens of the principal-agent theory. In the following section, the school financial management legislative and policy framework is reviewed.

## **1.6 SCHOOL FINANCIAL MANAGEMENT LEGISLATIVE AND POLICY FRAMEWORK**

Section 16(2) of SASA stipulates that (2) "A governing body stands in a position of trust towards the school" while section 20(1) "mandates the SGB to promote the best interests of the school" (RSA, 1996b). SASA and the ANNSF also provide for the functions of the SGB, including those relating to the schools' financial management. Those functions define their role in the management of school finances which are outlined in the following subsection.

### **1.6.1 Roles of the SGB in the management of school finances**

The preceding discussions outlined the legislative underpinnings of the SGBs role in the management of school finances. In this subsection, the role is further discussed under individual responsibilities that constitute the role of the SGB in the management of school finances as mandated by law as discussed in the preceding subsection. The Finance Committee of the SGB carries the mandate of managing the school finances (RSA, 1996b). The school principal is in terms of section 16A of the SASA, expected to inform SGBs about policies and implications of their decisions relating to school financial matters, advise them and report any signs of mismanagement suspected (RSA, 1996b). The FinCom 's role is outlined in the next subsection.

#### **1.6.1.1 Annual budget of public schools**

The SGB must in terms of Section 38 (1) of SASA prepare a budget annually in line with the prescriptions determined by the MEC in a Provincial Gazette reflecting estimates of the school's income and expenditure for the following school financial year (RSA, 1996b). The MEC's mandate through this section of SASA corroborates that PED holds the position of the principal in the principal-agent relationship. SGBs are obliged to adhere to the MEC's prescriptions in budgeting lest they act *ultra vires*.

SASA and ANSSSF put parents at the helm in terms of authority to approve the appropriation of funds during budgeting. Section 38(2) of the SASA stipulates that before the budget could be approved as final by the SGB, it must have been presented to a general meeting of parents for consideration and approval through a majority vote of parents (RSA, 1996b). Corroborating the superiority of parents' authority, paragraph 53 of the ANSSSF stipulates that parents of learners at a public school carry serious responsibilities with respect to the determination of a school's budget, its sources of revenue, and the level of school fees and the conditions for exemption of parents from fee-paying schools (DBE, 2016; Mosala & Mofolo, 2016).

Assessing whether the budget aligns with the prescription of the MEC, the SGBs must after their approval of same, submit to the HOD or his/her delegate for ratification (LDoE, 2020). The HOD ratified budget is a mandatory guideline for SGBs

when spending; hence, operating outside it is considered as one of the warning signs of procurement fraud (GDE, 2020).

Contrary to the given mandate, the studies reveal the dearth of the necessary financial skills by SGBs to draw budgets for their schools (Mestry & Bodalina, 2015). The lack of these financial skills also manifest budgets being prepared inconsistent to the MEC's prescription (Uwizeyimana, & Moabelo, 2013). In addition to budgeting, SGBs have as part of their financial management role to establish and administer a school fund as outlined next.

#### 1.6.1.2 Establishing and administering a school fund

The SGB must, in terms of Section 37(1) of the SASA, establish and administer a school fund in line with the Directives issued by the Head of Department (HOD) (RSA, 1996b). All monies received by the schools including State allocations, school fees from parents, donations, and other contributions must be deposited into the school fund which should be kept in one banking account. SGBs, may however, with the approval of the MEC open a second account to invest surplus money in terms of Section 37(3) of SASA (RSA, 1996b). The second account does, however, not discount the fact that public schools like their subsidised independent counterparts are not for profit hence should always in their annual budgets reflect the bottom line of zero. Therefore, through effective economic and efficient use of resources (RSA, 1996a), less funds than budgeted could be used in the financial year leaving the school with surpluses. Such surpluses could then be saved in the second account approved by the MEC as mandated in terms of Section 37 (3) of the SASA. Therefore, public schools having more than one banking account without the MEC's approval are non-compliant to SASA.

Regardless of these provisions, schools are found to be operating with many bank accounts without the approval of the MEC (Dederen, 2020; Chaskalson, 2017), where some of these accounts are used for ill-conceived ideas of the SGB.

#### 1.6.1.3 Levying of school fees

Seeking to realise the constitutional mandate of providing for everyone's right to basic and further education (RSA, 1996a), the State allocates, on equitable basis,

funds to schools to provide quality accessible education. Such allocations are, however, not always adequate to sustain school operations throughout the academic year. Hence, Section 36 of SASA provides that SGBs must take all reasonable measures within its means to supplement the resources provided by the State to improve the quality of education provided by the school to all learners (RSA, 1996b). SASA stipulates that SGBs may not, in their attempt to supplement the school funds, enter into a loan or overdraft agreement without the MEC's approval (RSA, 1996b).

In supplementing these State allocated resources, SGBs are not compelled to charge school fees in higher quintile schools but only through the parents' volition shown through a parents' majority vote (RSA, 1996b, DBE, 2016). Parents' majority votes in favour of the motion to charge schools fees cede power to the SGBs to enforce the levying of school fees (RSA, 1996b). This, therefore, suggests that for schools in quintiles 4 and 5 to be referred to as a fee-paying school depends on the number of parents' votes on this resolution each year. Section 39(1) of the SASA affirms that school fees may be determined and charged at a public school only if a resolution to do so has been adopted by a majority vote of parents (RSA, 1996b).

Whether to increase or reduce the annual school fees levied is also the parent's discretion through voting for that resolution. Substantiating this assertion, paragraph 50 of the ANNSF as amended (Department of Basic Education (DBE), 2016) stipulates that, "*Whether or not to charge school fees is a matter for the parents of the schools*". Their approval of the resolution to do so is, therefore, a mandate to the SGB to enforce as an agent to the parent body.

The charging of fee has the potential of limiting access to the higher quintile schools, especially for those who cannot afford. Therefore, SASA provides for fee exemption to circumvent that possibility thereby opening these schools to those with lower income living in the vicinity of these schools, orphans, abandoned learners, and those in foster care (RSA, 1996b; DBE, 2016; Inchauste, Lustig, Maboshe, et al., 2017).

Despite decision-making powers conferred to the parent body of public schools through voting, SGBs often drift from their mandate. Some SGBs opt for incremental

budgeting where school fees levied are increased annually, resulting in many parents qualifying for fee exemption (Mkhize, Fouché & van der Walt, 2021). In extreme cases, some SGBs hide information about fee exemptions and force qualifying parents to pay and even hand them over to their lawyers (Dass, & Rinquest, 2017).

Consideration of those who cannot afford to pay school fees is also given as outlined in the next subsection.

#### 1.6.1.4 Exemption of parents from paying school fees

SGBs should, in terms of the Act, develop equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay the fees (RSA, 1996b; DBE, 2016). These criteria should be fair and transparent, and every parent should be able to determine whether they qualify for fee exemption or not. Considering practicability, the SGB is expected to consider the financial circumstances of all parents whose children are at that school. The ANSSSF provides for automatic exemptions to orphans, abandoned kids, learners on State social grant, and learners in foster care. It also provides for full fee exemption to learners whose parents' combined income is less than ten times the annual school fees. It further provides for partial fee exemption to learners whose parents' combined income is more than ten times but less than 30 times the annual school fees (DBE, 2016)

On the contrary, it was found that SGBs unscrupulously circumvented the fee exemption provisions of the ANSSSF and resorted to unpopular means to secure funds to keep their schools operational (Naicker, Myende, & Ncokwana, 2020). In some instances, SGBs are not transparent to parents deserving to be exempted from paying school fees (Dass et al, 2017).

#### 1.6.1.5 Payment of state employees for additional work done

Section 38A of the SASA prohibits the SGB to make payment of unauthorised remuneration or giving financial benefit or benefit in kind to state employees (RSA, 1996b) before due approval processes. Such payments could only be paid on approval by the employer after considering compliance in terms of Section 38A (7)

(a – d) of the Act. Payment of such benefits without prior approval of the HOD renders the SGB jointly liable for the money paid and the employer would recoup such monies from those SGB members that took such an ultra vires decision (RSA, 1996b). Research, however, reveals drifting agent behaviour by the SGBs where they unscrupulously pay themselves from the school funds (Chaskalson, 2017).

The following subsections explore mandatory school financial records to be kept by the Finance Committee (FinCom) as means of verification and evidence of the sources of income and how it was expended.

#### 1.6.1.6 Keeping financial records.

The SGB of a public school must in terms of Section 42 (a) of the SASA keep records of funds received and spent by the public school and of its assets, liabilities and financial transactions; and (b) as soon as practicable, but not later than three months after the end of each financial year, draw up annual financial statements in accordance with the guidelines determined by the MEC (RSA, 1996b, LDoE, 2021). This role requires the SGB to possess basic accounting skills in compiling monthly cash books, monthly bank reconciliation statements and end-year financial statements. Most SGBs in the Gauteng Department of Education (GDE) use the SA-SAMS to manage school finances and it has proven to be effective (Tsharane et al., 2022). Alternatively, SGBs could use the SA-SAMS financial module (Mbude, 2021) that automatically works the financial records with proper and accurate input of figures and uploads of supporting documents for all transactions by the finance officer. In the event there is shortage of the required skills, the SGB could in terms of Section 30 (1) (b) of SASA appoint persons who are not members of the SGB on grounds of the sought expertise (RSA, 1996b).

On the contrary, SGBs and their finance officers are found to be wanting when it comes to financial record keeping (Rangongo, 2016). Despite the parents' passion about running school finances, they lack the requisite financial management skills to do so effectively (Ngobeni, 2015). The behaviour of presenting inaccurate and unreliable information, resulting in general lack of evidence, has found its way to schools mainly because of lack of requisite financial record keeping skills by SGBs.

The poor financial record-keeping by schools creates a base for fraud and corruption, leading to financial risks (Bhana, 2008). The investigation by LDoE (2010) substantiates Bhana's statement citing lack of proper book-keeping by SGBs. This behaviour has been experienced since the decentralisation of school governance. In this regards, Hlongoane (2016) recommends that the Department of Basic Education (DBE) to consider hiring skilled people to perform the book-keeping function at the schools and the training be facilitated to empower those bookkeepers with legislation and policies.

The following subsection explores the procurement process which also requires evidence of financial records such as three quotations, receipts, and invoices. The subsection will further investigate the validity of the processes.

#### 1.6.1.7 Procurement processes

SGBs are to adhere to basic values and principles of public administration in terms of Section 195 of the Constitution as custodians of public funds. In their implementation of procurement processes, economic, efficient and effective use of resources should always be promoted (RSA, 1996a). The Limpopo Department of Education (LDoE) has these values and principles in its Directives developed by the HOD in terms of Section 37(1) of SASA. Paragraph 8.6.1 of these Directives mandates the Finance Committee (FinCom) to serve as a bid adjudication committee and recommends the appointment of service providers. Considering the economic and efficient use of state resources, the Directives require a minimum of three quotations in all procurements conducted by the school. In cases where the school is unable to obtain three quotations, the SGBs are to obtain prior permission from the Circuit Manager to deviate from three quotations requirement (LDoE, 2021). The recommendation should then be presented to the SGB for approval, acceptance, and appointment of the service provider. The service provider must be appointed in writing. SGBs are to ensure that a service is fully rendered before effecting a payment as paragraph 8.6.5 restricts SGBs from making advance payments and only allows payments to be made after a complete service has been rendered to the school.

While efficiency in procurement depends on the capacity of the SGB in terms of financial skills possessed, on the other hand, irrespective of the financial skills level they possess, school principals and SGBs are found to be using school funds for their nefarious self-serving advantages through fraud, corruption or financial mismanagement (Dwangu, 2021)

It is noteworthy that inconsistency with the procurement process renders the transactions irregular, suggesting that the SGB acted outside their powers. Numerous cases of mismanagement of funds revealed by Corruption Watch are because of SGBs, especially some school principals circumventing procurement processes (Chaskalson, 2017).

The researcher asserts that procurement procedures are determined by the HOD as a mandate to the SGB. Also, the budget which is the product of the parent body is central and key to procurement of goods and/or services in schools. Furthermore, if the SGB acts incongruently to the procurement cycle as declared, they run the risk of incurring irregular expenditure, fruitless and wasteful expenditure, and/or unauthorised expenditure. All these compromises the best interest of the education beneficiaries (principals) namely, learners, parents and the HOD.

#### 1.6.1.8 Appointment of an auditor/reviewer

Section 43 (1) of SASA mandates the SGB to appoint an auditor registered in terms of the Audit Profession Act 26 of 2005 to audit the records and financial statements of the school (RSA, 1996b; LDoE, 2021). This Act provides for the establishment of the Independent Regulatory Board of Auditors (IRBA) and requires the auditor to register with IRBA before they could engage in their practice as external auditors in South Africa. SGBs should, therefore, appoint only those auditors with proof of registration with IRBA lest their report be rendered invalid. The auditors so registered are the most preferred in terms of SASA, however, depending on reasonable practicability, SGBs may opt for the last option of appointing a person to examine and report on the schools' records and financial statements provided the accountant is in terms of Section 43 (2) (b), approved by the MEC for that purpose (RSA, 1996b).

The appointment of auditors or examiners of records and financial statements of schools is, therefore, narrowed down to IRBA registered auditors for auditing or alternatively, a MEC approved person for examination of schools' records and financial statements. Section 43 (3) of SASA further stipulates that no person who has a financial interest in the affairs of the *public school* may be appointed to audit or review the schools' financial records (RSA, 1996b).

Contrary to the provisions of the SASA, SGBs of some schools continued to appoint auditors who are neither registered with the IRBA nor approved by the MEC (Dederen, 2022). The custody of public funds is subjected to unregulated firms or bodies and, therefore, prone to risk with little to no recourse. In a study by Rangongo, et al. (2016), these auditors were found to be in collusion with school principals in misrepresenting the financial information.

#### 1.6.1.9 Reporting to principals

Section 43(5) of SASA mandates the SGB FinCom to submit audited or examined financial statements within six months of the end of each school financial year (RSA, 1996b) which is the end of June every year. Such audited financial statements will only be considered valid if audited by IRBA accredited external auditors or examined by MEC approved reviewers. The aim is to assure the funding principal (HOD) that allocated funds were used efficiently and in line with the percentage distribution outlined in the provincial Directives (LDoE, 2021; Dibete & Potokri, 2021). Reporting must include, as a minimum requirement, monthly budget variances, monthly income and expenditure to the circuit offices, quarterly income and expenditure and audited annual financial statements to the circuit office (LDoE, 2020 & 2021; Dibete & Potokri, 2021).

Other than these financial reports, the school principal is expected to report identified inconsistencies with the potential of compromising effective management of school finances to the HOD (RSA, 1996b). Section 16A (2)(h) mandates the school principals to take all reasonable steps to prevent any financial maladministration or mismanagement by any staff member or by the SGB; and (k) report any

maladministration or mismanagement of financial matters to the SGB and HOD (RSA, 1996b).

In the next section, the perceptions of the SGBs and their understanding of the role in the management of school finances will be discussed.

### **1.7 SGB PERCEPTIONS AND UNDERSTANDING OF THEIR ROLE IN SCHOOL FINANCES**

SGB members with low literacy levels are often voted in to serve in the South African public schools (Maluleke, Worku, & Muchie, 2022; Xaba, 2021; Botha, 2019; Mohapi et al, 2018). In a study by Mohapi and Netshitangani (2018), SGB members with low literacy level revealed their challenge with reading the legislative frameworks applicable to their role citing their inability to read English. Mohapi et al (2018) assert that it is unlawful for school principals to take over the entire SGBs role in managing the school finances based on their incapacity, and it will also be unfair to expect them to execute their role efficiently and ensure efficient and economic use of the school fund. Hence, the SASA mandates the school principals in terms of Section 16A to guide the SGB in their role and report any deviation from policy by same (RSA, 1996b).

Corroborating the weakness of the SGB owing to low literacy levels, Deiltens (2011) avers that many parents on the governing bodies view their role as co-opted and glorified fund-raisers. Beyers and Mohloana (2015) also assert that school principals and their SGBs are not conscious of their fiduciary role and responsibilities in respect of school finances. Also substantiating these assertions, a finding in a study by Basson et al (2019) revealed that SGBs' parent component perceives themselves to be playing a pliant role while the school management team (SMT) and the school principals are at the helm and in charge in the management of school finances. This exchanging of roles obscures governance lines of operation as the SMT is not a legally recognised part of school governance. Furthermore, Gamede (2016) and Mncube (2009) also assert that many parents seem to be unaware of the functions

of the SGBs. The literature confirms these perceptions to be long-established since the introduction of school governance by SGBs.

The following section focuses on impediments SGBs face when carrying out their role in the management of school finances.

## **1.8 BARRIERS SGB FACE WHEN EXECUTING THEIR FINANCIAL MANAGEMENT ROLES**

Most studies conducted on the SGBs role in financial management points to the SGBs' lack of necessary skills and knowledge for financial management as a time-honoured critical challenge and the main barrier to their effectiveness (Xaba, 2021; Aina & Bipath, 2020; Botha, 2019; Mestry & Khumalo, 2012; Dieltiens, 2011; Mncube, 2009; Chikoko, 2008; Heystek, 2004). These scholars do not enumerate specific roles or areas of school financial management but the SGBs' lack of necessary skills. SGBs in no-fee schools are found to be the worst, hence the unlawful delegation of all the financial roles and decisions to school principals and SMTs. Low literacy levels of SGB members as purported in the studies by Xaba (2021), Botha (2019) and Heystek (2004) suggest that they are completely clueless in terms of budgeting, keeping financial records, preparing financial statements, reading and analysing financial reports, transacting with the EFT and implementing procurement procedures as per guidelines and policies, among others. Therefore, one of the barriers internal to SGB members is their literacy level which is more evident in the no-fee schools. Mestry (2018) substantiates that owing to the SGB's dearth of requisite financial and entrepreneurial skills, preparation of annual budgets, cash flows and other financial statements remains a challenge in no-fee schools.

The lack of necessary skills by SGBs underscores the reason SGBs experience a myriad of barriers in executing their financial management role while excluding SGB members by school principals from fully participating in the role (Aina et al, 2020), collusion with external auditors and misrepresentation of audit reports (Rangongo et al, 2016; Guan, Su, Wu & Yang 2016), the complexity of functions such as the compilation of financial records that requires much specialised financial and

accounting skills (Mestry, 2018), interference and unlawful orders by senior governance officials (Mashaba, 2024; LDoE, 2021). All these barriers hinge on the SGB's lack of necessary skills and understanding of their legal mandate; hence, other stakeholders seize the opportunity to distort information at the expense of the principals.

While the State has strategies in place like capacity building in terms of Section 19 of SASA, such trainings are considered limited as they contribute to failures of the SGBs in financial management (Heystek, 2004). The training is criticised for being short (Nguyen, 2013) and once-off (Mncube, Harber & Du Plessis, 2011). A study by Sebidi (2019) also attributes the poor school financial management to the lack of training in financial management.

The following section seeks to address barriers of school financial management role identified in this section.

## **1.9 STRATEGIES USED TO OVERCOME BARRIERS**

Most of the barriers impeding effective financial management mentioned in the preceding section are in the main owing to the lack of capacity by SGBs (Xaba, 2021; Aina et al, 2020; Botha, 2019), except where the agency problem of drifting from the mandate prevailed. Financial skills such as the preparation of annual budgets, cash flows and other financial statements are some of the barriers faced by SGBs (Mestry, 2018).

Armour, Hansmann and Kraakman (2017) perceive the law to be the primary source in providing fundamental set of strategies in remedying agency problems. They purport that from the law, regulatory strategies and governance strategies could be enforced to surmount barriers envisaged by SGBs in their role.

### **1.9.1 Regulatory strategies**

Armour et al (2017) define regulatory strategies as strategies that are dictatorial as they enforce substantive terms that govern the relationship between agent and principals but leaning towards putting pressure on agents to meet their obligations.

It, therefore, suggests that all provisions of the applicable legislation on the management of school finances need to be adhered to by the SGB as stipulated. In principle, the understanding of the legislation governing school financial management grants eligibility to become SGB members particularly in the FinCom. Hence there is a need to appoint people with expertise in SGB committees (RSA, 1996b) to bridge the skills gap anticipated in the SGBs. The researcher holds the view that regulatory strategies would be rendered futile where SGBs do not understand the legislative framework governing their role. Also, effective SGB trainings in terms of section 19(1)(a) and (b) of the SASA (RSA, 1996b) could enhance the SGBs' understanding of these laws except for those with extremely low literacy levels. Furthermore, regulatory strategies would be effective where SGBs maintain a high standard of professional ethics and the position of trust to the school.

### **1.9.2 Governance strategies**

Research reveals that the public sector envisages drifting agent problems (Schillemans & Busuioc, 2015). Governance strategies are established to enforce performance of their mandate by the agents. Armour et al (2017) posit that governance strategies intend to facilitate the principals' control over their agent's conduct. Approval of schools' budgets, verification of audited financial statements and quarterly financial statements, monitoring of financial records and records keeping, budget implementation and financial reporting to stakeholders are but a few of the control points at the disposal of the HOD or his/her delegates (RSA, 1996b), namely, the circuit managers, district managers for governance, and assistant managers for governance to make agents to account on.

Armour et al (2017) further submit that the effectiveness of governance strategies is determined by the alertness of the principals and ability to enforce compliance by their agents. It is, therefore, upon the HOD, the parents, teachers and learners among other principals to understand control measures at their disposal to enforce SGBs to comply with the mandate given.

The researcher's understanding of the two strategies of addressing barriers envisaged by SGBs is that regulatory strategies require more of an intrinsic drive of

the SGBs to perform in compliance with the laws. Governance strategies, on the other hand, require an external push from the principals to make SGBs perform and comply with applicable legislative frameworks. Unlike regulatory strategies where SGBs need to understand legislation governing their role and act accordingly, governance strategies seek to enforce SGBs compliance to their mandate without contravention either by omission or commission.

The researcher the legislative and theoretical frameworks that align with the nature of the research phenomenon. This chapter goes further to make a brief discussion of the research methodology the researcher applied in the quest to explore the role of SGB in the management of school finances. In the next section, the researcher outlined the methodology in brief.

## **1.10 RESEARCH DESIGN AND METHODOLOGY**

This section presents a synopsis of the research design and research methodology the study applied. The detailed lay-out of the research strategy, concepts and activities involved and the deliberation on the steps in the research strategy such as the participants, selection of participants and selection techniques, data collection and data collection techniques and instruments will be presented in Chapter 3 of this study.

### **1.10.1 Research Design**

Ababner (2020) asserts that research design plays a key role in any study by converting research questions into projects such as research methods, research strategy and sampling. To establish the perceptions of SGBs regarding their role of managing school finances and the nature of impediments encountered in executing that role, a case study approach was employed. That was influenced by the study focus of developing an in-depth understanding of the role of SGBs in the management of school finances.

### **1.10.2 Research approach**

A qualitative research approach was used in this study. That was premised on the researcher's constructivist belief that the reality about the central research phenomenon is subjective and multiple, dependent on the worldviews of the study's

participants (Al-Ababneh, 2020). Also, that reality is not objectively determined but socially constructed (Alharahsheh & Pius, 2020; Creswell & Creswell, 2017; Burr, 2015).

### **1.10.3 Research methodology**

A case study research design and a qualitative research approach adopted by the study informed the choice of a qualitative research methodology. This enabled the researcher to study the research phenomenon from the participants' perspectives in schools and circuit office as their natural settings (Korstjens et al, 2017).

### **1.11 SIGNIFICANCE OF THE STUDY**

This study will add to the extant body of literature on school governance, particularly on the role of governors in the management of school finances. Most of the literature in the main gives a discourse to the general governance roles of these governors and the challenges they face internal micro school environment. This study also investigates challenges they face from the school's immediate meso environment working within the institutional governance system, interacting with structures, procedures, rules, and guidelines that determine the way things are done within the sector. It was, therefore, envisaged that this study may unearth strategies that would enable SGBs to work and execute their school financial management role efficiently, economically, and effectively within their micro and meso governance environments. This also intends to contribute and make recommendations on the review of the current capacity building programmes and resourcing thereof, human and material, availed to SGBs in terms of Section 19 of the SASA and to the capacitation of SGBs to cope their demanding role of managing the school finances. The significance of this study also lies in its attempt to clarify pertinent issues relating to:

- (a) The role of the SGB in managing school finances.
- (b) The perceptions of SGB about their school financial management role.
- (c) The nature of factors impeding the execution of the SGBs' role of effective, efficient, and economical school financial management; and

- (d) Strategies of improving the prescripts, Directives, and guidelines for enhancing the effectiveness of the SGB in managing school finances.

### **1.12 LIMITATIONS OF THE STUDY**

The study was conducted in one of the ten districts of the LDoE. In addition, it was limited to schools in two (of the 141 circuits in the province. Furthermore, the research was limited to only five of the 3 669 schools in the province. The population studied is therefore too small to be representative of the large population from which it is drawn. Limiting factors in this regard were time and finances to cover a considerable scope. Although the researcher had no intention to generalise the results of this study, Firestone (1993) asserts that researchers who hope to generalize their results to a larger population should ensure that their sampled population is large.

Another limitation stems from the site selection criterion. The selection of no-fee schools and fee-paying schools meant to produce rich data on a broad scale was not attained. In each of the two fee-paying schools selected, only three of the five sampled SGB members attended the focus group interviews after several postponements without success. That has potentially compromised to a certain extent a thick description of the research phenomenon on aspects that pertain solely to fee-paying schools. That also reduced the initial scope for a broader perspective and understanding of the social phenomenon. In addition, in the two sampled schools, SGBs did not implement some of the mandatory roles such as fee exemption and payment of state employees for additional work done in terms of Section 38A of SASA. Therefore, SGBs could not during their focus group interviews provide any perception, feelings, or opinions on these parts of their role in managing school finances. The researcher followed a standing protocol of requesting one of the managers for governance of the circuit that comprises of fee-paying schools to organise meetings with him and each of the three earmarked schools but failed after several reminders.

Triangulation of data was also partially affected by the school's non-submission of some policies sought by the researcher for review. The study lacked data generated from the analysis of the finance, fundraising and the procurement policies which all sampled schools failed to avail to the researcher on the day of the focus group interviews and the day of the member checks. Absence of these policies for review have affected data richness and the thick description of the phenomenon key to constructivists in their quest for the construction of social reality of the research phenomenon.

The researcher asserts that the research findings cannot be generalised to be representative of the large population from which it was drawn (Firestone, 1993). The researcher therefore had a manageable sample size of 25 participants, with the under-representation of fee-paying schools in terms of the lesser number that participated and the fewer than sampled participants that attended the interviews

### **1.13 CHAPTER DIVISION**

The thesis comprises the following chapters:

#### 1.14.1 Chapter 1: Introduction to school financial management

This chapter presents the background of the study, which reflects the ideal school financial management role, perceptions of the SGBs on the role, problems and barriers to effective school financial management as well as strategies in place to overcome such barriers. It also presents the synopsis of the research design and methodology the study applied, the significance and the limitations of the study.

#### 1.14.2 Chapter 2: Literature review

The focus of this chapter will be on the theory which underpins this study as derived from literature. The study draws from a theoretical perspective, principal-agent theory (Wood and Waterman 1991; 1993; 1994). The study involves public schools, namely, no-fee schools and fee-paying schools and the discussions in this chapter encapsulate principals, namely, learners, parents, school and PED and the internal agents being SGBs. External agents will also be briefly discussed to give a clear picture of the research phenomenon and clarify their agency to public education. The

study also drew some knowledge on the management of school finances from a discussion of the international perspectives on school governance. Lastly, the chapter will include a discussion of the school financial management conceptual framework within the confines of the principal-agent theory outlining key tenets of the theory.

#### 1.14.3 Chapter 3: Research methodology

In this chapter, the focus will be on research design and methodology. This will include the discussion of data collection methods, population, sampling methods and sample selection, reliability and validity of data, data analysis and interpretation, ethical considerations and the development of recommended practice guidelines.

#### 1.14.4 Chapter 4: Presentation of data analysis and interpretation of research findings.

Findings on data collected from interviews, observations and schools' financial records will be presented and discussed in this chapter and the results of the analysis will be reported. The study will present and discuss data collected from the financial reporting documents obtained from the six selected schools, interviews and from observation of participants during data collection.

#### 1.14.5 Chapter 5 Summary, conclusion and recommendations

A summary of the chapters, a summary of how the research objectives were addressed, as well as the contribution of the study are discussed in this chapter. The researcher will make some recommendations for future research and then present the conclusions based on the entire study.

### **1.14 CONCLUSION**

This chapter has presented the foundation and structure of the research project that aims to explore the role of SGBs in the management of school finances in public schools in the Capricorn South District of the LDoE. The discussion in this chapter encapsulates all the legislative and theoretical perspectives that underpin this study on the role of the SGB in the management of school finances. These perspectives include the paradigm, the theories and the critical concepts that relate to the role of SGBs in the management of school finances. The paradigm that underpins the study

is the interpretive paradigm whose relevance in this study has been briefly explained in paragraph 1.10. The study is underpinned by the principal-agent theory. The researcher has identified the theory to provide guidance on how the literature was reviewed, data were collected and interpreted. It also served as the basis for the development and the enrichment of knowledge.

The next chapter highlights the literature related to this study. The chapter provides discussion about role of school governors in the management of school finances, the local and international perspective, the SGBs' perceptions and understanding of their role in school finances, the barriers they face when executing their financial management roles and the available strategies used to overcome barriers identified.

## CHAPTER 2

### LITERATURE REVIEW AND THEORETICAL FRAMEWORK

#### 2.1 INTRODUCTION

The previous chapter outlined the introduction and background, the problem statement, research questions and the aims and objectives of this study. In addition, a brief outline of the theoretical and legislative framework, the research design, approach and methodology, data and data collection strategies, ethical considerations and the significance of this study were also outlined in the preceding chapter. This chapter examines local and international literature relating to the central social phenomenon studied undertaking to respond to the research questions.

A literature review is a survey of scholarly articles, books and other sources relevant to a particular issue, area of research or theory. The literature review seeks to provide a description, summary, and critical evaluation of these works (Ramdhani, Ramdhani, & Amin, 2014). It is a critical and strategic analysis of previous research written about the identified research conundrum which adds up to the fundamental theoretical body of knowledge (Wakefield, 2015). Hence Ramdhani et al (2014) assert that the purpose of a systematic literature review is to provide as complete a list as possible of all the published and unpublished studies relating to a particular subject area. As this study seeks to provide answers to the research questions, a literature review is considered the best methodological tool to provide answers (Snyder, 2019).

Inferred from the preceding discussion, the quality of a research question is pivotal for any study to add value to a particular niche area or discipline, and it precedes the review of literature. Relevant literature in the form of, among other, articles, journals, books, dissertations, other research reports, monographs and electronic media attempting to respond to the set research question was reviewed in this chapter. In this chapter, the literature on the role of SGBs in the management of school finances

in South Africa is reviewed. The chapter also juxtaposes the SGBs with similar bodies with the custodianship of school finances in the United Kingdom and Australia.

Seeking to answer the question, the researcher's position stems from his belief that school finances are public funds, and they should be subjected to public administration. Furthermore, public administration must be governed by the democratic values and principles enshrined in the Constitution including among others the following principles:

- (a) A high standard of professional ethics
- (b) Efficient, economic, and effective use of resources
- (c) Impartial, fair, equitable and unbiased service provisioning
- (d) Accountability
- (e) Transparency (RSA, 1996a).

The researcher opines that these values and principles are internal reference points individuals hold to formulate attitudes and opinions. These cannot be identified during the selection placement of people in the public administration space. Also, adherence to prescribed laws and policies in the public administration is not sufficient but needs to be complemented with these values. In addition, entrenching these values and principles will ensure that servanthood and agency remains solid in the public sector against self-serving interests. Furthermore, intentional misappropriation of funds, pilfering, fraud, corruption and money laundering in the public sector cannot co-exist with the organisational culture that upholds these values and principles. In short, upholding these values and principles makes individuals compatible to public administration.

Ideally, SGBs will only need to be trained to understand and implement their mandate as stipulated in the applicable legislation, *ceteris paribus*. The school governance system would be self-regulatory and would only need governance

strategies to upskill where they lack and not watchdogs to guard against mismanagement of funds.

In the following section, the literature on legislative and policy framework governing the role of SGBs in the management of school finances is discussed.

## **2.2 SOUTH AFRICAN SCHOOL FINANCIAL MANAGEMENT LEGISLATIVE AND POLICY FRAMEWORK**

Since 1994, the South African government's educational reforms focused on access, equity, redress of the injustices of past discriminatory laws and quality amid an extensive legislative, policy and regulatory framework that ensures learners' access to basic education (Veriava, Thom & Hodgson, 2017). In its endeavour to achieve its constitutional mandate of assuring everyone's right to basic education and further education in an equitable manner, ensuring practicability and redress of the past injustices. Moreover, the government saw a need to develop a new system to support its theory of change hence the promulgation of SASA 84 of 1996 to articulate its theory of change in terms of Section 29 (1) (a) and (b) and Section 29 (2) (a), (b) and (c) of the Constitution. SASA provides for the School Governing Bodies (SGBs) to ensure the enforcement of uniformity in administration, governance and funding of schools. SASA also provides for introductory and continuous training to ensure that SGBs are well capacitated to perform their roles in schools (RSA, 1996b).

The State's theory of change further mandates those in public service in terms of Section 195 of the Constitution to adhere to the principles of public administration (RSA, 1996a). These principles stipulate how public administration should be carried out. Public administration must ensure efficient and effective use of resources (Clark, 2012; RSA, 1996a), it must be development oriented, ensure accountability and transparency (RSA, 1996a). SGBs are, therefore, expected to act within these principles when discharging their roles in rendering school governance as a public service.

Research, however, suggests that SGB role is not easy to perform. It is often characterised by discrimination, marginalisation, manipulation and a myriad of systemic barriers (Lumadi, 2020; Mafora, 2013; Mabovula, 2009; Mncube, 2009). That, therefore, prevents them from serving their intended purpose or performing to expected levels of efficiency and effectiveness. The following are the SGBs' role in the management of school finances in terms of the applicable legislative framework.

### **2.2.1 Development and review of school policies**

The SGBs are expected in terms of Section 5A (4) of SASA to review policies to ensure compliance with the norms and standards (RSA, 1996b). These policies are to be approved by the SGBs and ratified by the HOD or a person delegated thereto before they could be considered for implementation (LDoE, 2020). The HOD quality assures that these policies are neither in conflict with other legislative frameworks nor infringe on the rights of people. The best interests of education, school, parents, and learners are covered by this practice. One of the policies to be developed and be constantly reviewed by the SGB is the school's finance policy (RSA, 1996b).

In addition to policy development and implementation, the SGB is responsible for preparing annual budgets, establishing and administering a school fund, levying of school fees, keeping financial records, appointing an auditor and augmenting the resources of the school (RSA, 1996b). In all these responsibilities, SGBs as agents require approval from principals and are also mandated to constantly give reports. Financial reports, audit reports or financial review statements are given to parents on an annual basis during the parents' meetings, annual budgets and amounts of school fees charged are approved through the parents' majority votes. In administering school funds, a second bank account for surpluses requires the approval of the HOD (RSA, 1996b). Inferred from these statements, the researcher posits that all responsibilities of the SGB in the management of finances require the SGBs to account to different stakeholders who are the principals in the context of the principal-agent theory.

Mestry and Bisshoff (2009) posit that financial management as a specialised skill also needs to be supported by relevant policies that relate to financial management

and accounting principles, such as Generally Accepted Accounting Principles (GAAP), to ensure effective financial management. Although Mestry and Bisshoff (2009) had the correct frame of reference, they fell short in differentiating the private sector version of these principle, the South African Statements of Generally Accepted Accounting Principles (SA GAAP) and the public sector version of same being the Generally Recognised Accounting Practices (GRAP) determined by the Accounting Standard Board (ASB) through the South African National Treasury (RSA, 2017; 2013; 2005). In addition, that GAAP being irrelevant in the context of the central research phenomenon, National Treasury regulations require the HOD to make certain that financial statements are prepared on a Modified Cash Basis in accordance with the formats prescribed by the National Treasury (RSA, 2017; 2013; 2005).

Financial Statements of departments must, according to GRAP, consist of the following:

- (a) A statement of financial position
- (b) A statement of changes in equity
- (c) A statement of financial performance
- (d) A cash flow statement
- (e) An appropriation statement.
- (f) Notes to the appropriation statement and annual financial statement
- (g) Such other statements may be determined by the National Treasury (RSA, 2017; 2005).

GRAP is informed by the PFMA and directly applies to government departments (RSA, 2017; 2005) and not mandatory to the school finances context although applicable in principle. The Department of Basic Education (DBE) Circular M1 of 2019 explicitly rules out school finances from the PFMA ambit (DBE, 2019). School funds are to be administered in accordance with the directions issued by the HOD as stipulated in Section 37(1) of SASA. Section 38(1) of the SASA mandates the SGB to prepare the budget in line with the prescriptions of the MEC in a provincial gazette (RSA, 1996b) while Section 42 (b) mandates that financial statement be

drawn in accordance with the guidelines determined by the MEC (RSA, 1996b). The three sub-sections of the SASA, namely sub-sections 37(1), 38(1) and 42(b) substantiate the position of DBE's Circular M1 of 2019 that PFMA's GRAP does not apply to schools but provincial prescripts and Directives. These sub-sections also clarify the SGB as the agent on how to execute their mandate as determined by the MEC and the HOD.

These sub-sections of the SASA, namely, sub-sections 37(1), 38(1) and 42(b) imply that provinces should develop their own prescripts and Directives for managing school finances. Hence, Provincial Education Departments (PEDs) use different manuscripts for the same purpose. The Gauteng Department of Education (GDE) issued the "Financial Management and Reporting Guidelines for Public Schools 2020", the Western Cape Education Department (WCED) issued the "Basic Financial Systems for Schools" and the LDoE has gazetted the "Prescriptions for the Management of Funds in Public Schools" in 2020 as mandated by Section (38)(1) of the SASA. The LDoE further issued the "Directives for the administration and management of school funds" through its HOD. Although each PED determined its own school financial management prescriptions, they are all chiefly informed by SASA, the ANSSSF and pertinent legislative frameworks. Inconsistency with the SASA, ANSSSF and pertinent legislative frameworks would render such prescriptions invalid for transcending the law. The researcher posits, therefore, that sources of these prescriptions strengthen the underlying assumptions of the SASA of providing for a uniform system in the organisation of schools.

Despite the GRAP and the PFMA not being applicable to school finances in terms of Circular M1 of 2019 (DBE, 2019) and not being included in the list of sources under "Legislative prescripts, regulatory framework and references" in PEDs' gazetted prescriptions, the researcher posits that, in principle, GRAP is applicable to school finances. This view is informed by the similarities in the composition of the financial statements which according to GDE, LDoE and WCED's prescriptions must include the statement of financial performance, statement of financial position and the cash flow statement in the main (LDoE, 2020; GDE, 2020; WCED, 2020). These

prescriptions by PED's MECs also mandate the SGB to draw an annual budget, parents to approve it then the SGB and the HOD or his/her delegate to ratify it.

SASA, ANSSSF, the PEDs' prescriptions and Directives form part of the broader legislative framework that outlines the financial responsibilities defining the role of SGBs in the management of school finances. These roles also clarify the position and authority of the SGB in line with the principal-agent theory.

### **2.2.2 Annual budget of public schools**

Public schools are funded annually on a fair and equitable basis according to national norms and standards for school funding and national quintiles determined by the Minister in consultation with the Council of Education Ministers and the Minister of Finance (RSA, 1996b; DBE, 2016). In terms of Section 36 of SASA 84 of 1996 as amended, SGBs must take reasonable measures within their means to supplement the State funding to improve their schools' quality of education (RSA, 1996b).

It is the responsibility of the SGB in terms of Section 38(1) to prepare an annual budget using income and expenditure estimates (RSA, 1996b). Paragraph 119 of the ANSSSF mandates PEDs to issue out indicative funds allocation letters to schools before 30 September every year, reflecting the following year's State allocations to them (DBE, 2016). The total State allocated income as reflected on the indicative allocation letter would be entirely distributed to predetermined expenditure according to the PED Directives issued by the Head of Department (RSA, 1996b, LDoE, 2020; GDE, 2020). The rest of supplementary income would then be distributed as per the discretion of the SGBs pending approval by the majority vote of parents. The draft budget is to be presented to the parents in their annual general meeting. Parents may not vote against distributions dictated by the PED Directives as those are mandatory, but their votes have power to influence distributions of other revenues, contributions and other supplementary funds not having funders conditions for funding (LDoE, 2021). The SGB approved budget will only reflect all items approved by a majority vote of parents in attendance of the parents annual meeting.

Schools in higher quintiles levying schools should in terms of Section 39 (2) of SASA prepare a school budget that reflects the estimated cumulative effect of:

- (a) the established trends of non-payment of school fees; and
- (b) the total, partial or conditional exemptions granted to parents in terms of the regulations (RSA, 1996b).

Although the budget may reflect income and expenditure approved through the majority votes of parents, further approvals are mandatory before payments of some of these expenditures could be made. For instance, loan repayments require the MEC's prior approval for loan or overdraft which SGBs need to first apply for (RSA, 1996b). Procurement to certain price levels requires the HOD, District Directors or Circuit manager's approval before instalments payments could be made (LDoE, 2021). Payments for additional work by State employees in terms of Section 38A of SASA also require prior approval by the PED's HOD (RSA, 1996b). What is implied is that although an approved budget gives the SGB authoritative powers, the MEC, the HOD, the District Director and the Circuit Manager also have additional authority to disapprove decisions taken by the SGB provided the procedures were flawed.

Although the SASA mandates SGBs to prepare an income and expenditure annual budget according to the prescription determined by the MEC (RSA, 1996b), the Act is silent about the difference between the income and the expenditure sections of the budget. Provincial prescripts, however, outline that, among others, the following should reflect on the approved budget of the school:

- (a) A nil balance with neither a surplus nor a deficit (total income must equal total expenditure).
- (b) The actual income and expenditure of the previous financial year.
- (c) Projected income and expenditure for the full current financial year (GDE, 2020).

The researcher posits that an approved annual budget with a nil balance with neither a surplus nor a deficit (GDE, 2020) will ensure the school's value for money if thoroughly adhered to throughout the year. The researcher's assumptions are based on the facts that:

- (a) Without a surplus, the SGB will be deterred from overspending as the school is not allowed an overdraft or loan. In addition, every cent will have been allocated for a particular expenditure and that would compel SGBs to account for any deviation from the approved budget.
- (b) Unauthorised expenditure will not be incurred as procurement of items not budgeted for or overspending on some will automatically imply removing some of the budgeted items approved by principals, namely, the parents and HOD through the Circuit Manager. SGBs will be expected to account for.
- (c) A nil balance budget limits the SGB's discretions which often go against the interests of the principals as substantiated by Uwizeyimana et al (2013) and Rangongo et al (2016).
- (d) SGBs in fee-paying school will be deterred from overcharging parents as every expenditure will be clarified and the income from where the expenditure will be offset.

Parents will be protected from funding undisclosed surpluses unknowingly furthering ill-conceived fraudulent activities of the unscrupulous SGBs. A typical example of Glenvista High School where the SGB concealed R6.2 million in surpluses and yet claim the school was in deficit intentionally to increase school fees by R4,649 per learner per annum bringing the total fee to R13,986 per learner (Chaskalson, 2017) with the sole purpose of defrauding parents.

Inferred from the GDE's prescripts, public schools are in principle, non-profit organisations (NPOs) like their independent school counterparts which qualify for State subsidy provided they are registered with the Department of Social Department (DSD) in terms of the NPO Act (DBE, 2016). These prescripts also clarify that a zero-bottom line on the annual approved budget is a requirement and must be reflected as such. The provincial prescripts by MECs and Directives by HODs play a critical role in the management of school finances and are both obligatory and mandatory to the SGBs. The provincial MEC for Education and the HOD representing

education, issue out mandates in the best interest of the principals, namely, education, the school, parents and learners to SGBs. SGBs as the agent perform as per the mandate lest they will be considered to have acted *ultra vires*.

Mosala and Mofolo (2016) postulate that the budget is a product of the discussion involving multiple stakeholders, namely, parents, learners and educators. Parents, among these stakeholders, have the deciding powers through their majority votes (RSA, 1996b, DBE, 2016). Although these stakeholders are considered key in budgeting, Mosala and Mofolo (2016) assert that the knowledge of budgeting as an aspect of financial management is lacking or inadequate in some schools. Hence, school principals are overburdened as they must manage curriculum and on the other hand, manage governance issues as financial management tasks are dumped upon them by SGBs (Cebekhulu, 2015). Other indicators of incapacity of SGBs manifest in their failure to implement the budget (Mestry, 2013). Budget implementation challenge raised by Mestry (2013) reveal that schools struggle to implement the budget in the first term because the PDEs deposit the money for the operating costs into schools' banking accounts rather late in the year, causing serious financial setbacks. This is an indication that schools are poor in planning their budgets. It is worth noting that the first tranche of funds allocated is transferred to schools at the beginning of the second school term in April and the last tranche in the fourth term in November every year. The only costly activity schools engage in from November is the running of year-end examinations; hence, school closes with huge surpluses to cater for the first three months of the next budgeted year. Therefore, with proper budgeting, the financial year of the PED and that of the school do not have a negative bearing on budgeting and the availability of funds. It, therefore, means that schools will still have more surplus funds from the preceding year to cater for the next budgeted year.

Budgeting is considered pivotal in the management of school finances. Botha (2013) asserts that proactively prepared annual budget assures attainment of educational objectives. Mosala et al (2016)'s findings, however, confirm the dearth of budgeting skills and knowledge in some schools. Mestry (2018) found that SGBs in no-fee

schools lacked the necessary financial and entrepreneurial skills. Therefore, they experience great difficulty in preparing budgets and related school financial records that could enable them to effectively manage the schools' funds. Nyakanyanga (2022) affirms that the lack of planning affects the effectiveness of schools as it complicates reporting on achieved objectives and results. Hlongoane (2016) and Dwangu (2021) also posit that SGBs lack the necessary expertise and financial management skills to effectively run their school finances. School budgets are, therefore, important to ensure financial planning for schools' activities for the following academic year.

Adherence to the approved annual budget in schools remains a challenge. Numerous cases reported for misappropriation of funds include, among others, unauthorised expenditure where SGBs would spend more than budget on specific items or procure items not budgeted for. Unauthorised expenditure was also evidenced in the case of Glenvista High School where R1.4 million was spent as payment for additional work done by the school principal and other staff members in terms of Section 38A of the SASA. The amount was, however, neither budgeted for nor proper application made to the provincial HOD (Chaskalson). As this transaction was approved by the SGB, including the school principal, at the expense of the parents who pay these fees, the agent clearly had its interest first.

In a study by Uwizeyimana and Moabelo (2013), the SGB acted against the LDoE prescripts by allowing an unauthorised expenditure of 42% on transport. The transport allocation as per the prescripts is 5% but SGBs increased the expenditure to 47%. The study also indicates that in all the 27 sampled schools, the parent body approved the annual budgets with inconsistencies with the allocations as per the PED's prescripts. These scholars attributed this ignorance to the poor education levels of the parent body that contributes to the unequal level of information with the principals (beneficiaries) being the weakest link. Juxtaposing the literacy level of the SGB especially in rural no-fee schools and the financial skills required to draft the annual budget, processes involved including consultation with other internal stakeholders and the parents, budgeting process will be a tall order to the SGB. This

assertion is informed by the fact that most SGBs neither understand nor are able to read English (Mohapi et al, 2018). Legislative frameworks applicable in school financial management role are in the main written in English, including guidelines for budgeting. In addition, the budget should be drafted in English as the prescribed budget template is in English. Hence, school principals tend to take over the SGB's role as they consider involving them as a waste of time (Aina et al, 2020). It is also the reason SGBs pass their role to school principals, SMT and their delegates (Basson et al, 2019). This further affirms asymmetry of information findings in a study by Mestry and Bodalina (2015) revealed the dearth of the necessary financial skills by SGBs to draw budgets for their schools.

While SGBs of no-fee schools in most rural communities seem oblivious to their role to an extent of ceding their role to school principals or SMTs (Xaba, 2021), SGBs in fee-paying schools were found to be aware of their role in the management of school finances (Basson et al, 2019). Despite their conversance with budgeting, schools continue to incur unauthorised expenditure by deviating from the budget.

Research findings also reveal the tendency of SGBs to deviate from the budget owing to their competing views suggesting that some schools' budgets are compiled without prior planning (Xaba, 2021). Although Li (2020) purports that agents are more advantaged in terms of information they possess which surpasses those of their principals, SGBs are by and large underinformed about their roles as they are seen to be lacking the necessary expertise. Where they cede their role to school principals, collusion, money laundering, theft and other forms of mismanagement of funds are often experienced (Chaskalson, 2017; Corruption Watch, 2012; Schoeman, 2012)

Inferred from foregoing discussions is that SGBs do not have that autonomy in financial decision-making. In principle, their financial plans and decisions have to be informed by relevant legislative frameworks lest they become invalid. In addition, their financial plans and decisions have to be approved by parents before they become valid. Furthermore, their actions should consider the rights of the principals

lest they are invalid. These assertions are crystallised when procurement of items not budgets, procurement procedures flaunted and/or transacting roles are exchanged which constitute fruitless and wasteful, irregular expenditure and unauthorized expenditure. This are considered warning signs for fraud (GDE, 2020) and potentially disadvantage the principals in terms of providing quality education.

In the following subsection, the role of SGB in establishing and administering a school fund within the prescribed legislative frameworks will be explored. It will also explore the worldviews of other scholars on the establishment and administering of a school fund. It will further explore the theoretical relationship between the SGB and other education stakeholders in the implementation of this role. Some of the mandates to the SGBs covered in the prescripts, Directives and relative legislative framework are discussed in the following subsections.

### **2.2.3 Establishing and administering a school fund**

The SGB is conferred power to establish and administer a school fund in accordance with the Directives issued by the HOD in terms of section 37(1) of the SASA. The LDoE has in this regard issued the Directives of the Management and Administration of Funds in Public School in 2021. The Directives emphasising provisions of section 37 of the SASA also stipulates that schools should open and maintain one banking account wherein all the monies received through donations, fundraising and State allocations should be paid into that account. Schools are further allowed to open a second account with the approval of the MEC to invest surplus funds.

The Limpopo Directives for the Administration and Management of Funds in Public Schools (2021) directs public schools, among others, to distribute 100% of the State allocated funds to five main expenditure items where 60% goes to curriculum, 10% to administration, 10% to sports, 5% to transport and 15% to Covid-19 related expenditure. Key to the administration of funds is the annual budget which should reflect this distribution of State allocations. These State allocations are deposited into the school's main account wherein all funds received by the school, including school fees from parents, donations and other voluntary contributions are deposited.

Research shows that opening more than one banking account has the potential of compromising the management of school finances as it leaves room for concealment of other funds (Dederen, 2020; Chaskalson, 2017). In 2020, the First National Bank revealed 109 dormant public-school accounts in the Limpopo PED of schools which are still operating when the LDoE issued a letter dated the 03 November 2020 to its ten districts to instigate investigations thereon (Dederen, 2020). Parents and learners who are earmarked beneficiaries are deprived of the benefit and value for money by SGBs who decided to lock these millions of rand in those illegal accounts as the listed schools did lodge an application for an additional bank account with the MEC as per the SASA and supporting legislative framework.

Non-compliance potentially compromises the audit processes. The case of Glenvista High School in the GDE epitomises the situation where SGBs (as agents) acted beyond their powers, consequently compromising the best interests of their principals being the school, learners, parents and PED. The auditing firm revealed that the school operated on eight illegal bank accounts with a surplus of R6.2 million while claiming to be in deficit, intending to increase the school fees (Chaskalson, 2017). An additional school account is, therefore, illegal unless duly approved by the MEC. In this case, these accounts were unscrupulously used as a cloak behind which financial fraud was carried out unnoticed.

Inferences drawn from this subsection is that SGBs possess no decision-making power over the number of bank accounts of the school. Also, they cannot take any contrary position in terms of the number of banking accounts to open for the administration of school funds is dictated by SASA (RSA, 1996b). The researcher holds a view that each time the best interests of principals are compromised, the SGB as agents must have acted contrary to their mandate by and large to their benefit as evidenced through research findings in Chaskalson (2017) and Rangongo et al (2016).

Irrespective of the provision of Section 37 (3) of SASA that mandates the SGB of a public school to open and maintain one banking account, schools are found to be operating with numerous bank accounts (Chaskalson, 2017, Dederen, 2020a).

SASA goes further to allow SGBs to open a second bank account with the approval of the MEC and to invest surplus money (RSA, 1996b) in the second MEC approved bank account. Be that as it may, cases of illegally opened schools bank accounts referred to the LDoE are incredibly overwhelming (Dederen, 2020a). Corroborating the existence of these malpractices, the LDoE issued some correspondence to its districts and circuit offices titled “Investigations of the schools dormant accounts” dated the 3 November 2020 where 109 schools were listed with dormant bank accounts not known by the PED nor duly approved by the MEC as additional bank account (Dederen, 2020a). Similarly, the GDE revealed in 2017 that Glenvista High School operated eight illegal bank accounts to conceal surpluses (Chaskalson, 2017). The school principal and some teachers unscrupulously benefitted financially as payments were unlawfully made for additional work done by State employees without following due processes.

Whereas the Constitution mandates those assigned with public administration to ensure effective and efficient use of public resources, Ndou and Menlah (2015) assert that school funds are depleted before the end of the budgeted period owing to poor administration of school fees. A report by the LDoE shows that poor administration of school finances manifests in many ways including among others, poor cash management and recording, expenditure incurred not approved or unsubstantiated and inadequate procurement practices (LDoE, 2010).

While SGBs are expected to stand in the position of trust to the school divergent interests in SGBs, it results in beneficiaries suffering at the hands of their trustees. Rangongo et al (2016) affirm that SGBs, especially principals, are involved in collusion with the external auditors misrepresenting information to realise their nefarious ends *sans recourse*. This is also affirmed by Hu, et al. (2022) and Voorn et al (2019) termed increased autonomy for agents, leading to inefficiencies. SGBs deviate from their mandate by circumventing set procedures to achieve their ill-conceived financial management goals.

Voorn et al (2019) assert that the agent finds ways to act in their best interest where principals do not have clear mandates in the form of Directives. The researcher

posits that Directives spell out the primary interests which is the HOD, parents, teachers and learners' best interests. Any act by the SGB incongruent with these Directives is an outright indication that secondary interests are being pursued. The bottom line, however, is that the Directives should be clearly spelled out, well advocated with SGBs adequately trained to maximise the interests of school communities they serve. The researcher holds the view, therefore, that SGB training in terms of Section 19 of the SASA should be an ideal platform for the advocacy of legislative frameworks, including the MEC's prescripts and the HOD's Directives.

Preceding subsections have clarified authority vested in the parent body of the school over SGBs through SASA as amended, ANNSF, provincial prescripts and Directives in processes relating to the management of funds, namely, budgeting and the establishment and administration of funds. Deviations from legislative mandates by SGB constitute warning signs for fraud. The following subsection focuses on the levying of school fees in schools for the less poor, the quintile 4 and 5 schools. It will also explore applicable legislative framework related thereto and how this role positions the SGB in the principal-agent theory.

#### **2.2.4 Levying of school fees**

Section 36(1) of SASA stipulates that a governing body of a public school must take all reasonable measures within its means to supplement the resources supplied by the State to improve the quality of education provided by the school to all learners at the school. SGBs are, therefore, allowed to use all possible measures and strategies of raising funds for their schools considering the best interest of the learners, parents and education. The researcher posits that every measure or strategy approved through the majority vote of parents in their general meeting is in their best interest; hence binding to them unless if that is contrary to provisions in the national laws and provincial Directives, prescripts, policies, circulars and guidelines.

The most common strategy used by most schools in higher quintiles is the charging of school fees to supplement State resources. Payment of school fees by parents cannot be compulsory unless a resolution to do so has been adopted by a majority

vote of parents attending the meeting (RSA, 1996b). Otherwise, school fees would be a voluntary contribution which cannot be legally enforced. While there are outright no-fee schools comprising of schools in categories under quintiles 1, 2 and 3, the researcher argues that there are no outright fee-paying schools. However, quintiles 4 and 5 schools only become fee-paying schools once a resolution to charge school fees is adopted by a majority vote of parents attending the meeting each year. The researcher further asserts that quintile 4 and 5 schools that annually receive huge revenues in donations may opt not to levy school fees; hence would not be called fee-paying schools as the parent body would have not decided so.

In terms of Section 39 (1) of SASA, school fees may be determined and charged at a public school only if a resolution to do so has been adopted by a majority vote of parents attending the meeting. The resolution should also provide the amount of school fees to be charged; equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay school fees. It should also provide a school budget that reflects the estimated cumulative effect of the established trends of non-payment of school fees and the total, partial or conditional exemptions granted to parents in terms of the regulations (RSA, 1996b). The SGBs are mandated in terms of Section 39 (3) of SASA to implement a resolution adopted at the meeting contemplated in Section 39(1) of this Act, a worst-case scenario enforce the payment of schools by parents through litigating against non-complying parents.

SGBs are, therefore, permitted by law to take legal steps against parents failing to pay school fees. A parent is liable to pay the school fees determined in terms of Section 39 of SASA. Section 41 (4) of SASA stipulates that a public school may take the legal route only after it has ascertained that the parent does not qualify for exemption from payment of school fees in terms of this Act.

Confirming the attitude divergent interest between the agent and principals in the P-A theory, school fees are increased almost every year by the SGBs in fee-paying schools to control access (Dass & Rinquest, 2017). Sayed, Motala and Ahmed

(2020) assert that SGBs in fee-paying schools continue to find ways of excluding learners whose parents cannot afford to pay school fees. This is substantiated by Mkhize, Fouché and van der Walt (2021) whose findings showed that these fee-paying schools preferred incremental budgeting where their current period's budget is used as a base, with incremental amounts then being added for the new budget period. The researcher opines that this practice negatively impacts on learners' access to education because every year the number of parents who qualify for fee exemption increases as increases in school fees are not matched with increases in parents' income. The more the parents qualify for fee exemption, the more the schools must increase school fees which in turn means more parents subsequently qualify for exemptions, increasing the pool of parents qualifying for exemption and decreasing income expected from parents. Parents whose incomes are beyond the national salary median qualify for fee exemption when that should be limited to the poorest. The researcher opines that SGBs are not aware of this ripple effect when determining school fees. This, in turn, stretched the public purse as the State's budget allocation for basic education is under increased pressure with a growing number of parents with children at fee-paying public schools who can no longer afford school fees (Dass & Rinquist, 2017).

There are also cases where asymmetry of information with the SGBs gaining the upper hand acted against the interests of parents and learners by handing parents over to their lawyers for failing to pay school fees even without informing them of fee exemption application or whether they qualify or not (Dass et al, 2017). One of such cases is "*Centre for Applied Legal Studies and Others v Hunt Road Secondary School and Others*" (2007), where the SGB of Hunt Road Secondary School was interdicted from proceeding with any further action for the recovery of outstanding school fees unless and until it had delivered to the applicant's attorneys proof that it had complied with its obligations in terms of Section 41 of the SASA of ascertaining that the defendant does not qualify for fee exemption. Some learners would even be denied access the following year owing to failure of their parents to pay school fees (Dass et al, 2017). As charging of fee is being used as a potential tool to limit access

to some the higher quintiles schools, SASA provides for fee exemption to circumvent that possibility thereby opening these schools to the poorest living in the vicinity of these schools, orphans, abandoned learners and those in foster care (RSA, 1996b; DBE, 2016).

### **2.2.5 Fundraising**

Funding of schools by the State is considered inadequate to sustain the school for the whole academic year hence SGBs are allowed to supplement their state allocations through fundraising (RSA, 1996b). Buys, et al (2020) assert that school governing bodies have to take an entrepreneurial stance in augmenting the meagre State allocated funds, a tall order considering a dearth of financial management skills by the majority of SGBs. Although fee-paying schools are marginally subsidised by the State at allocations below the no-fee threshold annually, they are also expected to raise the level of funding (Mestry, 2016) in the form of school fees charged per learner per annum. School fees revenue per capita is seldom wholly received as there are serious challenges such as bad debt and fee exemptions, which require the school governors to seek for alternative sources of income to fund their governance processes (Buys et al, 2020).

Whereas fee-paying schools have an option to raise funds through the levying of school fees through parents' discretions (DBE, 2016), some SGBs saw a loophole for their nefarious agenda. Surplus funds are concealed from parents in the school's other bank accounts. The main bank account with a deficit is disclosed to parents as a strategy to convince parents to consent to an increase in school fees (Chaskalson, 2017).

On the contrary, schools in the lower quintiles 1 to 3, with State allocations equal or beyond the "no-fee threshold" are by virtue of being in that category, called no-fee schools. These schools are funded at the maximum level, but funds allocated to them are not sufficient to meet all educational needs (Botha, 2013). Unlike their higher quintile counterparts, their SGBs are restricted from charging fees as an option to augment inadequate State resources (RSA, 1996b; DBE, 2016). Also, the State allocations to these schools are ring-fenced for specific purposes thereby

reducing the decision-making powers of the governing bodies over the use of the decentralised funding (Marishane, 2013). Decision-making powers over funds by the SGBs in these schools are only limited to monies fundraised, donations and sponsorships with conditions attached thereto (Dederen, 2020). Supplementing limited state resources by SGBs in no-fee school is further hindered by growing chances of fraud and misuse of school finances (Theodorou & Pashiardis, 2016). Deacon (2020) substantiates that many fundraising opportunities have been misused (Deacon, 2020). SGBs as custodian of public funds are in this context perpetrators of these financial malpractices going against their position of trust as per the SASA (RSA, 1996b). The best interests of education, school, parents, and learners as beneficiaries in the public education, are compromised by such unethical SGB practices.

#### **2.2.6 Exemption of parents to pay school fees**

The interest of the learner takes precedence to the charging of school fees in that school fees cannot be the determinant of access to a public school. Hence, SASA mandates the SGB of a fee-paying school to determine equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay school fees if a resolution to do so has been adopted by a majority vote of parents attending the general meeting (RSA, 1996b). SGBs should, in terms of Section 39(2) (b) of SASA, develop equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay the fees (RSA, 1996b). Charging of school fees has the potential of limiting access to the higher quintile schools, especially for those who cannot afford. Therefore, SASA provides for fee exemption to circumvent that possibility thereby opening these schools to those with lower income living in the vicinity of these schools, orphans, abandoned learners, and those in foster care (RSA, 1996b; DBE, 2016; Inchauste, Lustig, Maboshe, Purfield, Woolard, & Zikhali, 2017).

The interest of the learner and the enforcement of Section 39(2) (b) of SASA is substantiated in paragraphs 165 and 166 of the ANSSSF that provides free access in fee-paying schools through automatic exemption to, orphans, abandoned kids and

learners on State social grant. It further prioritises the interest of the learner, paragraph 168 of the ANNSF grants full and or partial exemptions to parents of the learners based on the combined income of both parents. These categories will, therefore, not be bound by the majority votes of parents on the levying of school fees as they are not to be charged any fee considering practicability and equity of education provisioning (RSA, 1996a; DBE, 2016). The ANNSF further provides that parents with a combined annual gross income of more than ten times but less than 30 times the annual school fees per learner qualify for partial exemption (DBE, 2016). In terms of Section 38 (2) of SASA, the criteria for applying the scale of partial exemption should be determined by parents at their general meeting or by the SGB if the general meeting of parents so decides (RSA, 1996b). The ANNSF provides that partial exemption should be equitably granted on a sliding scale suggesting that the criteria be in intermediate income multiples between 30 times and ten times where 50% exemption is centred at 20 times mark (DBE, 2016). Table 2.1 fairly depicts the equitable granting of exemption on a sliding scale.

**Table 2.1: Sliding scale fee exemption**

Sliding scale equitable fee exemption criteria	Full exemption	Partial exemption											No exemption	
		10	12	14	16	18	20	22	24	26	28	30		
Combined Salaries of parents into school fees	9.9 -													30 +
Percentage exempted	100	95	90	80	70	60	50	40	30	20	10	05	0	

**Figure 1.1: Fee exemption table according to the ANNSF (Source: Author's own construction)**

This table could be used together with the following formula to compare accuracy of calculations.

**Formula applied to school fees exemption:**

$$E = 100 \frac{F + A}{C}$$

where:

E = School fees compared to the parents' income

F = Annual school fees for one child

A = Annual contribution by parents for educational purposes for child

C = Combined gross income of parents

The ANSSSF further stipulates that parents with a combined annual gross income of more than 30 times the annual school fees per learner do not qualify for exemption, including partial exemption of school fees (DBE, 2016).

Inferred from the foregoing discussions, the SGBs should be able to develop fee exemption criteria if granted that opportunity by a majority vote of parents and the criteria should be transparent so that parents are able to calculate whether they qualify for fee exemption or not and how much they are to be exempted from paying. The SGB should also be able to apply the given fee exemption formula to calculate fee exemptions as an alternative to the sliding scale fee exemption table.

Sayed, et al. (2020) conceive that despite the amendment of policies to improve access to education, fee-paying schools continue to find ways of excluding learners whose parents cannot afford to pay school fees despite the SASA provision in Section 5(3) which stipulates that a learner may not be refused admission to a public school based on the payment abilities of their parents. Spaul (2019) also asserts that some of the fee-paying schools deny access to learners who do not afford to pay school fees by flagrantly using feeder zones, language policies and discriminatory interviews. There are also cases where SGBs have unlawfully, as a deterrent to access, handed over the parents who qualify for fee exemption to the school's lawyers for failing to pay schools fees. One such case is "*Centre for Applied Legal Studies and Others v Hunt Road Secondary School and Others*" (2007). In this case, the court ruled in favour of the parents (Dass et al, 2017).

Deduced from the preceding discussions is that failure to implement the lawful mandate of the principals by the SGB either by omission or commission compromises the best interests of the principals. In the preceding case, the parent who deserves a fee exemption of his/her child is inconvenienced by been dragged to courts of law by SGBs thereby acting against the learner's best interest. Section 38(2) of the SASA also emphasises the authority of parents stipulating that the criteria for applying the scale of partial exemption should be determined by parents at their general meeting or by the SGB if the general meeting of parents so decides

(RSA, 1996b). SGBs' responsibility in this case is to enforce the resolutions approved by parents.

Research suggests that SGBs and school principals are unclear about the provincial education departments' reimbursement protocols for school fee exemptions; hence resort to unpopular and sometimes unlawful means to secure funds to keep their schools operational (, 2020). In the process, parents and learners Naicker et al qualifying for fee exemption is unlawfully denied what they deserve owing to the Department not releasing such funds to schools owing to unclear protocols and procedures. One such a case is "*Centre for Applied Legal Studies and Others v Hunt Road Secondary School and Others*" (2007), where the SGB was interdicted from proceeding with any further action for the recovery of outstanding school fees unless and until it provided proof that the parent did not qualify for fee exemption (Dass et al, 2017). The conclusion drawn from this case is that the SGB neither disclose to parents that some qualify for fee exemption nor disclose the fee exemption criteria intentionally to indiscriminately enforce payment of fees. Those who cannot afford are denied recourse, hence disadvantaged by the SGBs as their trustees. This case depicts conflict of interest as the SGB acted against the interest of the parent. In addition, the SGB has abused the asymmetry of information as they chose not to disclose information that would have benefited the parent.

Statistics South Africa (2015) revealed a sluggish progress in fee exemptions in that in 2015, some 19.4% of learners benefitted from fee exemptions or partial exemptions nationally. This is substantiated by Dass and Rinqest (2017) who indicated that in some fee-paying schools, SGBs find ways to circumvent this noble pro-poor initiative by intentionally hiding the fee exemption information from deserving parents. When such parents fail to honour their contracts in terms of making payments, SGBs hand over such parents to their lawyers (Dass et al, 2017). These provisions are also statutory and cannot be outvoted by the parents in their general meetings and SGBs cannot act otherwise but comply with these provisions. Enforcement of these provisions was evidenced in the case "*Head of Department: Western Cape Education Department & another v S (Women's Legal Centre as*

*Amicus Curiae*) (1209/2016) [2017] ZASCA 187 (13 December 2017),” where SGBs failed to implement partial or full fee-exemption in terms of SASA. The learner’s access to public education was denied through the SGBs’ misinterpretation of the fee exemption criteria either by commission or omission as they sought to include the combined income of the mother and her ex-husband in determining whether the learner qualifies for fee exemption or not. The Western Cape High Court ruled in favour of the learner’s mother that her income alone should be used to determine fee exemption.

Inferred from the foregoing discussions, the SGBs only implement resolutions determined by the majority votes of parents, including the fee exemption criteria. The researcher posits that using their own discretions other than agreed upon resolution often compromises the interests of parents, learners and education. This is corroborated by the cases “*Head of Department: Western Cape Education Department & another v S (Women’s Legal Centre as Amicus Curiae)* (1209/2016) [2017] ZASCA 187 (13 December 2017)” and “*Centre for Applied Legal Studies and Others v Hunt Road Secondary School and Others, (2007)*” (Dass et al, 2017) where in both cases the interests of the learners and that of the parents were adversely affected by the SGB’s misrepresentation of facts.

### **2.2.7 Prohibition of payment of unauthorised remuneration**

In terms of Section 38A of the SASA, the SGB is expected to understand the criteria for a State employee to qualify for remuneration for additional work done. In addition, the SGB needs to understand how to make individual applications for all qualifying employees in that school to the HOD. Furthermore, the SGB needs to know how to apply the formula for calculating payment in kind for individual employees using their annual gross salary and the number of hours worked in a particular month. The amount to offset such payments needs to have been budgeted for and approved by the parents through a majority vote (RSA, 1996b).

The SASA stipulates in Section 38A (8) that the payment of State employees for additional work performed must be reflected in the school’s budget, as presented to

the general meeting of parents. It also implies that the parents' approval of the resolution during budgeting precedes the HOD's approval of the application for the remuneration of state employees. Furthermore, the HOD's approval is informed by the annual budget approved through the majority votes of parents and minutes of the parents general meeting stating process and resources that will be used to remunerate identified employees (RSA, 1996b). Inconsistencies with the provisions of the Act resulting in unlawful payments made renders the SGBs liable for the losses the school incur (RSA, 1996b)

Section 38A of SASA further stipulates that a SGB may not pay or give to a State employee employed in terms of the Employment of Educators Act, 1998 (Act No. 76 of 1998), or the Public Service Act, 1994 (Proclamation No. 103 of 1994), any unauthorised remuneration, other financial benefit or benefit in kind (RSA, 1996b). Approval for this kind of payment may only be made by the HOD after consideration of applications submitted by the SGB (RSA, 1996b). All activities that have financial implications should reflect on the annual budget in terms of Section 38A (8) of SASA and thereby suggesting that it should have been approved by parent body in voting. Also, the resolution to implement payment in terms of Section 38A is reflected in the minutes of the general meeting. Applications for payment of additional work by State employees could only be carried out on approval, first by the parent body and last by the PED's HOD after considering compliance in terms of Section 38A (7) (a – d) of the Act. Payment of such benefits without prior approval of the HOD renders the SGB jointly liable for the money paid and the employer would recoup such monies from those SGB members that took such an *ultra vires* decision. In the case of Glenvista High School in the GDE, SGB members who made unlawful payments of R1.4 million to State employees, were required to pay back the losses suffered by the school (Chaskalson, 2017).

It is clear from the preceding discussions that where the agent acted contrary to applicable laws, there is recourse for the principals. In this case, funds spent illegally are to be recouped from those that approved such transactions, that is, the SGB (RSA, 1996b).

### **2.2.8 Keeping financial records**

The Schools Act mandates the SGB to keep records of fees received and spent by the public school (RSA, 1996b). This implies that SGBs should keep a cash book with both the receipt and the payment sides or the Cash Receipts and Cash Payments journals. Paragraph 8.1.11 of the Directives for the Management and Administration of Funds mandates the SGB to record all monies received in the cash book daily (LDoE, 2021). Supporting vouchers should be inspected prior to effecting payment (LDoE, 2021) and the payment should be recorded accordingly in the payment side of the cash book. The SGB should also prepare monthly bank reconciliation statement to reconcile all monies received and/or paid on site with those received and/or paid directly into the school's bank account. GDE's MEC's prescription outlines the following records for the management of school finances:

- (a) Receipting of income.
- (b) Cash book (cash receipts and cash payments).
- (c) Monthly bank reconciliation statements.
- (d) Monthly and quarterly reports.
- (e) The budget and
- (f) Annual financial statements (GDE, 2020).

Affirming provisions in the PEDs' prescripts, guidelines and Directives for the management of school finances, the SGB is mandated in terms of Section 42 (b), to draw up financial statements in accordance with the guidelines determined by the MEC not later than three months after the end of each financial year (RSA, 1996b). This suggests that within the SGB members or its FinCom, there need to be members with financial or accounting skills to prepare these financial statements. In the event there is shortage of the required skills, the SGB could in terms of Section 30 (1) (b) of SASA appoint persons who are not members of the SGB on grounds of the sought expertise (RSA, 1996b).

Affirming the provision in the SASA, Keakopa (2018) asserts that SGBs are responsible for the keeping of financial records. Furthermore, Keakopa (2018) postulates that record-keeping should be the responsibility of records professionals

as it requires skills and professional expertise. Alabi (2017) asserts that appropriate and adequate records management will ensure effective and efficient administration of education institutions while Bhana (2008) warns that poor financial record-keeping by schools creates a base for fraud and corruption, leading to financial risks.

The literature highlights records management as being essential for accountable financial management because accurate records of actual expenditure, budgeting and reconciling budgets is crucial to the accounting function (Keakopa, 2018). For that to be realised, SASA mandates for the establishment of FinCoM of the SGB (RSA, 1996b) to oversee the financial record keeping, among others. The LDoE Directives provides for the appointment of a finance officer whose responsibilities include preparation of monthly and annual financial records and statements and managing the receipts and payments of cash (LDoE, 2021). Financial competency of the finance officer is, however, not articulated in any of the legislative frameworks governing school financial management.

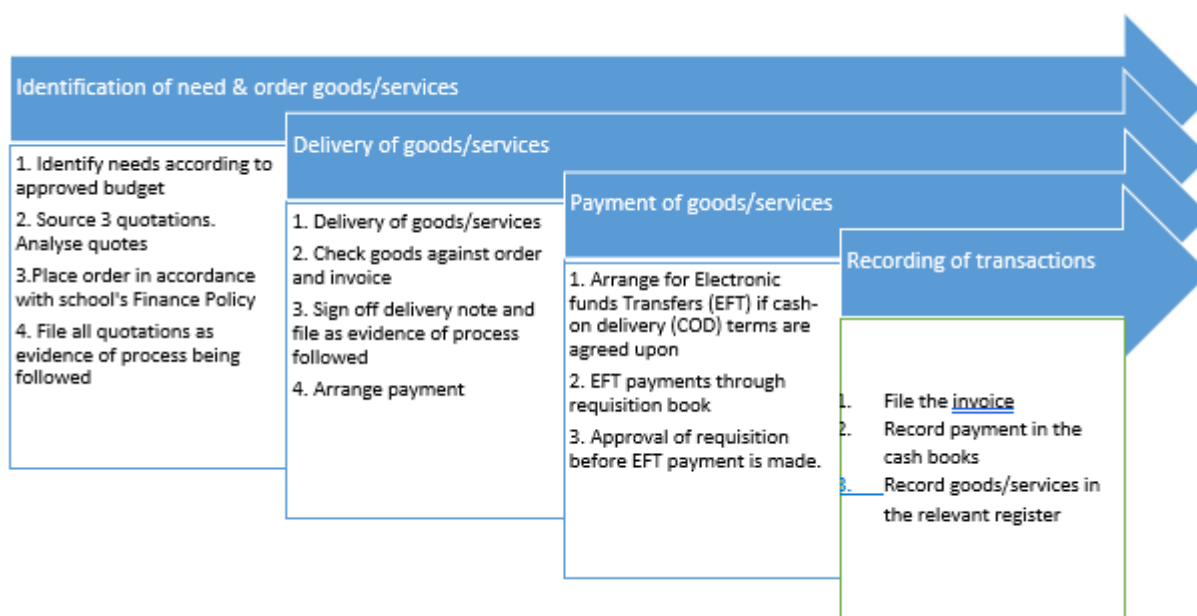
Affirming the assertion in the GDE's prescripts that inadequate record-keeping and documentation is also a warning sign for procurement fraud (GDE, 2020), omission to prepare and keep these financial records constitutes an irregularity as these documents are mandatory. It also suggests that SGBs are not competent in executing their mandated role.

### **2.2.9 Procurement processes**

All procurements carried out by the SGB must be informed by the approved annual budget. This is substantiated in the GDE prescriptions that traversing the approved budget are warning signs of procurement fraud (GDE, 2020). Approved annual budget is the product of the parent body and the HOD as these stakeholders approve and ratify the budget, respectively (RSA, 1996b). While the SGB also approves the budget after parents' meeting, they are in the main, implementors of the mandate by the parents ratified by the HOD. The HODs of different PEDs also determine the Directives on how procurement and other school financial management processes should unfold (RSA, 1996b). Corruption Watch also affirms that procurement regulations differ from province to province (Collingridge, 2013).

Paragraph 8.6.1 of the Directives for the Management and Administration of Funds stipulates that the FinCom should serve as a bid adjudication committee and recommend the appointment of service providers (LDoE, 2021). Furthermore, all procurement should be done on a minimum of three quotation basis and in the case where the school is unable to obtain three quotations, the SGB should obtain prior permission from the Circuit Manager to deviate from the three quotations requirement (Collingridge, 2013; GDE, 2020; LDoE, 2020; LDoE, 2021). The recommendation should then be presented to the SGB for approval, acceptance and appointment. The service provider must be appointed in writing. Paragraph 8.6.5 restricts SGBs from making advance payments and only allows payments to be made after a complete service is rendered or goods supplied to the school as depicted in Figure 2.1.

Figure 2.1 depicts the procurement cycle the SGB must undertake as part of its role in the management of school finances.



**Figure 2.1: The school procurement cycle (GDE, 2020 modified)**

Figure 2.1 summarises the school procurement processes SGBs need to comply with. The needs of the school should be identified according to the approved annual

budget (GDE, 2020). Goods or services not included on the approved annual budget are not approved and cannot be procured lest the SGB incur fruitless and wasteful expenditure. The premise is that goods or services not included in the approved annual budget are deemed not necessary and not approved; hence not budgeted for and, therefore, regarded as unauthorised expenditure (Dzomira, 2017). Once identified, SGBs should source a minimum of three quotations which should be analysed and the best one that assures value for money in terms of effectiveness and efficiency should be considered. Order should then be placed according to the school's finance policy (GDE, 2020) duly ratified by the HOD or his/her delegate (LDoE, 2021). The SGB should then file all quotations sources for each procurement as means of verification to be provided as evidence of adherence to prescribed procurement procedures (GDE, 2020).

When goods are delivered, the SGB needs to check the goods against the invoice and then sign the delivery note and file it as evidence. Payment could then be made as per the signed requisition book. The requisition book should have been signed by the school principal and the SGB chairperson (LDoE, 2021). Payment must be made solely through EFT by only two of the three SGB FinCom members, namely, the SGB treasure, SGB deputy chairperson or a third member of the FinCom except the finance officer (LDoE, 2021). The finance officer should then file the invoice, record the transaction in the cash book and record the goods or services in the relevant register (GDE, 2020).

It is noteworthy that inconsistency with the procurement process renders the transactions irregular, suggesting that the SGB acted outside their powers. Numerous cases of mismanagement of funds revealed by Corruption Watch are because of SGBs, especially the school principal, circumventing procurement processes (Chaskalson, 2017).

The researcher asserts that procurement procedures are determined by the HOD as a mandate to the SGB. Also, the budget which is the product of the parent body is central and key to procurement of goods and/or services in schools. Furthermore, if the SGB acts incongruently to the procurement cycle as depicted, they run the risk

of incurring irregular expenditure, fruitless and wasteful expenditure and/or unauthorised expenditure. All these compromises the best interest of the education beneficiaries, namely, learners, parents and the HOD

Procurement is seen as a cloak behind which all nefarious and corrupt activities are practised unnoticed. Talane and Pillay (2013) indicate that corruption remains high despite all efforts by education and other stakeholders in South Africa. Schools are also becoming fertile grounds where these corrupt practices thrive. Talane and Pillay (2013) aver that Limpopo is one of the provinces with the highest number of reports of corruption involving schools, with school principals as leading offenders in financial mismanagement manifesting in the form of misappropriation of funds, lack of financial accountability, disregard of due processes, and lack of reporting to both parents and the SGBs.

#### 2.2.9.1 Delegation of procurement responsibilities

According to the Provincial Directives for the Administration and Management of School Funds, the school principal and the SGB chairperson are responsible for the approval of claims after verifying the authenticity of invoices (LDoE, 2021). Then the treasurer and any other two members of the SGB would be responsible for initiating and authorising payment through the Electronic Funds Transfer (EFT) App of the bank (LDoE, 2021). The finance officer would then record all completed transactions in the cash book or other journals if cash was not involved. Funds paid without the approval of relevant authorities constitute unauthorised expenditure (Dzomira, 2017) and is a warning sign for procurement fraud (GDE, 2020). The Directives further indicates in paragraph 8.5.4 that any exchange of transacting roles by commission or omission constitutes fraudulent misrepresentation and governors involved incur criminal liability (LDoE, 2021).

The GDE prescripts have depicted the procurement cycle (GDE, 2020) while the LDoE Directives (LDoE, 2021) assign specific procurement responsibilities to specified members of the SGB. Separation of duties is critical to effective internal control because it reduces the risk of both erroneous and inappropriate actions. It

also deters potential conspiracies within institutions (Willhite, 2019). The LDoE Directives also warn that the assigned roles cannot be exchanged either by omission or commission lest that constitutes fraudulent misrepresentation and governors involved incur a criminal liability. Research, however, indicates that in most cases, school principals and SMT members play a key role in the day-to-day management of finances, while the parent component of the SGB played a passive role owing to their lack of expertise to make sound financial decisions (Basson et al, 2019). This suggests, therefore, that school financial management in most schools is the responsibility of the school principal alone as the one most knowledgeable in that area of responsibility. This is substantiated through studies revealing that most of these responsibilities are left in the hands of the school principals and the SMT while the SGBs who are supposed to be key players play a peripheral role (Naicker et al, 2020). This is because of their dearth of requisite skills and expertise (Basson et al, 2019; Cebekhulu, 2015; Ngobeni, 2015). Asymmetry of information is evident in this regard, and it is also a potential risk to management of school finances.

It is stark clear that in most public schools, delegation of procurement responsibilities is limited or non-existent. This is substantiated by the Aina et al (2020) indicating that school principals outrightly exclude the SGBs in executing their mandatory role considering it as a waste of time owing to their lack of financial management skills. Beyers et al (2015) also purport that some SGBs cede their role to the school principal and/or SMT owing to their incapacity to execute their duties accordingly.

#### 2.2.9.2 Procurement limits

In terms of the LDoE Directives (2021), schools are allowed to authorise procurement to a maximum of R29 000. Any procurement of expenditure from R30 000 to a maximum of R99 000 can only be approved at Circuit level. Procurement of expenditure from R100 000 to R499 000 can only be approved at District level and any procurement beyond R500 000 will require the HOD's approval (LDoE, 2021). Procurement by the SGB beyond prescribed limit which is inconsistent with the prescribed procurement procedures constitute irregular expenditure (Błaszczński, de Almeida Filho, Matuszyk, Szelaąg, & Słowiński, 2020), implying that the SGB had

compromised the best interest of the HOD by going against his/her Directives as the school principal representing education.

Inferred from Talane and Pillay's (2013) study, SGBs abandon their responsibility of overseeing procurement if due procurement processes are being disregarded by school principals in their presence. School principals cannot be lone players in the management of funds if SGBs understand their role and responsibilities.

### **2.2.10 Appointment of an auditor/examiner**

The compilation, auditing and submission of the schools' financial statements are legally required and are compulsory for all schools (RSA, 1996b; Doussy & Doussy, 2014). SGBs of public schools are in terms of Section 43 (1) of SASA mandated to appoint an auditor registered in terms of the Audit Profession Act 26 of 2005 to audit the records and financial statements of the school (RSA, 1996b, LDoE, 2021). The Audit Profession Act 26 of 2005 provides for the establishment of the Independent Regulatory Board of Auditors (IRBA). IRBA serves as an accreditation body for auditors that seeks to protect the integrity of the audit profession (RSA, 2006). Auditors need to register for accreditation by IRBA before they could engage in their external auditing practice in South Africa. Accordingly, SGBs are mandated to use only IRBA accredited auditors for auditing their financial statements. Any external audit performed by a non-IRBA accredited auditor should, therefore, be considered invalid and not credible. IRBA accredited auditors are the only auditors recognised in terms of SASA to audit financial records of public schools (RSA, 1996a). Audit outcomes by IRBA accredited auditors are either qualified, unqualified, adverse or disclaimer audit opinions.

Alternatively, depending on reasonable practicability, SGBs may in terms of Section 43 (2)(b) appoint a person who is approved by the MEC to examine and report on the records and financial statements. In addition, only those accounting officers who were registered in terms of Section 60 of the Close Corporations Act before 01 May 2011 (PricewaterhouseCoopers (PwC), 2011) may be appointed. Henceforth, new entrants are mandated to apply for the MEC's approval for them to be eligible to examine the financial statements of schools if not IRBA registered. SGBs, therefore,

remains with these options in terms of the quality assurance of their financial management, namely, auditing of their financial statements by IRBA accredited auditor and examination and reporting on records and financial statements by MEC approved examiner.

The preceding discussions laid bare the role of the SGB in managing the school finances in terms of applicable legislative frameworks. Also, that in most no-fee schools, the SGBs are generally not aware of their role while Kiprono, Nganga and Kanyiri (2015) assert that a governing body that has good financial management competencies will fulfil its financial role and responsibilities better. While challenges of SGBs in no-fee schools are in the main, lack of the necessary skills (Botha, 2019; Xaba, 2021), SGBs in fee-paying schools were considered to be conversant with their role. However, some purposefully flouted the law to further their own interests as evidenced in a study by Chaskalson (2017). The following topic will demonstrate that the relationships the study proposes are formed from facts from authors of previous research.

Juxtaposing the current public administration practices with the requirements of public administration in terms of the law, a vast gap exists owing to implementation inconsistencies. A long list of research corroborates the researcher's assertion by presenting a gloomy picture of pessimistic pontification about the management of school finances in South African public schools (Xaba, 2021; Botha, 2019; Corruption Watch, 2015; Bhengu & Ncwane, 2014; Mestry & Govindasamy, 2013; Thenga, 2012; Mbatsane, 2006; Heystek, 2004; Mestry, 2004). That suggest lack of efficiency and effective use of school funds by SGBs in the South African public schools.

Research attributes the causes of failures and other barriers to the management of school finances to, among others, mismanagement and misappropriation of funds in schools and a lack of accountability (Chaskalson, 2017; Corruption Watch, 2015; Ahmed & Ahmed, 2012; Joubert & Van Rooyen, 2008). This compromises the professional ethics standard level SGBs should maintain in terms of the Constitution.

Deduced from the discussion of the role of SGBs, it becomes clear that there are, in the main, grave inconsistencies in role implementation. There is no alignment between implementation and the applicable legislation. Some of the inconsistencies outlined are by omission while others are by commission.

In the following section, the United Kingdom and Australia's management of school finances is discussed and juxtaposed to South Africa's system.

**Reasons for sampling the United Kingdom and Australia's school financial management are as follows:**

- The researcher has compared these countries' capacity building programmes in his masters' dissertation.
- These countries' school governance systems were found to be almost similar, yet the two countries perform the best in terms of governance and academic performance.
- The researcher uses the two countries to benchmark good practices.
- The researcher as an official employed in the PED's Institutional Governance Directorate had intended to understand these countries' governance "Theory of change" and to learn from them.

**2.3 COMPARISON OF THE SOUTH AFRICAN CONTEXT WITH UK AND AUSTRALIAN SCHOOL FINANCIAL MANAGEMENT CONTEXTS**

While South Africa has the SGB as custodians of governance responsibility in schools, the United Kingdom has the school governing board and the Multi-Academy Trust (MAT) which caters for more than one school, and Australia has school boards responsible for similar responsibilities.

In contrast, in South Africa, a person qualifies to become a parent member of the SGB if they have a child in that school irrespective of the level of knowledge, skills and expertise in the governance role. This practice has the potential to attract parent members with low literacy levels into the SGBs. Researchers such as Xaba (2021),

Botha (2019) and Mafora (2018) assert that the SGBs' low literacy level result in poor governance owing to the lack of capacity to perform.

In the United Kingdom, people with the right skills, experience, qualities and capacity qualify for selection as the school governing board or members of the MAT (DfE, 2020). Those knowledge, skills and behaviours are shown in Table 2.2.

Table 2.2: Modified extract from DfE's Competency Framework for Governance (2017)

Everybody on the board
<i>Knowledge</i>
<ul style="list-style-type: none"> <li>the financial policies and procedures of the organisation, including its funding arrangements, funding streams and its mechanisms for ensuring financial accountability</li> </ul>
<ul style="list-style-type: none"> <li>the organisation's internal control processes and how these are used to monitor spend and ensure propriety to secure value for public money</li> </ul>
<ul style="list-style-type: none"> <li>the financial health and efficiency of the organisation and how these compares with similar organisations locally and nationally</li> </ul>
<ul style="list-style-type: none"> <li>the organisation's process for resource allocation and the importance of focussing allocations on impact and outcomes</li> </ul>
<ul style="list-style-type: none"> <li>the importance of setting and agreeing a viable financial strategy and plan which ensure sustainability and solvency</li> </ul>
<ul style="list-style-type: none"> <li>how the organisation receives funding through the pupil premium and other grants e.g. primary sport funding, how these are spent and how spending has an impact on pupil outcomes</li> </ul>
<ul style="list-style-type: none"> <li>the budget setting, audit requirements and timescales for the organisation and checks that they are followed</li> </ul>
<ul style="list-style-type: none"> <li>the principles of budget management and how these are used in the organization</li> </ul>
<i>Skills and effective behaviours</i>

Everybody on the board
<i>Knowledge</i>
<ul style="list-style-type: none"> <li>• has a basic understanding of financial management in order to ensure the integrity of financial information received by the board and to establish robust financial controls</li> </ul>
<ul style="list-style-type: none"> <li>• has confidence in the arrangements for the provision of accurate and timely financial information, and the financial systems used to generate such information</li> </ul>
<ul style="list-style-type: none"> <li>• interprets budget monitoring information and communicate this clearly to others</li> </ul>
<ul style="list-style-type: none"> <li>• participates in the organisation's self-evaluation of activities relating to financial performance, efficiency and control</li> </ul>
<ul style="list-style-type: none"> <li>• is rigorous in their questioning to understand whether enough being done to drive financial efficiency and align budgets to priorities</li> </ul>
<ul style="list-style-type: none"> <li>• assimilates the financial implications of organisational priorities and use this knowledge to make decisions about allocating current and future funding</li> </ul>
<ul style="list-style-type: none"> <li>• interprets financial data and asks informed questions about income, expenditure and resource allocation and alignment with the strategic plan priorities</li> </ul>
Someone in the board
<i>Knowledge</i>
<ul style="list-style-type: none"> <li>• the organisations' current financial health and efficiency and how these compares with similar organisations both locally and nationally</li> </ul>
<i>Skills and effective behaviours</i>
<ul style="list-style-type: none"> <li>• uses their detailed financial knowledge and experience, which is appropriate for the scale of the organisation, to provide advice and guidance to the board</li> </ul>
The chair
<i>Skills and effective behaviours</i>
<ul style="list-style-type: none"> <li>• ensures the board holds executive leaders to account for financial and business management, as much as educational outcomes</li> </ul>
<ul style="list-style-type: none"> <li>• leads the board to identify when specialist skills and experience in audit, fraud or human resources is required either to undertake a specific task or more regularly to lead committees of the board</li> </ul>

Like the United Kingdom, Australia selects its school governors from a pool of skilled parents. Australia Education asserts that being on a school board is no longer for the well-meaning amateur (Stuart, 2012). This suggests that parents who are willing and ready to serve as governors but have no requisite governance skills are not considered. The role of managing school finances in Australian public schools is the responsibility of school governors (Hamilton, 2013; DfE, 2014). In the past few years, the duties and responsibilities of such positions have been transformed; there are now serious roles that require skills and training.

It is, therefore, stark clear from the selection of SGBs, school boards and school governors that these three countries' school governance processes are highly unequal, which also suggests unequal performance. Countries with an upper hand in terms of knowledge, skills and values possessed by their school governors will consequently have an upper hand in ensuring value for money in their school resulting from best execution of the governance role.

Despite the criteria put on the quality of sought school governors, the UK continues to experience shortage of school governors (House of Commons, 2013) while in South Africa, the quality of SGBs in many of its schools is also considered inadequate (Dwangu 2021; Hlongoane, 2016). In addition, evidence by the Association of School and Colleges Leaders suggests that schools in all local authority areas where governance lack, measures available to intervene were not effectively used and that posed potential risks to schools (House of Commons, 2013). The role of these governors in the management of school finances is discussed in Section 2.1.1.

### **2.3.1 Comparison of the role of school governors in the management of school finances**

This section presents international perspectives on the role of agents in the management of school finances. Comparison of the two countries, the UK and Australia, is presented in this section and juxtaposition with South Africa is made in the next section.

### 2.3.1.1 Annual budget of state schools: United Kingdom and Australia

#### *United Kingdom*

According to the House of Commons' Education Committee (2013), one of the school governing board or the board of trustees for MAT's governance mandate is to draft a balanced budget for the financial year and submit it to the Education Skill Funding Agency (ESFA) by a date specified by the latter. It is also the school governing board's responsibility to inform the ESFA of any significant changes to the budget.

Unlike in South Africa where a zero bottom line must be maintained (GDE, 2020), in the UK schools are allowed to draw a budget plan reflecting estimated income and expenditure using surpluses from the preceding financial year. A formal budget plan setting out projected income and expenditure drawing on unspent funds from previous years is necessary. They are not obliged to balance the projected income and expenditure every financial year to nil and can carry forward the surpluses (House of Commons, 2013).

#### *Australia*

The school council approves the budget timeline developed by the school principal. The council also reviews budget submissions and programme priority list. This can be undertaken by the finance subcommittee if the school council has one. In addition, the council is responsible for the reviews and approval of the school budget.

#### *South Africa*

In terms of SASA, the SGB drafts the budget and presents it at the annual parents' meeting for consideration and approval by a majority vote of the parents (RSA, 1996b). The budget would then be approved by the SGB and subsequently submitted for ratification by the HOD or his/her delegation (RSA, 1996b). The ratified

budget is then considered the annual financial spending plan to be adhered to by the SGB. This suggests that the principals, parents and the HOD and the agent being the SGB are key in the approval of the budget.

#### 2.3.1.2 Levying of school fees

According to UNESCO (2015), fee-free education was adopted by several countries over the past two decades. This saw an increase in investment in education where governments globally injected resources into schools with the intention to lower or eliminate costs linked with sending children to school. The report further affirms that the move by governments in that direction saw an increase in the number of children enrolled in schools worldwide. South Africa, Australia and the UK are some of the countries that adopted fee-free education with slight variations. Consequently, the levying of school fees in public schools in these countries is practised minimally and mostly not on core education provisioning.

#### *United Kingdom*

State schools in the UK are in principle no-fee schools as they are not expected to charge any mandatory fees on core education provisioning in primary and secondary schools. Sections 449-462 of the Education Act 1996 set out the law on charging for school activities in schools maintained by local authorities. This law prohibits payment of school fees for the offering of the national curriculum to learners of a compulsory school going age not exceeding 18 years. These exclude payments for part-time studies and studies offered after hours, including tuition in singing or playing a musical instrument (Education Law, 1996).

School governing boards and local authorities are, therefore, prohibited to charge for an admission application to any State-funded school, for education provided during normal school hours, education provided outside school hours if it is part of the national curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or part of religious education. The governing board or local authorities cannot charge for instrumental or vocal tuition,

for pupils learning individually or in groups, unless the tuition is provided at the request of the pupil's parent, entry for a prescribed public examination, if the pupil has been prepared for it at the school and examination re-sit(s) if the pupil is being prepared for the re-sit(s) at the school (DfE, 2018a).

Schools and local authorities can charge for any materials, books, instruments, or equipment, where the child's parent wishes him/her to own them, optional extras, music and vocal tuition, in limited circumstances, pre-primary education provision and community facilities (DfE, 2018a). This implies that the UK has no-fee-paying schools as fees contributed are not for the core education provisioning as its laws prohibit charging for the offering of the national curriculum (DfE, 2018a).

### *Australia*

Australia as one of the countries that adopted a fee-free education, all public education in Australia is free. However, each school may charge voluntary contribution. In areas where voluntary school fees are levied, payment of these fees by parents is not compulsory and the fees are relatively low. All the voluntary school fees contributions by parents, private fundraising by parent and citizens associations, interests, trusts, endowments and other donations are meant to augment the State funding aiming to enhance education programmes and facilities (Rowe & Perry; 2020).

The school council may, therefore, request voluntary curriculum contributions to enhance education programmes while other voluntary contributions may be requested to enhance the school facilities. These voluntary contributions are not imposed on parents, but the council considers the views of the school community. In doing so, the council needs to understand the views of the school community apropos of the appropriateness of requests for parents to contribute and the appropriateness of extracurricular items and activities, including strategies for families facing financial hardship. As the agent representing the position of the school community, the council is expected to provide well-informed and pragmatic advice to the school principal. In addition, the council approves parent payment

arrangements that are aligned to the department's Parent Payment Policy and review the impact of parent payment arrangements on parents and students (Rowe & Perry, 2020).

### *South Africa*

Like the UK and Australia, South Africa has in principle adopted a no-fee education policy in all public schools. All public schools are funded equitably according to quintiles using a sliding scale from the poorest to the less poor (DBE, 2016). The schools for the poorest, quintiles 1 to 3, are funded at the maximum no-fee threshold while the less poor in quintiles 4 to 5 are funded below the no-fee threshold determined annually by the Minister with the Council of Education Ministers (DBE, 2016).

The levying of school fees in South African public schools is prohibited in quintiles 1 to 3. While SGBs are allowed and mandated to find ways to augment the State allocated funds, these schools are not allowed to charge school fees or any mandatory fee to augment State allocation. On the other hand, schools for the less poor in quintiles 4 and 5 are allowed to charge mandatory school fees to augment the State allocated funds. It is, however, the parents' discretion through a majority vote whether to charge a school fee or not. It is also the parents' discretion to determine how much school fees to charge (RSA, 1996b). The researcher, therefore, concludes that South Africa has also adopted a free-fee education like the UK and Australia.

In schools where parents opted for the levying of school fees, the SASA and the ANSSSF provide for fee exemptions to those that cannot afford (DBE, 2016; RSA, 1996b). SGBs should, in terms of the Act, develop equitable criteria and procedures for automatic, full and partial or conditional exemption of parents who are unable to pay the fees (c.f. par 2.2.6) (DBE, 2016; RSA, 1996b). These criteria should be fair and transparent, and every parent should be able to determine whether they qualify

for fee exemption or not. Considering practicability, the SGB is expected to consider the financial circumstances of all parents whose children are at that school.

### 2.3.1.3 Keeping financial records

#### *United Kingdom*

The school governing boards have a legal mandate to produce and submit annual accounts setting out their actual financial performance for the previous year. These are submitted to the Education Skills Funding Agency (ESFA) acting on behalf of the Secretary of State as charitable regulator (House of Commons, 2013). The Education Committee mandates that the school governing boards must maintain adequate accounting records and prepare an annual report and accounts in line with the Charity Commission's Statement of Recommended Practice (SORP) and ESFA's Accounts Direction. Moreover, the accounts must be audited.

The audited report and accounts must be:

- submitted to ESFA by 31 December each year
- published on the trust's website by 31 January
- filed with Companies House by 31 May
- provided to every member and to anyone who requests a copy (Education & Skills Funding Agency, 2024a).

#### *Australia*

While South African SGBs follow the MEC's prescriptions when budgeting, the UK follows Directives by the Education Funds Agency, and the Australian boards are provided with a software called CASES21 for government schools to support their administration, finance and central reporting (Victorian Government, 2006). The software generates the following financial records, among others:

- School budget management report which calculates the likely surplus or deficit in Student Resource Package (SRP) funding at the end of the year.

- Balance Sheet which lists the value of the school's assets and liabilities for a particular financial year.
- Operating statement which reflects comparisons of actual to budgeted revenue and expenditure by category for the whole school for the month and year to date and calculates variances.
- Cash receipts and cash payments reports reflecting all the receipts and payments for the accounting period respectively.
- Journal report reflecting list of transactions recorded in the finance system showing some of the data on which other reports are based.
- Bank reconciliation copies which match the bank statement to the school's banking records and show and explains any variances.
- Bank account movements which show every recorded transaction relating to the bank accounts.
- Cash Flow Statement which shows the inflow and outflow of cash, and the closing balance, for each of the school's bank accounts (Victorian Government, 2006).

Australian regulations also mandate the school boards in terms of Section 48(1) and (2)(a) to keep all records of the school council at the school premises, unless otherwise approved by the school council for the purpose of preparing or auditing books of account or records. The school council must also make the records available at any time to the Minister or to any person authorised by the Minister (Victorian Legislation, 2017). On the contrary, SASA mandates the South African SGBs in terms of section 42(a) to keep records of funds received and spent by the *public school* and of its assets, liabilities and financial transactions (RSA, 1996b). The SGBs are also mandated in terms of Section 43(5) and (6) of the SASA submit audited or examined annual financial statements to the *Head of Department* and make the audited financial records available for inspection at the request of an interested person (RSA, 1996b).

## *South Africa*

SASA mandates the SGB to keep records of fees received and spent by the public school (RSA, 1996b). This implies that SGBs should keep a cash book with both the receipt and the payment sides or the cash receipts and cash payments journals. Paragraph 8.1.11 of the Directives for the Management and Administration of Funds mandates the SGB to record all monies received in the cash book daily (LDoE, 2021). Supporting vouchers should be inspected prior to effecting payment (LDoE, 2021) and the payment should be recorded accordingly in the payment side of the cash book. The SGB should also prepare a bank reconciliation statement on a monthly basis to reconcile all monies received and/or paid on site with those received and/or paid directly into the school's bank account. GDE's MEC's prescription outlines the following records for the management of school finances:

- (a) Receipting of income
- (b) Cash book (cash receipts and cash payments)
- (c) Monthly bank reconciliation statements
- (d) Monthly and quarterly reports
- (e) The budget
- (f) Annual financial statements (GDE, 2020).

Affirming provisions in the PEDs' prescripts, guidelines and Directives for the management of school finances, the SGB is mandated in terms of Section 42 (b) to draw up financial statements in accordance with the guidelines determined by the MEC not later than three months after the end of each financial year (RSA, 1996b). This suggests that within the SGB members or its FinCom, there needs to be members with financial or accounting skills to prepare these financial statements. In the event there is shortage of the required skills, the SGB could in terms of Section 30 (1) (b) of SASA appoint persons who are not members of the SGB on grounds of the sought expertise (RSA, 1996b).

While the two states, South Africa and the UK do not provide a similar software to simplify the preparation of financial management documents, most of the South African SGBs are found to be the weakest as they lack the capacity to do budgeting

(Mosala & Mofolo, 2016) and the drafting of other financial management documents (Xaba, 2021).

#### 2.3.1.4 Fundraising

##### *Australia*

Fundraising for public schools in Australia is not only the responsibility of the school board. Other than school boards' fundraising initiatives, parents' clubs, members of the school community and/or other stakeholders may also come with fundraising initiatives and the school board only approves when they are convinced the initiatives presented would be lucrative for the school. This is substantiated as a mandate to the council in section 58(1)(a) and (b) of the Education and Training Reform Regulations 2017 that,

*Members of the school community of a government school may undertake fundraising activities for the following purposes with the agreement of the school council— (a) the establishment or augmentation of school funds; (b) the establishment or augmentation of funds for a particular school purpose in relation to the school (Victorian Legislation, 2023).*

These regulations further require that council, fundraising sub-committee, parents' club or group discuss how funds raised will be spent to determine what is in the best interests of the school. The regulation further mandates that funds raised for a particular purpose are used for that purpose and that funds raised for the school are held in a trust (Victorian Legislation, 2023). This suggests that deviations would result in unauthorised expenditure if such procurement would have not been budgeted for.

Similarly, SGBs in South Africa are expected to come with innovative ways of raising additional funds for the school to augment the meagre State allocations. Section 36

of the SASA stipulates that, “A governing body of a public school must take all reasonable measures within its means to supplement the resources supplied by the State in order to improve the quality of education provided by the school to all learners at the school” (RSA, 1996b). The Directives also mandate that funds donated with conditions should be ringfenced and utilised for that purpose (Dederen, 2021).

### 2.3.1.5 Procurement

#### *The United Kingdom*

To ensure value for money the school governing board has access to *View my Financial Insight* tool which has data for all schools for the purpose of benchmarking budgets and procurement. Benchmarking financial information using these tools helps the board to question whether resources could be used more efficiently. For example:

- (a) Are other schools buying things cheaper or getting better results with less spending per learner?
- (b) If the cost of energy seems high compared to similar schools, are there opportunities for investment in energy-saving devices to reduce the cost?
- (c) If spending on learning resources seems high compared to similar schools, are there opportunities for collaborating with other local schools to bring costs down?
- (d) If your spending on staffing is higher than other similar schools, are these schools achieving more in terms of attainment? If so, what might be learnt from them about how they deploy their workforce?
- (e) If the spend on teaching assistants is higher than other schools, is the board sure that they are being used effectively and efficiently to support pupil outcomes? (Wilkins, 2016).

The Schools Financial Value Standard (SFVS) tool helps assure LA maintained school governing bodies that they are meeting the right standards to achieve a good level of financial health and resource management. These schools procure goods and services through competitive tendering (Wilkins, 2016)

### *Australia*

The Education and Training Reform Act 2006 (the Act) stipulates that the school council is responsible for arranging for the supply of goods, services, facilities, materials, equipment and other things or matters that are required for the conduct of a school. The incurring of expenditure by schools is strictly controlled and subject to approval by the school council or any officer who has been authorised by the school council to carry out this function. The names of people authorised for this function are to be recorded in the school council minutes. The school council must follow the schools' procurement policy issued by the department.

While the school principal leads and manages procurement process, or delegates management of the procurement activity to a business manager or other staff members, the council evaluates recommendations for procurement expenditure and approves or authorises a delegated officer to carry out this function. The school principal and council are to ensure that procurement is in line with the school procurement policy and the Department's Financial Manual for Victorian Government Schools.

### *South Africa*

All procurements carried out by the SGB must be informed by the approved annual budget. This is substantiated in the GDE prescriptions that traversing the approved budget are warning signs of procurement fraud (GDE, 2020). Approved annual budget is the product of the parent body and the HOD as these stakeholders approve and ratify the budget respectively (RSA, 1996b). While the SGB also approves the budget after parents, they are, in the main, implementors of the mandate by the parents ratified by the HOD. The HODs of different PEDs also determine the Directives on how procurement and other school financial management processes should unfold (RSA, 1996b). Corruption Watch also affirms that procurement regulations differ from province to province (Collingridge, 2013).

SGBs in South African schools are allocated financial management functions in terms of Section 21 the SASA depending on their ability to perform such functions including procurement of goods and services and learner teacher support material provided they have an approval from the SGBs (RSA, 1996b). The school principal oversees and supports the SGBs in the execution of the Section 21 functions allocated and is duty bound to report to the HOD any inconsistency or deviations in terms of Section 16A of the SASA (RSA, 1996b).

#### 2.3.1.6 Appointment of an auditor/reviewers

##### *The United Kingdom*

The school governing board or academy trusts must appoint an auditor to give an opinion on whether their annual accounts present a true and fair view of the trust's financial performance and position and, as reporting accountant, provide a regularity assurance conclusion. Trusts should retender their external audit contract at least every five years and must consider the relevant points (ESFA, 2024b).

The audit contract and regularity engagement must be in writing and must not cover other services. If additional services are purchased, a separate letter of engagement must be obtained specifying the work and the fee.

Auditors are to be sourced by school governors from the Register of Statutory Auditors which lists both statutory auditors and accountancy firms in the UK (ESFA, 2024b).

##### *Australia*

The council should ensure that the financial statements are audited by an external auditor nominated and organised by the department at least once every four years (Victorian Legislation, 2017) unlike in South Africa where this is a mandatory annual process (RSA, 1996b).

## *South Africa*

Section 43 (1) of SASA mandates the SGB to appoint an auditor registered in terms of the Audit Profession Act 26 of 2005 to audit the records and financial statements of the school (RSA, 1996b, LDoE, 2021). This Act provides for the establishment of the IRBA and requires the auditor to register with IRBA before they could engage in their practice as external auditors in South Africa. SGBs should, therefore, appoint only those auditors with proof of registration with IRBA lest their report be rendered invalid. The auditors so registered are the most preferred in terms of SASA. However, depending on reasonable practicability, SGBs may opt for the last option of appointing a person to examine and report on the schools' records and financial statements provided the accountant is in terms of Section 43 (2) (b), approved by the MEC for that purpose. The appointment of auditors or examiners of records and financial statements of schools is, therefore, narrowed down to, IRBA registered auditors for auditing or alternatively, a MEC approved person for examination of schools' records and financial statements.

Since the repeal of the Close Corporations Act, 1984, a qualified person to perform the duties of an accounting officer in terms of Section 60 of this Act no longer qualify to examine school records and financial statements. Therefore, all persons who previously qualified in terms of Section 43 (2) (a) of SASA do not qualify anymore unless approved by the MEC to do so. It, therefore, puts bare that only MEC approved person(s) may review the financial records of schools and only IRBA registered auditors may audit the schools' financial statements.

SASA mandates SGBs to submit their schools audited or reviewed financial statements to the Department as evidence attesting to the effective use of financial resources. For schools to have these processes executed, SGBs need to appoint a person registered as an auditor in terms of the Audit Professions Act of 2005, which provides for the registration of auditors with the IRBA. If that is not reasonably practicable, SGBs must appoint a person who is qualified to perform the duties of an accounting officer prior to approval by the MEC (RSA, 1996b).

Research reveals that most parents have reservations about the work done by external auditor and/or reviewers of schools' financial statements citing suspicions that the school principals and other SGB members have a way of misappropriating school funds and covering their tracks (Mafora, 2018). Some of these auditors or reviewers are upfront about their malicious intentions of keeping their clients by issuing out clean audit reports even if the schools' financial statements depict a gloomy financial picture (Theodorou & Pashiardis, 2016; Mmako, 2018).

South Africa's practice in this case compares to that of the UK where SGBs are to appoint an auditor registered in terms of the Audit Profession Act of 2005 (RSA, 1996b), suggesting that such auditors are IRBA registered, hence regulated. However, if that is reasonably not practicable, SGBs has only one option of appointing an MEC approved reviewer to examine their annual financial statements. This practice is an assurance to the funders and beneficiaries that the custody of their purse is well governed.

#### 2.3.1.7 Auditing and reporting to the parents

##### *United Kingdom*

The Education Funding Agency responsible for the funding of public schools in the UK expects the school governor to have their annual financial records audited on an annual basis, also that the audited financial statements are to be submitted to them (ESFA) by 31 December each year, be published on the trust's website by 31 January and be filed with the Companies House by 31 May. It is also mandatory that the audited financial statements be availed to every member of the public and to everyone who requests a copy (Education & Skills Funding Agency, 2024a).

##### *Australia*

In terms of Section 37(1) of the Education and Reforms Regulation 2017, the school council is mandated to call a public meeting once per annum. In that meeting the

council is to report to the public its proceedings since their last public meeting. The school council is also to present the annual report published by the council. The school council may also present a copy of the audited financial statements if by the time of the meeting, the accounts were already audited (Victorian Legislation, 2017). Other than meeting with the public, the school council is mandated meet in terms of section 27 of the Regulations, at least eight times each year, and at least once during each school term, unless the Minister gives the council written authorisation to meet less frequently (Victorian Legislation, 2017).

### *South Africa*

Similarly, South African SGBs are, in terms of Section 18(2) (a) and expected to meet at least once every *school* term and (b) hold a general meeting with parents, learners, teachers, and other staff at the *school*, respectively, at least once a year (RSA 1996b).

Deduced from the preceding discussions, the researcher concludes that the scope of role in the management of school finances in Australia and the UK is almost the same with those of South African SGBs. While the SGB's role is outlined in SASA of 1996 (RSA, 1996b), Australia's school governors are governed by the Education and Training Reform Act of 2006 (Hamilton, 2013) and UK's school boards by Section 12 of the UK's Governor' handbook (Department for Education, 2014).

In the next section, impediments to the effective and efficient management of school finances in the UK and Australian public schools are discussed.

## **2.4 IMPEDIMENTS TO SCHOOL GOVERNANCE: AN INTERNATIONAL PERSPECTIVE**

### **2.4.1 United Kingdom**

#### 2.4.1.1 Failure to comply with the approved annual budget

Despite the budget approved and verified by the ESFA (House of Commons, 2013), it was found that practically, implementation was often not in line with the approved budget by omission or commission. School governors may deviate from

implementing the approved budget owing to valid reasons among others, emerging challenges that call for inevitable changes or adjustment in policies (OECD, 2017). Budget deviations by school governor may also occur owing to their lack of capacity, resulting in inefficiencies and unauthorised expenditure in the management of school finances or because of fraudulent and corrupt activities (Vegas & Coffin, 2013; Ramkumar, 2008).

#### 2.4.1.2 Fraud and corruption

Fraud and corruption have been a feature in the UK public schools for some time evidenced by the resignation of one of Britain's leading academies headteacher on financial mismanagement reported by the Education Skills Funding Agency (House of Commons, 2013). This was also stated by Vegas and Coffin (2013) pointing to inefficiencies in the management of school finances resulting from fraudulent and corrupt activities by custodians of the school finances.

Cases of financial malpractices date back from when academic trust took over from the Local Authorities where numerous high-profile cases of school financial misconduct were reported. This is affirmed by Wilson (2018) indicating that 76 Financial Notices to improve were issued by ESFA to academy trusts while investigations on the reported high-profile cases seemed to gain no traction by then. Other than investigations, numerous letters were also issued to academic trusts about poor financial management, among others (DfE, 2018b). Conflict of interest also featured in the academic trust as one academy trust had relatives running the trust as the board without making any declarations. Cases were also evidenced where the school principal and the finance manager are founders of the trust, they are also the trustees, and they are also the sole authorisers of payments through the electronic banking system which was the case with multiple other academy trusts (Male, 2022).

Deduced from the preceding discussions, agents unscrupulously seized all the powers including those of the schools as beneficiaries. Academy funds may be channelled with ease to the families and relatives, disadvantaging the legitimate

beneficiaries where only relatives are board members of the academy trust. In the case where only the school principals and school business managers are in principle the academy trust by themselves, public funds are prone to theft and mismanagement at the hands of the two members who are everything to the academy trust. The researcher also posits that similar situations are breeding grounds for collusion with the public funds at the expense of the beneficiaries.

## **2.4.2 Australia**

### **2.4.2.1 Lack of capacity by school trusts**

Australian school governance also experiences similar challenges of lack of capacity, resulting in governance failures by custodians of school finances notwithstanding its being the earliest adopter of school governance decentralisation in the 1990 (Victorian Ombudsman, 2021). These failures manifested in deliberate breaches of public sector standards among others. Failure in the management of school finances was evidenced by a school principal who misused and mismanaged school finances, bridging applicable departmental procurement procedures. Findings from the investigations by the Victorian Ombudsman revealed that the school principal and finance manager lacked governance, accounting, finance management and business skills, knowledge, qualifications, and training (Victorian Ombudsman, 2021).

### **2.4.2.2 Fraud and corruption**

Australian public schools are no exception to malicious practices of financial mismanagement by school trusts and principals. Cook (2017) reports on explosive findings where a corrupt cartel of officials embezzled more than \$6 million from the public schools to spend on overseas travel, alcohol and lavish lunches. This case is similar to the South African one where the school principal spent school funds on expensive overseas trips and hunting (Chaskalson, 2017).

The Australian state's public sector corruption watchdog considers fraud and corruption misconducts in Australian public schools to be a long-standing practice by senior officials in the education department for decades (Henebery, 2017). Moreover, Hockley, Caldwell, Tong and May (2023) assert that the prolonged

fraudulent and corrupt practices owing to keeping key financial decision-makers in positions for too long. They posit that the risk for such potential financial malpractices peaks where there is longevity with key decision-makers who by commission, disregard mandatory policies and procedures thereby abusing their position of trust. These agents intentionally drift away from the interests of the schools they purport to stand for, the malevolent culture of non-compliance and entitlement as per the Independent Broad-based Anti-Corruption Commission (Henebery, 2017).

Similarly, some of the challenges faced by SGBs in executing their role are also common in Australian school councils and UK school boards. In the preceding discussions, government officials are found to be interfering with the role for selfish motives. South African SGBs also experience a long-established norm where circuit managers issue unlawful instructions that SGBs transfer funds from the schools' bank accounts into the circuit office bank account (Mashaba, 2024). The conclusion by some scholars is that governors' challenges are common across most countries (Mohapi et al, 2018; Myende, Samuel & Pillay, 2018; Mncube & Makhasane, 2013).

In the following section, the detailed South African perspective of school financial management role is outlined to explore the nature of the phenomenon under study.

## **2.5 COMMON FINDINGS: SOUTH AFRICA, UNITED KINGDOM AND AUSTRALIA**

Deduced from the juxtaposition of the three different countries' role in the management of school finances, literature crystallises that challenges in the management of school finances are not a local phenomenon alone but an international one as well (Mncube et al, 2013; Brown, Rutherford & Boyle, 2000).

Despite the better quality, the parent component of the governors is in terms of the education level and skills in the UK and Australia compared to South Africa which in the main is characterised by parent members with low literacy levels (Maluleke, Worku & Muchie, 2022; Xaba, 2021; Botha, 2019; Mohapi et al, 2018), the findings are generally similar. The following are but a few commonalities:

### **2.5.1 Mismanagement of funds**

Literature reveals that fraud, and corruption is a common phenomenon among public schools globally as Cook (2017) postulates that public schools in Australia were being investigated for misusing the public purse citing the embezzlement of more than \$6 million from the State's schools, spending the money on overseas travel, alcohol and lavish lunches. Also, an incident of mismanagement of funds in the UK led to the resignation in June 2013 of one of Britain's leading academy principals, who took over the financial management responsibility of the school from the local authorities for his own nefarious ends (House of Commons, 2013).

### **2.5.2 Unlawful interference by senior officials of the department of education**

In the UK, the state's public sector corruption watchdog reported about serious misconduct by senior officials in the education department in the management of school finances abusing the IBAC scheme for decades (Henebery, 2017). Evidence suggests that as the practice was pervasive and long standing, the corrupt education department officials developed a malevolent culture of non-compliance and entitlement. In South Africa, similar perpetual culture of unlawful instruction by circuit managers to SGBs for unauthorised use of the funds was also identified (Mashaba, 2024).

Affirming that of impediments in the management of school finances are a global challenge, Mohapi and Netshitangani (2018) aver that even US school boards were found to be dysfunctional owing to a lack in organisation, leadership and an understanding of their role. Mannes (2015) posits that the lack in organisation, leadership and being clueless in their role inversely affect their capacity for sound decision-making.

Scholars such as Mncube and Makhasane (2013), and Mohapi and Netshitangani, (2018) have conducted their studies on this phenomenon in different countries, namely, Kenya, Lesotho, Namibia, Swaziland, Germany and Nigeria and France, including the UK and South Africa, among others but came to common conclusion about challenges experienced by school governors in school financial management (Myende et al, 2018). Induced from these discussions, the research concludes that

the role of managing school finances is prone to challenges despite the quality of the SGBs in terms of education and skills level. Also, that disregard of democratic values and principles in public administration also contributes to these challenges where stakeholders, either internal or external act against the set laws, policies, regulations and guidelines governing the role in question.

The next section investigates the level of understanding SGBs have about their legislative mandate of managing the school finances. It also seeks to explore their capacity in the execution of this role.

## **2.6 SGBs' UNDERSTANDING OF THE ROLE OF MANAGING SCHOOL FINANCES AND IMPLEMENTATION THEREOF**

Deduction drawn from the discussions under the theoretical framework is that the SGB as the agent in the P-A theory is central and plays a key role in all the processes. The SGB is responsible for coordinating all processes, namely, budgeting, determining school fees, fee exemption, fundraising, procurement, compilation and keeping of and reporting on school's financial records, financial management, auditing, and submission of school's annual financial statement to relevant stakeholders (RSA, 1996b; LDoE, 2021) to mention but a few. These myriads of processes demand the SGB and its committees to act with great versatility and in possession of a wide range of skills. The SGB is to act as its mandate in the best interest of the school, education, learners, and parents (RSA, 1996b) and all these processes should be carried out in an effective and efficient manner (RSA, 1996a). The SGB's successful execution of all these processes ensures the realisation of their legislative mandate of acting in the best interest of education (RSA 1996b) and the education's constitutional mandate of ensuring more access, equity, quality, and redress of the past injustices (RSA, 1996a).

All the financial processes mentioned in the preceding paragraph require adequate financial management skills and understanding of prescriptions of the SASA from the SGBs (Aina et al, 2020) as well as the ANSSSF to ensure the effectiveness and efficiency of school financial decision-making.

Scholars have varying perceptions on SGBs regarding their understanding of what constitutes their role in the management of school finances as outlined in the SASA. Mncube (2009) argues that many parents seem unaware of the functions of the SGBs and Xaba (2021) affirming that SGBs of no-fee schools in most rural communities seem oblivious to their role to an extent of ceding their role to school principals or SMTs. However, Basson and Mestry (2019) argue that SGBs have a clear understanding of what constitutes their role in the management of school finances, but the implementation is their key weak point. Cebekhulu (2015) and Ngobeni (2015) point to lack of requisite skills that impedes implementation of the role.

Supporting the assertion that there is lax in the role implementation, studies have proven that there is a gap in the execution of the role resulting from the SGB's dearth of the required financial skills to carry out the outlined financial processes. Mestry (2018) asserts that school stakeholders' representatives entrusted with financial management responsibilities encounter huge challenges in effectively managing their schools' finances. In the same vein, Rangongo, et al (2016) found that a lack of financial management skills and proficiency as the causes of most financial mismanagement in public schools. Other scholars aver that that SGB responsibilities are enormous and often impeded by discrimination, marginalisation, manipulation and a myriad of systemic barriers (Mafora, 2013; Mabovula, 2009; Mncube, 2009). Impediments in the execution of financial processes entrusted to the SGBs often occur by omission or commission thereby defeating the purpose of bringing about access, equity, quality education, and redress.

In some schools, there are worst case scenarios where SGBs do not have a full complement of committees crucial for school governance. This was evidenced in a study by Dibete and Potokri (2021) where four of the six sampled schools had no finance committees. It, therefore, suggests that the SGBs' responsibilities of drafting the budget, managing procurement, managing and reporting on the use of funds,

compilation of the financial records and statements and transacting are either misplaced or not carried out properly.

Deduced from the preceding discussion, it is stark clear that in fee-paying schools where most SGBs understand their role in school financial management, some tend to use their unparalleled knowledge of their role to unscrupulously traverse their authority by hiding information from beneficiaries of education, oftentimes enriching themselves and/or their cronies. Also, in no-fee schools, the SGBs are generally clueless of their role in managing school funds. They consequently cede their role to the school principal and/or the SMT. In some cases, school principals outrightly exclude the SGBs from executing their mandatory role, considering it as a waste of time (Aina et al, 2020).

The researcher opines, therefore, that concealing of information by knowledgeable SGB members equally deprives beneficiaries access to education such as passing of the role to the school principal by SGBs. In the two scenarios, it is dependent on the inherent values of the knowledgeable SGB members in fee-paying schools or the sole role-playing school principals to act in the best interests of the beneficiaries. They are, however, deterred by nothing to act adversely if parents and other SGB members are clueless about the management of school finances. Evidence of such cases are, among others, SGBs and school principal paying themselves for additional work done by State employees unlawfully without following stipulated procedures, opening illegal bank accounts for the school and concealing surpluses (Chaskalson, 2017), school principals taking financial statements to friends for auditing (Rangongo et al, 2016) and colluding with reviewers of school financial statement (Mmako, 2018).

A study by Basson and Mestry (2019) revealed that SGBs have a clear understanding of their financial management role as outlined in SASA. Basson and Mestry's (2019) findings indicate that despite this understanding by SGBs, the practice in most schools is contrary to SASA provisions. Financial management in

most schools was found to have been shifted to the school principal (Mohapi et al, 2018) and the SMT.

In the same breath, there are those SGBs who neither understand the SASA nor implement it. These parent governors hold a misconception that school principals as the accounting officers are solely responsible for managing school finances (Mohapi et al, 2018). Section 4 of the EEA (RSA, 1998) stipulates that the school principal needs to monitor school accounts, and keep records, to best activate the financial resources for the benefit of the learners in consultation with the appropriate structures. Deiltens (2011) adds that the majority of SGB' parents' component perceives their role as co-opted and glorified fundraisers. Hence, most school principals carry out financial management responsibilities with less involvement of the SGBs' parents' component who are mainly less skilled (Cebekhulu, 2015). The SGB is elected from the pool of the same parents who have no clue of what is expected of them in governance. This therefore suggests that the SGB will struggle to understand other financial roles other than fund-raising.

While this section sought to get the level of understanding the SGBs have of their role in the management of school finances, the next section seeks to reveal possible impediments of the SGBs in their implementation of their mandatory role as research points to implementation as a major drawback (Basson et al; 2019).

## **2.7 BARRIERS SGB FACE WHEN EXECUTING THEIR FINANCIAL MANAGEMENT ROLES**

The literature reviewed (Xaba, 2021; Aina et al, 2020; Botha, 2019; Mestry et al, 2012; Dieltiens, 2011; Mncube, 2009; Chikoko, 2008; Heystek, 2004) points to several barriers to effective financial management among others, drifting agent, lack of necessary financial management skills, inadequate or limited training of SGBs, and appointment of external auditors/reviewers by schools.

There seems to be a paucity of literature dealing with the practicalities of financial management in the fee-paying public schools (Aina et al, 2020). Challenges also exist owing to the funding mix in no-fee and fee-paying schools (Naicker et al, 2020).

The literature on the SGBs' perceptions on their role on these issues is, however, limited because of the paucity thereof.

### **2.7.1 Drifting agent**

SGBs as the agents of the learners, parents and education, expected to act in these principals' best interest are found to be pursuing other nefarious interests that impinge on their principals. SGBs are found to have used their financial management role wrongfully by denying parents fee exemption and also litigating against them without ascertaining whether the parents qualify for fee exemption which was evidenced in the cases "*Head of Department: Western Cape Education Department & another v S (Women's Legal Centre as Amicus Curiae)* (1209/2016) [2017] ZASCA 187 (13 December 2017)" and "*Centre for Applied Legal Studies and Others v Hunt Road Secondary School and Others*, 2007" (Dass et al, 2017).

Budget as a spending yardstick is drafted, approved by parents, SGBs and the DBE but seldom adhered to in the implementation. Some of these confusions leading to drifting agents are because of uniformed guidelines by some education stakeholders. FEDSAS (2017) suggests that budgeting is the responsibility of the school principal who should share it with the SMT. After the budget has been finalised and presented to the SGB, FEDSAS suggests that school principals should ensure that it is locked and cannot be edited. This suggests that parents are not included in the budgeting process according to FEDSAS and their majority vote will not be considered in its affiliated schools. In this case, the interests of the SGB and the SMT precede those of parents.

The drifting of agents is costly to schools and compromises the efficient and effective use of public resources as often schools incur fruitless and wasteful expenditure owing to unnecessary litigations against the school (Dass & Rinqest, 2017). Agents sometimes collude with service providers, often inflating prices of goods and/or services (Mmako, 2018). Drifting agents are, therefore, detrimental to the realisation of the state's theory of change in that access and equity in education is often compromised with the distortion of information by agents either by omission or commission.

### **2.7.2 Lack of necessary financial management skills**

Most studies conducted on the SGBs' role in financial management points to the SGBs as lack of necessary skills and knowledge for financial management as the main barrier to their effectiveness (Xaba, 2021; Aina et al, 2020; Botha, 2019; Mestry et al, 2012; Dieltiens, 2011; Mncube, 2009; Chikoko, 2008; Heystek, 2004). Furthermore, Mosala and Mofolo (2016) echoed the same sentiments that the capacity to manage school finances is in the main a challenge in South African public schools.

SGBs are expected to compile monthly financial records and year-end financial statements in terms of Section 42 of the SASA (RSA, 1996b). Owing to the lack of such skills, SGBs struggle to compile these financial records (Botha, 2019; Aina et al, 2020; Xaba, 2021). Supporting this assertion, Xaba (2021) avers that compilation of financial records requires much specialised financial and accounting skills. SGB members without these skills will struggle to meet the demand of their role that requires such expertise. This results in some school principals permitting little or no subordinate involvement in school decision-making processes. Aina and Bipath (2020) assert that in some schools, school principals as the only member of the SGB with little knowledge of managing school finances often exclude other SGB members in executing their mandatory role considering it as a waste of time as SGBs are found lost in their own roles, hence making no contribution. School principals as the sole player in the role is a potential deterrent to effective school financial management as some use the opportunity to further their own nefarious end like in the case of where the school principal and a few SGB members enriched themselves with the school funds as they were the only ones who opened and access to eight illegal bank accounts used to hide school surpluses (Chaskalson, 2017).

Most researchers attribute the side-lining of other SGB members and or dominance of the school principals in the school financial management role to the low level of education of SGBs (Mokoena, 2011; Botha, 2019; Xaba, 2021; Maluleke, Mohapi et al, 2018; Maluleke, Worku & Muchie, 2022). Dieltiens (2011) asserts that SGBs struggle to execute their roles because there is something particular to schools and

education that requires knowledge and information that SGBs do not usually have. Budgeting for school is for instance quite different from companies for profit and SGBs need orientation thereon before embarking on their role in finances. Budgeting skills is considered as a possible barrier to effective financial management in schools as purported by Aina and du Plessis, (2023) which could potentially contribute to mismanagement of funds. Aina and Bipath (2020) also assert that a deficiency in financial management skills compromises the effective and efficient use of the schools' financial resources by those responsible. Sebidi, Aina, and Kgwete, (2023) argue that this also compromise the schools' chances of accessing additional funding from businesses and other organisations as most donors and sponsors rely on good financial reports. Good financial reports are indicators for effective and efficient financial management.

### **2.7.3 Inadequate or limited training of SGBs**

Some studies reveal that capacity building offered in terms of Section 19(1)(a) and (b) of SASA to empower the SGBs in school governance are not always adequate and consequently contribute to the failures of SGBs in executing their financial management role (Mafora, 2018; Ngobeni, 2015; Nguyen, 2013; Mncube, Harber and Du Plessis, 2011, Xaba, 2011). This challenge is also experienced in other countries as affirmed by Mugala, Daka, Nsama, et al. (2023) who also attribute the ineffective and inefficient use of school funds to lack of proper training. A finding by Beyers and Mahloana (2015) adds that, such capacity building is offered by district-based personnel who themselves often lack financial literacy and basic knowledge of bookkeeping, and hence render them ineffective. Supporting the finding, analysis by Tsharane and Bussin (2022) also showed little and ineffective training and support. They argue that the training applied a blanket approach while its quality was also below par. Makhuvele, Litshani, Mashau and Manwadu (2019) attribute the SGBs' lack of the required capacity to interpret and implement policies to the insufficient capacity building. These scholars substantiate a finding by Mmako (2018), where SGBs in all sampled schools indicated that their capacity building offered in terms of Section 19(1)(a) and (b) of SASA neither included content nor topic on accounting, financial records and statements. This statement also

correlates with findings that attribute poor financial management skills and knowledge to a lack of capacity building in financial management stakeholders (Sebidi, 2019).

Notwithstanding training provided in terms of Section 19 of the SASA, SGBs continue to struggle with the school financial management role mainly because the PED has systems in place for mentorship but neither have qualified mentors nor qualified facilitators in school financial management (Ogunleye, 2016; Beyers et al, 2015). The main drawbacks compromising the quality of training provided to SGBs deduced from these discussions are among others, the relevance of the training programme content, the quality of the training facilitators, the duration of the training which is often short (Nguyen, 2013), and once-off (Mncube, et al, 2011). A study by Sebidi (2019) also attributes the lack of financial management to the lack of training among SGB members.

While the quality of training provided to SGBs is criticised for not meeting the expectations in strengthening school financial management, the quality of auditors and reviewers expected to quality assure and report on school financial management is also found to be another drawback to school financial management as discussed in the following sub-section.

#### **2.7.4 Appointment of ineligible reviewers**

Appointment of ineligible auditors, accounting officers and cronies for examiners of school financial records (Dederen; 2022; DBE, 2019, 2017; Rangongo et al, 2016) who are also not properly regulated in terms of SASA has proved to defeat the purpose of school financial management. This is evidenced by intentional misstatement of figures to please the stakeholders while concealing that the school is in financial distress.

Numerous cases of alleged misconduct by members of professional bodies in schools were referred to the DBE (DBE, 2019). Issues raised by relevant stakeholders about malpractices by auditors and reviewers appointed in terms of Section 43 of the SASA included the following among others:

- (a) The appointed accounting officer or firm performed dual duties, such as an auditor and accountant/bookkeeper.
- (b) The presentations of the Financial Statements were not in accordance with the recommendations accounting principles.
- (c) Inaccuracies and misstatements in the financial statements (DBE, 2019).

Overwhelmed by cases referred to the DBE where issues of ineligible independent reviewers circumvented proper financial management practices, Circular M1 of 2017 was issued (DBE, 2017). The circular was meant to curb the compilation of review or auditing of schools' annual financial statements by the same accounting officer. Moreover, the circular also sought to clarify to PEDs that other than IRBA registered auditors, only independent reviewers registered with CIPC, registered with financial bodies such as the SAIPA, SAIBA, CIMA and others and approved by MECs in those provinces are eligible for appointment by SGBs.

Like the DBE, the LDoE was also overwhelmed with numerous complaints referred to its circuits offices, district offices and the head office about malicious financial reporting by auditors and reviewers of school financial statements (Dederen, 2022). Deviations from applicable reporting norms and misstatements were identified during investigations of reported cases of alleged misreporting and mismanagement of funds by schools with clean review statements. Most of these reviewers were found to be neither IRBA registered members, accounting officer in terms of section 60 of the Close Corporations Act nor MEC approved in terms of SASA prescripts. It, therefore, implied that since they are not regulated by any law, the Department is left *sans recourse*. Subsequently, Circular 11 of 2022 was issued stating that

The Department has also taken a decision that Audited Financial Statements for the current financial year (2022) will only be considered valid if audited by IRBA registered Auditors or reviewed by MEC approved reviewers/examiners. Therefore, school are urged to submit applications on behalf of their non-IRBA registered Financial Statements Reviewers/ Examiners by the end of June 2022 (Dederen, 2022).

The Circular was issued noting that the province had no MEC approved reviewers prior 2022 and had only a handful of IRBA accredited auditors. Also, that after 01 May 2011, no further registrations of Close Corporations were possible (c.f. 2.2.10), hence new entrants of accounting officers in terms of this Act were barred indefinitely. It, therefore, implies that all who qualified after May 2011 are not eligible to examine school financial records or perform duties of an accounting officer unless they apply for MEC's approval in terms of SASA. In principle, the new Company Act 71 of 2008 repealed Section 60 of the Close Corporations (CC) Act although accounting officers already registered as such before the enactment of the Company Act of 2008 are allowed to continue to exist until deregistration or dissolution in terms of the Close Corporations Act, 1984 (PwC, 2011). Therefore, the new cohort of accounting officers who qualified after May 2011 could not be registered with the Companies and Intellectual Property Commission (CIPC) as CCs hence do not meet the requirements of an accounting officer in terms of Section 43 of the SASA.

#### **2.7.5 Lack of knowledge of legislation and a complete ignorance**

While the P-A theory presumes the agent has more information, it was observed through a study by Rangongo (2017) that school principals lacked the knowledge of applicable legislation in school governance and others showed sheer ignorance of the law in the management of school finances. Rangongo (2017) attributes the comfort zone attitude of school principals towards governance to the existence of a culture of non-accountability, non-adherence to prescripts and reluctance to implement even the little that they know without recourse. The researcher opines that effective management of school finances could only be attained where there is a full understanding of applicable legislative frameworks. Supporting the observation by Rangongo (2017), Makhuvele (2019; 2016) affirms that SGBs lacked the necessary capacity to interpret and implement policies in schools. Nonyane (2016) also asserts that SGBs lack the requisite literacy level to read the legislation that governs their role. It, therefore, suggests that if they lack the knowledge of applicable legislation, their good intentions would be in vain.

### **2.7.6 Poor or lack of internal control measures**

The school's approved annual budget dictates what items the school's income should be spent on. The actual income received, and payments made within the school's financial year in line with the approved annual budget should be reflected in the cash book in the months in which such transactions occurred. All funds received must be receipted and payments be accompanied by approved requisition forms (PED06), invoices and three quotations as evidence that stipulated procurement procedures were adhered to (LDoE, 2021; GDE, 2020). The researcher, therefore, posits that any undocumented, unapproved deviation from approved annual budget constitutes an unauthorised expenditure which SGBs need to account for. Hence, SGBs are expected to ensure that there is no deviation from the approved budget so as curb unauthorised expenditure (King & Mestry, 2023). Also, that SGBs should account for all unreceipted income and payments without stipulated sources of evidence. Against this background, the researcher asserts that the approved annual budget and the cash book are the primary internal control financial records supported by the relevant source documents. Further strengthening internal controls Directives allocates financial management responsibilities to individuals within the SGB and its FinCom and warns against blurring those lines of responsibility (LDoE, 2021; Mohapi et al, 2018).

Contrary to stipulations in Directives and policies, SGBs are found to be operating without internal control measures in place. Naidoo and Mestry (2017) attribute embezzlement of funds to, among others, poor or lack of internal control measures. Rangongo (2017) posits that ignorance or reluctance of the SGBs to implement the little internal controls they know is also fuelled by their fear of being victimised by teacher unions whose members often advise the SGBs otherwise. Naidoo and Mestry (2017) cited an example of a school in Mamelodi where the Auditor-General found that large cash withdrawals of almost R60 000 were made from the school's bank account without any formal procedures. In addition, school fees collected by teachers were not deposited into the school's bank. The Limpopo Provincial Treasury (2024)'s *"Exception Report on Transfer Payments Audit"* issued on 10 April 2024 also affirms poor internal control measures resulting in the mismanagement for

school finances. The case of Glenvista High School's opening of several illegitimate bank accounts to hide school surpluses (Chaskalson, 2017) also depicts how intense the lack of internal controls by SGBs is. Dwangu (2021) asserts that the lack of proper monitoring of control of expenditure leads to acts of fraud and corruption on the part of school principals, finance officers and SGBs.

### **2.7.7 Lack of transparency and accountability on school finances**

Democratic values and principles in public administration in terms of Section 195 of the Constitution include, among others, transparency and accountability (RSA, 1996a). SGBs as custodian of the public funds should exercise transparency internally with other SGB members and externally with immediate stakeholders such as parents, the PED, sponsors and donors, among others. Hence, Van Rooyen (2013) avers that financial management should be all-inclusive and transparent. Putra and Suryanawa (2022) regard transparency and accountability as pillars of good governance. By implication, governance founded on sound policies also needs these pillars, namely, transparency and accountability to be upheld by school governors as a firm support to governance structure.

Learners, parents and teachers are the public whose interest in obtaining information, especially finance-related one about their schools takes precedence. Putra et al (2022) posit that where freedom to obtain information is granted to those who need it, it will automatically encourage public participation. It is for that reason that provisions of Constitution of South Africa and the SASA promote transparency in public administration (RSA, 1996a) and that financial information be availed to parents to view or examine (RSA, 1996b) so as to invite public participation in services rendered to them. It is, therefore, a constitutional and SASA mandate for SGBs to be transparent to parents, learners, teachers as well as the HOD with financial information of their schools.

With the information shared with the public with interest, public participation will automatically manifest in different ways, among others, clarity seeking questions, deliberations on information shared and examination of information shared on which the SGB needs to give an account. It, therefore, says that accountability should be

given to the shared information. Also, if information is not adequately shared, there will be no adequate public participation and less to account for. These beneficiaries interrogating information shared are in the main the principals (parents, learners and teachers), whose best interest is the mandate of the SGBs as their agent, and the agents to which the SGBs should account. Nurimansyah, Ariyani, Selatan and Barat (2020) state that accountability is upheld by the giver of responsibility. In principle, the HOD, parents, learners and teachers as the constituencies of the SGBs, are the ones that gave the school financial management responsibility to execute among others and in turn the SGBs are expected to give account on how the responsibility was carried out.

In contrast to the ideal position stated, SGBs, especially, the school principals display a dominant characteristic of the lack of transparency and openness when dealing with school finances (Dwangu, 2021; Munge, Kiman & Ngugi, 2016; Mestry 2006). Munge, Kiman and Ngugi 2016) discussed management of finances in the Nakuru County of Kenya, stating that sometimes school funds were mismanaged and misappropriated by those in charge, which pointed to school principals.

Table 2.3 depicts the national score of indicators.

**Table 2.3: School Governing Body**

	Governance					Average Governance	Performance	Corruption risk
	Lack of accountability	Lack of integrity	Lack of Transparency	Lack of Participation	Capacity			
National<>Province								4
Province<>District								3
Province<>School	9		6			7		14
District<>School	25	58	33			38		11
School<>External actors		27				27		7
School<>SGB <sup>*</sup>	52	7				29		
School<>Teachers	50	5		40		32		
School<>Users	58	21	50	59		38		15
SGB<>Users	8	6		55		23		
System							40	
School					58	59	41	
SGB <sup>*</sup>					78	76		
		0-20	LOW	20-40	MEDIUM	40-100	HIGH	

The summary school governance risk evaluation map in Table 2.5 indicates that schools are predominantly high-risk areas in their relationship with SGBs, with teachers and with users in terms of governance showing lack of accountability. This also substantiates the perception of the parent component of the SGBs who consider themselves to perform a docile role while school principals run the show (Basson et al, 2019). Funding of public schools by the State is a pro-poor initiative. Schools are funded per quintiles on a sliding scale from the poorest (quintile 1) to the least poor (quintile 5). Where transparency and accountability mechanisms are lacking, the needs of the poor are often marginalised and funds intended for basic services like education are at risk of being lost, misused or misallocated. Rangongo (2017) avers that reluctance to act appropriately by the SGBs in executing their role in the management of school finances is a result of lack of accountability to stakeholders as depicted in Table 2.5.

### **2.7.8 Misappropriation of funds through fraudulent and corrupt activities in schools**

Ololube (2016) defines misappropriation as an intentional or illegal use of funds for one's own use or other unauthorised purposes, particularly by public officials. Similarly, Rangongo, et al (2016) define financial mismanagement as corrupt behaviour and wrongdoing in the management of finances on the part of an authority. They defined misappropriation as dishonest use of funds for one's personal gain. There are laws and policies in place to proactively prevent possible misappropriation of funds in the public sector, including schools. Section 195 of the South African Constitution provides for a public administration that promotes a high standard of professional ethics (RSA, 1996a) suggesting that bodies like SGBs should in their quest to act in the position of trust to the school (RSA, 1996b), uphold to this value and principle.

Scholars such as Dwangu (2021) and Rangongo et al (2016) show that in the main, misappropriation of funds manifest through fraudulent and corrupt activities in schools by members of the SGB citing school principals being in the lead. Some school principals that become barriers by excluding SGB members from fully

participating in their mandated role argue that it is a waste of time. The school principal as a sole role player in a financial environment that requires segregation of responsibilities as a measure to avert risks poses even more risks as there will be no internal controls to quality assure his/her financial records and processes. This is evidenced in the court case “*Buthlezi v MEC – Department of Education KZN and Others* (D640/17) [2021] ZALCD 80” where the school principal misappropriated funds he illegally loaned to teachers and failed to deposit into the school account various amounts of school fees. Studies by Rangongo et al (2016) and Mmako (2018) revealed that collusion with external auditors who are friends with SGBs and/or school principals compromise financial reporting. Guan, Su, Wu and Yang (2016) also assert that auditors related or within the client’s close cronies will most often issue favourable audit opinions, especially for financially distressed clients to deceive the principals. Studies by Guan et al (2016) and Kwon and Yi (2018) on auditing of financial statements in the corporate sector substantiate the importance of involving all board members or all relevant SGB members in the context of the school to counter the socially connected school principals and auditors as that could potentially compromise the quality of financial reporting. Compromised financial reporting in turn has the potential to compromise the best interest of the constituencies who are shareholders in the corporate sector and the learners, parents and PED in the public education sector. This was also evidenced in the corporate sector by the shareholders of Steinhoff in the “Steinhoff saga” (Naudé, Hamilton, Ungerer, Malan, & De Klerk, 2018).

### **2.7.9 Unauthorised and Irregular expenditure in schools**

The school as a microcosm of the broader public sector has similar experiences of incurring unauthorised expenditure where goods and services are procured even when not included in the approved annual budget (Celestine, 2019; Dzomira 2017). Also, schools that fail to get the budget approval by a majority vote of parents, SGB approval and ratification of the annual budget by the circuit manager outrightly incur unauthorised expenditure once they start spending the first cent. The second leg of authorising procurement of goods and services at school level is the approval of procurement through signatures of the school principal and the SGB chairperson

which is often ignored in schools resulting in unauthorised expenditure. In schools, the school principal and the SGB chairperson must approve all purchases by appending their signature in the relevant documentation for the purchase, the PED06 form used by the LDoE schools. Mantzar (2019) adds that schools also continue to incur irregular expenditure because of continuous procurement of goods and services without considering a three quotations directive and without invitation of competitive bids.

#### **2.7.10 Unethical interference by circuit managers**

Circuit managers have a role of supporting schools in their management of school finances in terms of section of the SASA. They are expected to, among others, ratify the schools' annual budgets after approval by parents and the SGB, monitor on quarterly basis, the use of funds through examining the quarterly reviews submitted by schools, verify the authenticity of the audited or reviewed annual financial statements and monitor that all schools subject their financial statements to internal and external scrutiny without fail (RSA, 1996b; LDoE, 2021).

Contrary to all these mandatory responsibilities, circuit managers are found to be issuing unlawful orders to schools to transfer funds into the circuit or other schools bank accounts for unbudgeted purposes or functions planned by the circuit managers (Mmako, 2018). Directives for the Management and Administration of Funds in Public School were issued by the LDoE HOD in 2021 and prohibit in paragraphs 6.5 and 6.6, the use of Norms and Standards Funds allocated to schools for payments of subsidies of school trips, matric dances and farewell functions. Also, there were payments into District, Circuit of other school's bank accounts or their creditors as a bail out or payment for goods or services of those external stakeholders (LDoE, 2021). Persistence of these malpractices saw the PED issuing a follow-up Circular no 26 of 2024 titled, "*Unauthorised use of Norms and Standards allocations by SGBs and circuit managers*" ordering SGBs and circuit managers to cease from these practices (Mashaba, 2024). The Public Service Commission (PSC) (2021) also made an appeal to public servants at all levels stating that, "*It is crucial that officials as servant leaders must as a constitutional and legislative directive*

*reject, resist and refuse any unlawful instructions as well as offers and gifts as these may be construed as wilful acts and bribes”* (PSC, 2021). Acceding to such unlawful demands by the SGB might render them guilty of misconduct of which in the worst-case scenario might result in their dismissal as State employees wherever they are appointed in terms of the EEA and PSA (RSA, 1998, 1994).

### **2.7.11 Unethical conduct by auditors/reviewers**

It is a legal requirement that school financial statements be externally audited or examined at the end of every financial year (RSA, 1996b). Auditors’ opinion or reviewers’ review statements resulting from such external processes are crucial financial indicators of efficiency and an assurance of that schools attain value for money and should be read to the parents every year (RSA, 1996b) and be submitted to the Circuit offices to prove compliance.

Notwithstanding that auditors are governed by codes of conducts which promote the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour (IRBA, 2018) the auditing profession continues to encounter challenges with unethical behaviour of these officials in both the public and private sectors. The LDoE has also observed that objectivity in audited financial statements presented was compromised as external auditors/reviewers of most schools’ financial statements were mainly compiled and reviewed by the same institutions of auditors/reviewers. Subsequently, Circular no 99 of 2020 titled, “*Disclosure of financial information by School Governing Bodies to the Limpopo Department of Education,*” to curb practices of unethically combining compilation and financial review processes by the same accounting firm and protecting clients by unscrupulously issuing falsified review reports (LDoE, 2020b). Some of these auditors or reviewers are upfront about their malicious intentions of keeping their clients by issuing out clean audit reports even if the schools’ financial statements depict a gloomy financial picture (Mmako, 2018). Findings in the studies by Mugala et al (2017) and Rangongo et al (2016) revealed unethical conduct of external auditors/reviewers involved in collusion with SGBs misrepresenting the financial position of schools to dishonestly please the beneficiaries, thereby

compromising financial reporting. Affirming the finding, Guan, et al (2016) also concur that external auditors who are friends to their clients will often issue favourable audit opinion for financially distressed institutions.

The researcher concludes that all these barriers adversely affect the principals (funders and beneficiaries) more than they affect the agent (SGB). To promote the best interests of these principals, strategies must be put in place. The following section explores strategies that could become possible remedies to overcome barriers as outlined in this section.

#### **2.7.12 Dominance of the role by certain members of the SGB.**

A study by Aina and Bipath (2020) revealed the dominance of the school financial management role by school principals. The reason cited for the exclusion of other SGB members is their lack of capacity, hence involving them is considered a waste of time. SGB parents' component are considered to perform a subservient role (Basson et al, 2019). Other researchers attribute the exclusion of other SGB members by school principals in the school financial management role to the low level of education of SGBs (Mokoena, 2011; Botha, 2019; Xaba, 2021; Mohapi et al, 2018; Maluleke, et al, 2022). Dieltiens (2011) accentuates that SGBs struggle to execute their roles because there is something particular to schools and education that requires knowledge and information that SGBs do not usually have.

The single role playing of school principals proved not effective as it created room for mismanagement of funds by school principals and collusion with independent reviewers (Chaskalson, 2017; Rangongo et al, 2016).

### **2.8 STRATEGIES USED TO OVERCOME BARRIERS**

Inferred from the preceding section, all barriers discussed emanate from the agent side of the P-A relationship. It also suggests that for the principals to fully benefit from the agent, all barriers need to be fully addressed, regulated and managed. It further suggests that it is in the best interest of the principals that agency barriers are controlled (Armour et al, 2017). By implication, all what impedes the SGBs from fulfilling their stipulated mandates on learners, teachers and education need to be effectively controlled and managed to ensure that the interests of these principals

are safeguarded. Armour et al (2017) posit that the law stands out as key in providing basic set of strategies in remedying agency problems. They also assert that legal strategies to control and manage agency problems are two-fold, namely, regulatory strategies and governance strategies.

### **2.8.1 Regulatory strategies**

The South African School Financial Management Legislative and Policy Framework discussed in subsection 2.3 of this study prescribes what the SGB is expected to do in fulfilling its legal mandate. Armour et al (2017) affirm that regulatory strategies are dictatorial as they enforce substantive terms that govern the relationship between agent and principals, however, leaning towards putting pressure on agents to meet their obligations. Therefore, any deviation from legal mandate by the SGB is in principle illegal. Also, effective application of regulatory strategies to enforce the SGB's legal mandate contained in their role in managing school finances will close room for deviation from the mandate and consequently curtail the drifting agent problem.

There are challenges such as appointment of ineligible external reviewers of school financial statements, lack of transparency and accountability, poor and/or lack of internal control measures, unethical interference by circuit managers and unethical conduct by external reviewers. They constitute drifting agent which could be addressed through effective application of regulatory strategies. Presuming that all SGBs stand in the position of trust towards the school as their mandate in terms of Section 16(2) of the SASA (RSA, 1996b), SGB barriers to school financial management mentioned would be addressed. The following outlines how regulatory strategies should unfold to address the barriers.

#### **2.8.1.1 Appointment of external auditors and reviewers by law**

External auditors and reviewers appointed in terms of Section 43(1) and (2) (b) and subsections are regulated by IRBA and the MEC, respectively (RSA, 1996b). Hence, principals have recourse on any misconduct committed by those auditors or reviewers. Collusion between them and the SGBs (Rangongo et al, 2016) would be deterred by repercussions imposed by their regulatory authorities. This will also deter

them from traversing their mandate of auditing or reviewing school financial statements (Mmako, 2018) to the compilation of same.

#### 2.8.1.2 Budgeting and budget implementation

Section 38(1)(2) and (3) of SASA stipulates that adherence to the budget approved by a majority vote of parents (RSA, 1996b) and ratified by the person delegated by the HOD will promote effective and efficient use of resources (RSA, 1996a) and restrict SGBs from incurring unauthorised expenditure. It, therefore, implies that strict adherence to the approved budget could possibly curtail unlawful demands by circuit managers instructing SGBs to transfer funds in the circuit offices' bank accounts (Mashaba, 2024). PSC (2021) also calls on all State employees at all levels to reject such unlawful instructions as that may be interpreted as bribe. It, therefore, suggests that procurement for the needs of schools will only be justified by the reflection of such items on the list of budgeted expenditures appearing on the face of the approved budget list, otherwise, unauthorised expenditure will be incurred. The researcher postulates that SGBs standing in a position of trust to the school would act diligently to ensure adherence to the approved budget provided they have the requisite financial management skills. Also, that any deviation would be by omission and not motivated by ill-conceived notions.

While the budget dictates what to procure, how to procure and procurement thresholds, procurement approvals are prescribed in the provincial prescripts and Directives (LDoE, 2020; Dederen, 2021). Compliance by SGBs would prevent schools from incurring authorised expenditure as all procurement would be informed and supported by the budget, procurement procedures and recommended procurement limits.

#### 2.8.1.3 Keeping of financial records and statements in terms of section 42 of SASA

Scholars decry the compilation of schools' financial records by external auditors and/or reviewers (Mmako, 2018; Rangongo et al, 2016). Enforcing Section 42 of SASA would compel SGBs to own their mandatory responsibility of compiling annual financial statements other than unlawfully ceding the role to their external auditors or reviewers, thereby compromising financial reporting. Financial records and

statements give an account of how funds are being used and principals should always be informed. Nurimansyah et al (2020) concur that on accountability, givers of the responsibility should be given an account of how roles were carried out by those mandated. Therefore, parents, learners, teachers, and the HOD as givers of responsibility to the SGBs need financial accountability in the form of financial records, statements and reports (RSA, 1996b).

Regulatory strategies, therefore, suggest that SGBs should consist of members with financial or accounting skills. Hence Section 30(1)(b) of SASA stipulates that a governing body may appoint persons who are not members of the SGB on grounds of expertise (RSA, 1996b). The HOD's Directives also add that an educator with a financial background, who is not an elected SGB member, may be delegated in writing to keep the financial records of the school (Dederen, 2021). This regulatory strategy is also applied internationally. The Australian and UK's criteria for the selection of school governors requires that at least one governor to have a strong financial knowledge background (Hamilton, 2013; DfE, 2014). This implies that the SGB will be considered properly constituted if its FinCom has made such mandatory appointments. Also, the SGB so constituted will experience less barriers as the appointment of people with financial expertise will address all barriers that relate to financial management.

2.8.1.4 Capacity building of SGBs in school financial management in terms of Section 19 (a) and (b) of the SASA (RSA, 1996b).

Section 30(1)(b) of the SASA mandates SGBs to appoint people with expertise to their committees (RSA, 1996b). This means that a person with financial or accounting background must be appointed in every FinCom of the SGB. The HOD's Directives also mandate that a finance officer appointed in the FinCom should be an educator with financial background if the school does not have an administrative officer (Dederen, 2021). Presuming that SGBs are properly constituted in terms of SASA and LDoE Directives, the researcher accentuates that challenges of poor financial management on account of low literacy level of the SGBs would not feature in schools' financial management.

Low literacy level was recorded as one of the impediments rendering SGB capacity building programmes ineffective (Mohapi and Netshitangani, 2018) as some did not understand the English language used in these workshops. It stands to reason, therefore, that a properly constituted SGB's FinCom consisting of an appointed expert and a finance officer with financial background will grasp the content of the capacity building programme with ease, all things being equal. The researcher opines that capacity building programmes of the SGB, both introductory and continuous trainings, are meant to add on to what the trainees already know in financial management and not a fresh start of introducing financial concepts to the FinCom. Hence, they need to start by drafting a budget and keep financial records and statement (RSA, 1996b) on assumption of their role after their introductory training.

#### 2.8.1.5 Curbing the unethical conduct by state employees involved in school financial management

Section 17(1)(b) of the Employment of Educators Act No 76 of 1998 (EEA) stipulates that,

An educator shall be guilty of misconduct if the educator performs or causes or permits to be performed or connives at any act which is prejudicial to the administration, discipline or efficiency of any department of education, departmental office or educational institution (RSA, 1998).

All State employees employed under this Act could be trialled and charged because of contravening this section of the Act. Therefore, unethical conduct tantamount to the stipulated offences committed by the circuit managers, school principals, SGB teacher component members, SGB parent component holding EEA positions elsewhere, and other school governance officials in the DBE appointed under the EEA will be considered as misconduct. To regulate the conduct of these officials, Section 17(1)(b) of the EEA needs to be enforced. The researcher postulates that effective enforcement of this section could minimise if not curb the cases of mismanagement of school funds through collusion, pilfering, money-laundering, and theft levelled against these State officials.

In the same vein as EEA officials are regulated, Section 17(2)(c) and (d) of the Public Service Act, 1994 (PSA) stipulates that,

An employee of a department, other than a member of the services, an educator or a member of the Intelligence Services, may be dismissed on account of incapacity due to poor work performance or misconduct (RSA, 1994).

Although this Act does not specify nor define what misconduct is, it becomes clear that PSA appointed officials may be dismissed on the basis of the stipulated conditions. What is implied by the PSA is that SGB members and governance officials appointed in PSA positions might face dismissal if found to have acted unethically in the management of school finances.

The Auditor General of South Africa is also at the disposal of the HOD to investigate unethical conducts by SGBs construed as misappropriation of school funds as in the case of Glenvista High School (Chaskalson, 2017). The State also has courts of law to adjudicate intentionally committed unethical conduct construed as collusion, pilfering, theft, and corruption, among others.

Deduced from the preceding discussions, regulatory strategies to overcome school financial management barriers gravitate towards the members of the SGB collectively in the main. These strategies are inward looking in that they seek to enforce effective implementation of the role from the SGB and outline recourse for performance and conduct that compromise school governance in terms of the EEA and PSA. There is, however, a paucity of literature of SGB members who are neither EEA nor PSA state employees as SGB members in rural schools are mainly unemployed, with low levels of literacy (Botha, 2019; Xaba, 2021). The researcher postulates that enforcing regulatory strategies by charging SGB members who are appointed in terms of the EEA and PSA for poor performance and misconduct in the management of school finances will be an extrinsic drive towards demolishing the barriers in the SGB's role.

#### 2.8.1.6 Auditing or examination of schools' annual financial statements in terms of Section 43 of the SASA

The means of verification to prove the presence of financial accountability to stakeholders, principals and shareholders in most sectors is through the presentation of audited financial statements. It is for that reason that one of the SGB's legal mandates is to present the same to the HOD six months after the end of the schools' financial year (RSA, 1996b).

### **2.8.2 Governance strategies**

Governance strategies seek to facilitate the principals' control over their agent's behaviour (Armour et al, 2017). The efficacy of governance strategies depends crucially on the ability of the principals to exercise their control rights.

#### 2.8.2.1 Approval of the budget by a majority vote of parents present and voting in terms of Section 38(2) of SASA

In principle, parents as beneficiaries (principals) are key financial decision-makers in schools as their majority vote in budgeting stands. The HOD as the funding principal issues Directives that, among others, direct how the State allocated funds should be appropriated to justified expenditure. These Directives are always incorporated in the budget and brook no deviation (Dederen, 2021). The so-approved budget dictates what to procure while procurement limits and approvals are prescribed in the PED prescripts and Directives.

Inferred from Section 2.6 of this study, many barriers faced by the SGB in the school financial management role emanate from budgeting and budget implementation. Governance strategies assign principals (beneficiaries) with the responsibility as overseers of these processes. First, the parents are to attend the parents' general meeting to approve the budget through their majority vote. Second, the HOD through his/her delegate ratifies the approved budgets verifying among others that, funds were appropriated according to the dictates of the HOD's Directives, and the budgets are prepared according to the prescriptions of the MEC (RSA, 1996b).

In addition to overseeing the SGB's budgeting processes, the HOD ensures that processes and officials are in place to monitor and support the SGBs in their role. The LDoE has Institutional Governance Directorate with a sub-directorate, Norms and Standards for School Funding, District Managers for Governance, Circuit Managers and Assistant Managers for governance. These managers are responsible for, among others, the allocation of funds to schools, verification of schools' financial records, capacity building of SGBs in terms of Section 19(1) (a) and (b) of the SASA, SGB's adherence to prescripts, Directives and other applicable policies in the management of school funds and investigations of mismanagement of funds (Dederen, 2021). In addition, the school principal representing the HOD in the SGB has a mandate in terms of Section 16A(2)(h) of the SASA to, "*Take all reasonable steps to prevent any financial maladministration or mismanagement by any staff member or by the governing body of the school*" (RSA, 1996b). The researcher argues, therefore, that frequent monitoring of SGBs in their role implementation should be carried out to ensure that the interest of the school is always advanced. Masilo, Masiya and Mathebula (2021) affirm that implementation of the Monitoring and Evaluation Framework by the Public Sector should be geared towards improvements of service delivery for the benefit of citizens. Therefore, the department officials from the PED head office, district and circuit offices are duty bound to monitor and support SGBs. Affirming this assertion, Section 19 (2) of SASA stipulates that,

The Head of Department must ensure that principals and other officers of the education department render all necessary assistance to governing bodies in the performance of their functions in terms of this Act (RSA, 1996b).

Deduced from the above discussions, the HOD has all the input and processes in place to implement governance strategies to limit barriers in school financial management. Armour et al (2017), however, posit that the efficacy of governance strategies depends crucially on the ability of the principals (beneficiaries) to exercise their control rights. Therefore, the ability of the HOD's officials appointed to carry out

all the processes relating to schools' financial management will determine the efficacy of the strategy to address existing barriers faced by SGBs.

### **2.8.3 Inadequate or limited training of SGBs**

Section 19 (1) (a) and (b) of SASA provides for introductory training for newly elected governing bodies to enable them to perform their functions; and for continuing training to governing bodies to promote the effective performance of their functions or to enable them to assume additional functions orientation of SGBs. These trainings were castigated in numerous studies for being ineffective and facilitated by incapable facilitators while they were short and carried out as once-off programmes (Ogunleye, 2016; Beyers et al, 2015; Nguyen, 2013).

The researcher perceives the quality of the capacity building as key to address other possible barriers to the implementation of the financial management role in schools. This assertion is premised on the belief that SGBs will be clear on applicable legislation and policies and financial information recording, keeping and interpreting. As a result, the SGB will be better informed to make correct decisions, among others:

- Preparing the annual budget as per the PED prescripts and Directives and not drifting but adhering to it during budget implementation.
- Appointing eligible reviewers in line with the SASA provisions.
- Adequately account to stakeholders with all sought records availed for scrutiny by those with interest in them.
- Manage external stakeholders, especially the external reviewers, on their conduct.

The researcher supports the views that adequate training of SGBs in the management of school finances is central to addressing many schools' financial management related challenges (Makhubele et al, 2016; Kiprono, Nganga & Kanyiri, 2015) and should be prioritised among other SGB capacity building programmes for effective and efficient management of school finances. Makhubele et al (2019) also maintain that in areas where language is a barrier for capacity building initiatives for SGBs, facilitators in those SGB workshops should be able to do "code switching" or

present using the home language of the attendees to enhance their grasping of the financial management content.

The following section discusses the theoretical framework, its tenets, assumptions and orientations to guide the enquiry regarding the role of SGBs in the management of school finances.

## **2.9 THEORETICAL FRAMEWORK**

The researcher has adopted a Principal-Agent theory to illuminate the role of the SGBs in the management of school finances and the corresponding assumptions. Sharing the same sentiments with Cassim and Osler (2023), the researcher posits that, broadly, public sector organisations like schools are built on agency theory. This conviction is also substantiated in section 195 of the South African Constitution outlining basic values and principles in public administration (RSA, 1996a). Basic values and principles outlined in this section of the law clearly articulate the expected conduct of public servants in performing their roles of serving the best interest of the public. This is also implied in the definition of this theory by Jensen and Meckling (1976) as a contract in which one or more principals hire agents to perform some services for their benefit by delegating some powers of decision-making to agents. In the context of this study, the role of the SGB in school financial management as part of the functions performed in schools is a central focal point. Therefore, all the constituencies represented in the Constitution of the SGB are the principals to the SGB with the SGB as the agent thereof. The P-A theory was, therefore, adopted to guide the researcher through the research process by providing a 'lens' to look at the phenomenon under study.

Eisenhardt (1989) accentuates that the P-A theory derives from an economic view of risk sharing between principals and agents. Furthermore, Jensen and Meckling (1976) posit that principals and agents may possess different approaches to solve the problem in risk sharing. In addition, that principals and agents may have different interests that are also independent (Renmans, Paul & Dujardin, 2016). The researcher opines that these parties' different approaches, varying interests and their independence are the reason the key assumptions of this theory culminate into

problems. The Principal-Agent theory's key tenets are discussed in the next subsection of the study.

### **2.9.1. Key tenets of the principal-agent theory**

- (i) Principal-Agent relationship refers to the relationship created when the agent is given authority to act on behalf of the principal taking binding decisions on behalf and in the best interest of the principal (Jensen & Meckling, 1976).
- (ii) Information asymmetry refers to when one party in a relationship possesses more information than the other. In terms of the P-A relationship, it is in the main, the agent that possess more information than principal which is prone to opportunistic behaviour (Eisenhardt, 1989). The assumption that the P-A relation features information asymmetry where agents have more information than their principals make it an agency problem (Waterman & Meier, 1998).
- (iii) Conflicts of interest in the agency theory refers to the self-interest behaviour of agents where they prefer to maximise their own interests than those of their principals often leading to principals in the receiving end (Fama & Jensen, 1983). An assumption that there is goal conflict in this relationship makes it an agency problem (Waterman & Meier, 1998).
- (iv) Monitoring and incentives refer to governance mechanisms used by principals to control or subdue potential risks the agents may shift to them either in the form of monitoring mechanisms and performance-based incentives to align the agent's interests with those of the principal (Jensen & Meckling, 1976).
- (v) Risk sharing: The principal and agent may have different risk preferences, and agency theory suggests structuring compensation to appropriately share risks and align incentives (Eisenhardt, 1989).

Inference drawn from these key P-A theory tenets is that self-interest behaviour and the nature of the agent creates the two agency problems, namely, the conflict of interest or goal conflict and the information asymmetry (Waterman & Meier, 1998). Also, the available recourse for the principal to address the agency problem is

monitoring and incentives (Jensen & Meckling, 1976). In addition, that the self-interest behaviour of the agent motivates them not to act in the best interest of the principal (Burnharm,1941). Driven by their inclination to maximise their interests, agents often incur moral hazards (Cheng, Wang & Song, 2019). Moral hazard occurs when the interests of the two parties are not aligned resulting in the agent prioritising their own other than those of the principals (Laffont & Martimort, 2002; Ross, 1973; Harris & Raviv, 1979). Governance mechanisms must be in place to ensure that the agents act in the best interest of the principal. Also, to buffer friction driven by the agent's inclination to maximise own utility, risk sharing balance needs to be stricken between the agent and principal to structure compensation and align incentives (Eisenhardt, 1989) to be even. Given the unstable nature of the agent triggered by its inclination to maximise self-interest, the principal-agent relationship is subject to accountability problem which often results from agents withholding information from the principal (Schillemans & Busuioc, 2015).

## **2.9.2 Agency problem in the school financial management environment**

### **2.9.2.1 Lack of necessary financial management skills**

The SGB's lack necessary skills and knowledge of financial management is the main barrier to their effectiveness (Maluleke, Worku, & Muchie, 2022; Xaba, 2021; Botha, 2019; Mohapi & Netshitangani, 2018). The principal's inability to implement governance mechanisms to enforce the agent to act in the best interest of the principal suggests the existence of information asymmetry. The principal cannot monitor the performance of the agent because of its inadequate information. With the asymmetry of information against the principals (parents, learners, teachers, SGB) the agent (FinCom) with an upper hand with information cannot be made to perform in the best interest of the principals. In this case, the agent's failure to act in the best interest of the principal leaves the principals with risks.

### **2.9.2.2 Inadequate or limited training of SGBs**

Research lambasts the capacity building programmes offered in terms of Section 19(1)(a) and (b) of SASA. These programmes are being denounced as being inadequate and therefore, contributing to failures of SGBs to perform effectively and

efficiently (Mafora, 2018; Ngobeni, 2015; Nguyen, 2013; Mncube, Harber and Du Plessis, 2011, Xaba, 2011). Beyers and Mahloana (2015) assert that officials who facilitate these programmes lack financial literacy and basic knowledge of bookkeeping. The HOD as the principal funds these programmes every year. However, he gets no value for money. From the agency theory context, principals are insufficiently informed about policies, laws, guidelines and training manuals through which the FinCom is trained. Deterred by the information asymmetry, principals are, therefore, ineligible to monitor the agent and enforce that the agent perform in the best interest of the principal. Principals, however, incur costs irrespective of whether they win or lose.

#### 2.9.2.3 Lack of knowledge of legislation in school financial management.

Lack of knowledge in terms of laws governing school financial management can be costly to the principals owing to failure of the agent (SGB FinCom) to perform. Makhuvele (2019; 2016) claims that SGBs lacked the necessary capacity to interpret and implement policies in schools. Nonyane (2016) substantiates Maluleke's (2019; 2016) claims that SGBs lack the requisite literacy level to read the legislation. In the worst-case scenario, costly contract could be entered into by the not-so knowledgeable agents on behalf of the principal where the principals end up carrying the liability. However, in the agency theory perspective, information asymmetry will prevent the principal from monitoring compliance in the field the principal is not conversant with and yet be liable for the failures incurred on his behalf by the agent.

#### 2.9.2.4 Appointment of ineligible reviewers

The DBE has been incurring wasteful expenditure through its schools for paying invalid professionals. Appointment of ineligible auditors, accounting officers and cronies for examiners of school financial records is a long standing practice in the province despite circulars been issued requesting schools to refrain from doing so (Dederen; 2022; DBE, 2019, 2017; Rangongo et al, 2016). SGB FinCom has been contracting with these so-called reviewer for years although

not verified if they qualify or not depriving schools and principals value for money.

The agency theory perspective sees the SGB FinCom as the agent who on behalf of the principal (school community) contracted with a reviewer, at the cost of the principal. Information asymmetry stemming from the principal's scant knowledge or ignorance made the principal to fail to monitor the agent.

#### 2.9.2.5 Poor or lack of internal control measures

Lack or underutilisation of internal control measures put the State assets at risk. Internal controls are meant to ensure that money received or paid is accounted for. The school's approved annual budget dictates what items the school's income should be spent on. Huge financial losses could be incurred owing to lack or poor internal controls (King & Mestry, 2023). Also, SGBs should account for all unreceipted income and payments without stipulated sources of evidence.

The agency theory perspective postulates that there is asymmetry of information that prevents the principal from understanding how internal control measures operate and hence the principal cannot monitor that.

#### 2.9.2.6 Lack of transparency and accountability on school finances

SGBs operate in public schools as custodians of the public funds. As agents of the public, they are expected to be transparent when using public financial resources in terms of Section 195 of the Constitution (RSA, 1996a). When public funds are used, SGBs must account to its principal how the money was used. Given that the principal-agent relationship is subject to accountability problem which often results in agents withholding information from the principal Fee-paying schools preferred incremental budgeting which is contrary to the provincial directives instead of zero based (Mkhize, Fouché, & van der Walt, 2021) Incremental budget always comes at a cost to parents as principals.

The SGB's FinCom causes parents as principals to pay. Owing to parents' oblivion or information asymmetry, the parent who is also a principal pays and is also not

versed with the financial management environment; hence the information asymmetry.

#### 2.9.2.7 Misappropriation of funds through fraudulent and corrupt activities in schools

Ololube (2016) defines misappropriation as an intentional or illegal use of funds for one's own use or other unauthorised purposes, particularly by public officials. The school loses money during misappropriation of funds. Similarly, Rangongo, et al (2016) define financial mismanagement as corrupt behaviour and wrongdoing in the management of finances on the part of an authority. They defined misappropriation as dishonest use of funds for one's personal gain.

Theory perspective is that the self-interest behaviour of the agent motivates the agent to create information asymmetry then incur moral hazard by benefiting themselves at the expense of the principals. In this case, the principal gets double blows as, first his/her money as the parent at that school is being misappropriated. Second, because of the information asymmetry created by the FinCom, the principal loses.

Inferred from all the incidents dealt with in this section, it could be deduced that with the agent (SGB FinCom) will always create information asymmetry so that the principal is prevented from monitoring a phenomenon he/she partially knows or completely does not understand. The fact that the agent managed to create information asymmetry, the risk is shifted to the principal other than being shared.

## **2.10 CONCLUSION**

This chapter has presented the review of literature review, legislative and theoretical framework underpinning the role of SGBs in financial management. It also presented in detail the role of the SGBs in the management of school finances in terms of the applicable legislation. Juxtaposition of the school financial management role of SGBs in South Africa with those of similar governance structures in Lesotho, the UK and Australian schools to identify and understand their similarities and contrasts was made. The main difference identified, among others, was the selection and constitution of SGBs that considered no skill from the incumbents while school boards and school governors prioritised members with requisite skills. The chapter

has also discussed from the similarities of the systems in the three different countries, the common barriers and challenges to school financial management presented as findings by different scholars. In addition, strategies to overcome identified barriers were discussed.

Conclusions deduced from the literature reviewed in this chapter are, among others, challenges in the management of school finances are a global phenomenon experienced in developing and developed countries indiscriminately. Also, these challenges in developed countries manifest mainly through malicious practices of governance officials in the system while in developing countries these challenges are borne by the lack of requisite skills by governors and the malpractices by those in the governance sphere starting from the SGBs into the meso governance environment which include external auditors, independent reviewers, circuit managers and other governance officials. The chapter also reviewed regulatory and governance strategies available to these governors to address all barriers identified to compromise the effectiveness and efficiency of school governors in their management of school finances. The chapter also tried to ascertain alignment of the research phenomenon with the guiding theoretical framework.

Whereas the study sought to deduce answers to the research question through this review of literature, findings, knowledge and perceptions of other scholars, recent data need to be collected and analysed to depict the social reality of the role of the SGB in the management of school finances as the social phenomenon studied. The following chapter focuses on the research design and methodology used in this study.

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## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The preceding chapter on the literature review made a broad discussion of the conceptual, theoretical, legislative, and policy frameworks of this study. The chapter clarified the ontology of the phenomenon under study. The researcher examined the literature on the research conundrum which has been narrowed into researchable questions. The literature review uncovered the nature of the SGB's role in managing the school funds, what constitutes the role of the SGB in managing school finances, how SGB members perceive their role of managing school finances and the nature of impediments to school financial management. Analysis of the reviewed literature has provided theoretical responses to the first three sub-questions of the main research question of this study.

This chapter discusses the philosophical worldview of the study, the suitable research approach, research design, and research methods applied. The chapter describes the research strategy, concepts and activities involved. It will further deliberate on the steps in the research strategy such as the selection of participants and research sites, gaining of access to research sites and the data collection and data collection techniques and instruments.

The next section focuses on outlining the ontological orientation of the researcher.

##### **3.1.1 Ontological orientation**

The researcher's stance about the reality of the nature of the central social phenomenon is that it is the product of social actors. Also, its reality can be constructed from the perception and actions of social actors (Bryman, Bell, Hirschsohn, et al, 2016). Also, that from these perceptions, opinions, understandings and feelings, multiple and subjective realities can be constructed (Al-Ababneh, 2020). It is for that reason the study adopted an ontological paradigm of constructivism. The choice was motivated by the researcher's need to understand the phenomenon from the perspective of the participants. Also, the researcher's

belief that every individual has their own notion or reality of objects and subjects, subjectively developed meanings of lived experiences. What the researcher considers crucial is the meaning of reality each participant constructs about the phenomenon and therefore, the words they use and examples they choose to stress the point are all important features of the constructivist approach (Grover, 2015). In his quest for the reality about the central research phenomenon, the researcher believed that the SGBs, as the people at the coalface of school financial management, have a better understanding of the central research phenomenon. Also, that through the words they use to describe the research phenomenon, their beliefs, understanding and opinions about the research phenomenon will assist the researcher to interpret their reality. The researcher is of the constructivists' belief that observation, unbiased interpretation and experience in assessing meaning of gestures, words and images play a vital role in creating knowledge about the research topic. He, therefore, sought to generate data from the SGBs through making sense of their views, opinions, and assertions on a phenomenon it is considered crucial for the construction of new realities.

Questions of social ontology meant to elicit responses in the form of perceptions, emotions, feelings and opinions were part of the instruments to obtain sufficient data as crucial inputs for the construction of social reality about the SGB's role in the management of school finances. Hence, responses of the SGBs and the MG in the form of perceptions, emotions, feelings, and opinions elicited during the interviews were used as valuable and reliable data indispensable for the construction of the social reality about the SGB's role in the management of school finances.

### **3.1.2 Epistemological orientation**

The research opines that the social reality of the research phenomenon could only be constructed through the interpretation of the views, opinions, perceptions, feelings, and emotions of participants as social actors. The study has adopted interpretivism as the relevant epistemological approach as it considers people and their social settings as the subject matter of social sciences (Bryman et al, 2016). Therefore, the SGBs and their schools are key subject matters of this study whose

data will be interpreted by the research in the quest for constructing the reality about their role of managing school finances. The researcher considered an interpretivist perspective a relevant enquiry paradigm for the social phenomenon studied on the assumption that financial management by SGBs is human life experiences to the SGBs and as such, can only be understood from their perspective. Also, social life is a distinctively human product (Creswell & Creswell, 2017; Maree, 2010); hence, the researcher chose to understand the phenomenon from SGBs in no-fee schools and fee-paying schools which could positively bring different perceptions of SGBs in accordance with their varying categories or quintiles. The study on the financial management role from the participants from two varied school settings brought forth varying realities about the research phenomenon. In this study, the researcher sought to understand SGBs' role in financial management from the participants' worldview considering that reality is not objectively determined but socially constructed (Alharahsheh, & Pius, 2020; Creswell & Creswell, 2017; Maree, 2010). He, therefore, had to dig, explore the richness, depth and complexity of the school financial management role to be able to develop an understanding of the meaning shared by the SGBs in their social context. The researcher sought to understand the reality about SGBs' financial management role from their natural setting (Korstjens et al, 2017). The natural settings in this study context are, schools in most poor rural community schools (quintile 1 - 3) and the less poor (quintile 4 and 5) in urban communities. The reason for varying the natural settings was premised on the researcher's belief that it would produce distinct realities as data would be from distinct natural settings, namely, no-fee schools, fee-paying schools for SGBs and the Circuit Office which is the natural setting for the manager for governance.

Interpretivists are interested in generating new social realities about a phenomenon induced from the views, opinions, perceptions, feelings and emotions of participants as social actors in the natural settings where a social phenomenon resides (Bryman et al, 2016). The interpretivist epistemological orientation adopted is, therefore, congruous with the qualitative research approach discussed in the following section.

### **3.1.3 Qualitative research approach**

A qualitative research approach is the collection and analysis of primarily non-numerical data and an inductive generation of theory from data (Flick, 2022; Bryman, Bell, Hirschsohn, Santos, & Toit, 2014; Punch, 2013). It usually emphasises words rather than quantification in the collection and analysis of data. It is concerned with understanding the processes and the social and cultural contexts which underlie various behavioural patterns (Creswell & Creswell, 2017; Maree, 2010). The generation of data from the participants through making sense of their views, opinions and assertions on a phenomenon is crucial for the construction of the new reality. The researcher's role would be to interpret the views, opinions, and assertions of the participants to construct the new reality. Given that qualitative research allows for ambiguity regarding interpretive possibilities, the researcher's construction of the role of SGBs on the management of school finances as explored would become more visible (Alvesson & Sköldbberg, 2017).

The constructivist orientation informed the researcher's choice of a research approach as it puts emphasis on the generation of theories rather than proving them (Bryman, Bell, Hirschsohn, et al, 2014). In this regard, the researcher considered the qualitative research approach as the relevant research approach to get to the social reality of the phenomenon studied. More importantly, this has enabled the researcher to gain an in-depth understanding of the participants' worldviews, opinions, and beliefs necessary for the construction of a new social reality about school financial management role as the central research phenomenon. In this case, the role of the SGB in the management of school finances was studied as well as reasons behind their reactions to certain responsibilities leading to the fulfilment of their role in a natural setting (Korstjens et al, 2017; Maree, 2016). The natural settings studied were five selected secondary schools in Capricorn South District of the Limpopo Province in South Africa. Bogdan and Biklen's (2007) assertion that the researcher is the key data collection tool also influenced the choice of a qualitative research approach where the researcher is at the coal face of data collection and has first-hand experience. The researcher opines that first-hand experience in data collection reduces possibility of distortions in the interpretation of the participants as

their emotions, feelings and beliefs would be observed closely and adequately captured and subsequently interpreted and analysed adequately.

Levitt, Motulsky, Wertz, Morrow, and Ponterotto (2017) posit that qualitative research is inductive in nature, and the researcher generally explores meanings and insights in each situation. Meanings and insights of SGBs as participants about their role in managing school finances are inputs to be interpreted for the construction of a new social reality of the studied social phenomenon.

With the researcher's conviction that there is no single reality but that the researcher elicits participants' view of reality, a constructivist belief was used in conducting this study. Qualitative research draws on constructivism (Teherani, Martimianakis, Stenfors-Hayes, Wadhwa & Varpio, 2015). Qualitative research approach relies on the collection and analysis of primarily non-numerical data and an inductive generation of theory from such data (Punch, 2013; Bryman, Bell, Hirschsohn, Santos, & Toit, 2014; Flick, 2022). Qualitative research approach seeks to understand the social reality in its own terms, as it really is, provides rich descriptions of people and interaction in natural setting (naturalism). It also seeks to understand how social order is created through talk and interaction (ethnomethodology); hence emphasis is put on words rather than quantification in the collection and analysis of data.

#### 3.1.3.1 The rationale for the choice of a qualitative research approach

The rationale for the choice of a qualitative research approach is that the researcher sought to understand the reality of the phenomenon as it really is. He, therefore, had to apply naturalistic observation in the data collection where in-depth study of people's issues in their natural settings was conducted to avoid reliance on generalised, systematised and presumed categories of analysis. The naturalistic settings in this study were schools and the people in those natural settings with encounter with the central social phenomenon are SGB members including school principals and one of the managers for governance located at the circuit office. These naturalistic settings were instrumental in this study to understand and narrate

the participants' own experiences of the phenomenon, which in terms of this study, is the SGB's roles in school financial management.

The philosophical worldview, epistemological orientation of the researcher and the research approach applied dictated the choice of the research design. The next section focuses on the research design applied.

### **3.2 RESEARCH DESIGN**

Maree (2016) buttresses that a research design is a plan or strategy that moves from the underlying philosophical assumptions to specifying the selection of participants, the data collection method to be used and the data analysis to be done. Bryman, et al. (2016) posit that a research design provides a framework for the collection and analysis of data.

The purpose of a research design, in this study, was to address a set of factors that are essential to the coherence of this study.

These include the research questions which are essential for guiding and directing the study as they bind all aspects together (Maree; 2016). Research questions are pivotal to all other components of the research design, namely, aims, conceptual and theoretical frameworks, methods and validity as these components are aimed at answering the research questions (Maree, 2016). Therefore, the nature of the research questions determines the choice of a suitable research design, meaning that research questions in a study precedes the choice of a research design.

Methods are considered as tools at the researcher's disposal for the collection of data. The choice of the data collection methods is determined by the nature of the research questions, the researcher's ontological position, aims and conceptual framework (Maree, 2016).

Although trustworthiness, credibility and ethical considerations of the study are considered amid the study, they, however, need to be taken into consideration at the planning stage (design phase) and be incorporated into the research design steps used.

The researcher shares same sentiments with Maree (2016) that the nature of the research questions determines the choice of a suitable research design. Research questions, as a point of departure, guide and direct the researcher in terms of data collection and analysis thereof. What data and how it should be collected, and analyses is determined by the chosen research design (White, 2017). Therefore, the selection of an appropriate research design is a blueprint to collect, collate and analyse data that is rich to answer research questions. This investigation sought to explore how the SGBs execute their role in the management of school finances.

Informed by the descriptive and explanatory nature of the research questions, a case study design was considered suitable and, hence used in this enquiry. The choice of a qualitative research design was also influenced by the researcher's constructivist ontological position as he sought to understand the central social phenomenon from the participants' perspectives at their natural settings (Korstjens et al, 2017). In this study, SGBs were considered to be the information-rich sources the researcher could access and were interviewed in groups in a face-to-face situation in schools as their own habitats.

Clark and Vealé (2018) consider the researcher as a primary instrument for data collection and analysis in a qualitative work. Maree (2016) also asserts that the researcher is a crucial feature in a case study. This is for the purpose of influencing the research process as they interact with the participants during interviews (Korstjens et al, 2017). Qualitative research embraces subjectivity. The qualitative researcher typically functions as part of the measurement instrument itself and has a great say in generating findings from the data (Haven & Van Grootel, 2019). Moreover, qualitative research allows for ambiguity regarding interpretive possibilities and lets the researcher's construction of what is explored become more visible (Alvesson, & Sköldberg, 2017).

To ensure credibility and trustworthiness, a case study allows numerous qualitative data collection methods for triangulation of data (Maree, 2016). This is to minimise the possible distortion resulting from analysis since every individual data collection method has weaknesses or biases. Triangulation of these data collection methods

reveals some congruencies that assist in building up a clear picture. Therefore, the researcher has collected data from the same participants using semi-structured focus group interviews. The researcher also employed a one-on-one in-depth interview, documents analysis, observations as qualitative data collecting strategies in this study. Data collected were also triangulated with the literature reviewed in Chapter 2 of this study.

Maree (2016) asserts that methods are considered as tools at the researcher's disposal for the collection of data. Also, the choice of the data collection methods is determined by the nature of the research questions, the researcher's ontological position, aims and conceptual framework (Maree, 2016). The research methodology adopted by this study is described in the next section.

### **3.3 RESEARCH METHODOLOGY**

This study aimed to explore the role of the SGBs in managing school finances in schools in Limpopo Province. It also sought to get the perceptions of the SGBs about their financial management role. Therefore, the inductive nature of the enquiry dictated the option in the selection of the research methodology. To collate the views of these participants to get to the truth about the phenomenon, a qualitative research methodology was used. Also, as the researcher sought to interpret the worldviews, opinions and experiences of these participants, the interpretivist paradigm was considered relevant for this enquiry. Al-Ababneh (2020) affirms that qualitative methodology is grounded on interpretivist paradigm. Research methodology is a strategic mode of operation the research utilises to achieve the research objectives of the study. Al-Ababneh (2020) asserts that methodology as an enquiry strategy, provides a rationale for the choice of methods and the forms in which the methods are employed. This implies that participants' selection and data collection methods are dependent on the research methodology adopted by the study. This study has adopted a qualitative research methodology. Qualitative research methodology requires the use of multiple sources of data to ensure that the research produces the intended output in a reliable manner.

The success of a qualitative research methodology is underpinned by the researcher's understanding of the thoughts and feelings of research participants, which can enable development of an understanding of the meaning that people ascribe to their experiences (Sutton & Austin, 2015). The researcher also perceived the context of the participants to be where the research problem resides and that participants were the only people who have complete knowledge and access to that area. This study sought to understand the SGBs in the financial management context of the school within which they operate. According to Nyumba, Wilson, Derrick, and Mukherjee (2018), qualitative researchers are motivated by an in-depth inquiry into studying a phenomenon. Hence, the researcher resorted to semi-structured questions in all the interviews to be conducted at the SGBs' natural setting being at the schools to make sense of, as well as to interpret SGBs' school financial management role in terms of meanings and understandings they may construct. For further in-depth enquiry, the researcher sampled SGBs in rural and urban communities to cover a broad spectrum of school financial management in that some SGB roles in financial management are only applicable to no-fee schools while others apply to fee-paying schools only. In addition, SGBs are the ones whose financial management context matches the description of the study problem; hence believed to have in-depth understanding of the problem.

The researcher considered the interpretive research paradigm a suitable framework for this study based on the premise that reality consists of people's subjective experiences of the external world. Ardalan (2015) articulates that interpretive paradigm is founded on the premise that the subjective individual worldviews of participants about a phenomenon under study is a crucial point of departure. Therefore, the SGBs' subjective experiences of their roles in school financial management was considered key to elicit a socially constructed reality. This study was, therefore, founded on a view that knowledge is based on interpretation (Wilson, 2013). In the words of Cohen, Manion and Morrison (2017), the interpretive paradigm is characterised by a concern for the individual and its central endeavour is to understand the subjective world of human experience. The researcher was, therefore, convinced that only the people who are involved in school financial

management would be able to shed light on the central social phenomenon under study. He, therefore, considered purposive sampling of SGBs relevant regarding the research conundrum.

Individual subjective experiences, perceptions, and descriptions of a phenomenon under study are furnished by participants through their artifice such as language, responsiveness and invented common meaning of reality, which are crucial tools to access reality in interpretive research paradigm (Myers, 2013). Qualitative tools were used for observation and interpretation of data. Aikenhead (1997) in Antwi and Hamza (2015) also claims that an interpretive model is founded upon observation and interpretation, and because of this view, the researcher collected information about the SGB's role in school financial management. Meanings were then attached to the information collected from these participants through extrapolations and scrutinising consistencies between the data and conceptual patterns and trends.

The following section outlines how the qualitative data collection methods were applied to ensure the effective utilisation of qualitative data collection tools to elicit the sought contextual uniqueness participants' worldviews about the SGBs' role in the management of school finances.

### **3.4 DATA COLLECTION METHODS**

Green and Thorogood (2014) assert that qualitative research often uses language as its data, be it written or oral, although it may use photos, videos, or other types of behavioural recordings. Also, qualitative data are often collected via an interview, a focus group, or via observation. Informed by these assertions, this study relied on data from interviews with SGB members of all the sampled schools, school financial records and observations of behaviours of the SGBs during data collection. In qualitative studies, we do not speak of research subjects (Haven & Van Grootel, 2019), hence the worldviews, beliefs, and opinions of the SGB members, the manager for governance were explored then interpreted. As Creswell (2009) puts emphasis on a site-based generation of qualitative research data, it was important for the researcher to collect data at the site where participants engage in financial management, namely, the school site. For this purpose and for the achievement of

the aim of this study, the researcher relied on qualitative data collection research strategies such as observations, in-depth interviews, focus group interviews, and financial documents review.

#### **3.4.1 Sources of data, procedure and instrumentation**

Data were collected from the SGBs as participants by means of interviews and review of financial documents. The qualitative research data are descriptive, are in the form of interview notes, observation records and documents; and data are analysed inductively (Mohajan, 2018). For instrumentation in data collection, an interview schedule and an observation schedule were designed and used during fieldwork. An audio recorder was also used to record information gathered from both interviews. Moreover, interviews were conducted at the participants' convenience. During the interviews, the participants were asked open-ended questions to share their perceptions on their role and experiences relating to school financial management. Documents such as budgets, financial statements and auditors report were collected and reviewed. The use of document analysis together with other qualitative data collection tools were to assist to reduce potential bias occurring in data analysis resulting from the use of one data collection instrument (Mackieson, Shlonsky, & Connolly, 2019; Paulus, de Vries, Janssen, & Van de Walle, 2023). In addition, an observational protocol was used to guide the taking of field notes during interviews. The notes included, among others, non-verbal communication, cues, gestures, social interactions between participants, behaviours, and the physical settings. In-depth individual interviews were conducted with the manager for governance. Focus group interviews were conducted with the school principal, SGB chairperson, SGB deputy chairperson, the treasurer, secretary, and the finance officer.

Deduced from the preceding discussion, the researcher relied on a four-pronged data collection method. Qualitative researchers rely on multiple data collection methods to check the authenticity of their results. They, therefore, use triangulation of data collected through such data collection methods to strengthen credibility of their findings (Kabir, 2016).

This study employed the four broad categories of qualitative data collection methods which are outlined in detail in the next subsections:

### **3.4.2 Semi-structured interviews**

An interview is meant to record and analyse people's opinions, experiences, beliefs, and ideas on relevant topics. The respondents are required to present more detailed information. This gives a deeper insight into the central social phenomena.

Raworth, Sweetman, Narayan, Rowlands, and Hopkins (2012) assert that semi-structured interviews focus on specific themes but cover them in a conversational style. They are often the best way of learning about the motivations behind people's choices and behaviour, their attitudes and beliefs and the impacts on their lives of specific policies or events. They often provide valuable information that was not anticipated by the researcher. Concurring with these scholars, Busetto, Wick and Gumbinger (2020) assert that the interactive nature of semi-structured interviews allows for unexpected topics to emerge and to be taken up by the researcher. This also helps overcome researcher-centred bias. Semi-structured interviews are characterised by open-ended questions and the use of an *interview guide* in which the broad areas of interest, sometimes including sub-questions, are the focal point.

In this study, the researcher has used semi-structured interviews with an interview guide containing open-ended questions centred on the research objectives, questions, legislative and policy framework around the social phenomenon studied. Open ended questions are considered instrumental in a qualitative study to probe for detailed in-depth description, exploration or explanation of the central research phenomenon (Korstjens et al, 2017). These questions created a conversation among members of the focus group interview thereby inducing the emergence of expected and unexpected valuable topics the researcher included in his data analysis.

To strengthen the validity of data collected, semi-structured focus groups and one-on-one interviews were employed. In addition, observation and document reviews were also employed for data collection and will be discussed in the following section.

#### 3.4.2.1 Focus group interviews

Nyumba, et al. (2018) define focus group discussions as a qualitative approach aimed to obtain data from a purposely selected group of individuals an in-depth understanding of social issues rather than from a statistically representative sample of a broader population. The selection criteria of participants are based on their in-depth understanding and knowledge of the research phenomenon. Substantiating common characteristics of selected participants, Bryman, et al. (2014) postulate that focus groups have evolved from the focused interview where participants are selected because they are known to have been involved in a particular situation that is the focus of the discussion. Busetto, et al. (2020) consider focus groups as group interviews to explore participants' expertise and experiences, including explorations of how and why people behave in certain ways. Depending on researchers' and participants' preferences, the discussions can be audio- or video-taped and transcribed afterwards (Busetto et al, 2020).

In this study, the researcher established four sets of focus groups for interviews. The study participants consisted of focus groups and one-on-one interviews and reasons for their purposive sampling were provided (c.f. 3.6.1).

In the quest to understand the reality about SGBs' financial management role from their natural setting (Korstjens et al, 2017), focus group interviews with selected SGB members were conducted at the premises of each of the sampled schools. Each focus group spanned less than an hour.

Other than the focus group, the researcher went further to collect data through a one-on-one in-depth interview outlined in the next sub-section.

#### 3.4.2.2 One-on-one in-depth interview

Like focus group interviews, one-on-one interviews were conducted face-to face thereby offering the researcher the opportunity to interpret non-verbal cues through observation of body language, facial expression and eye contact. These non-verbal cues are deemed to enhance the interviewer's understanding of what is being said and permit the researcher to probe and explore hidden meanings and understanding.

In this study, a one-on-one interview with the manager for governance was conducted with the premise that, given the responsibility of training, monitoring and support of SGBs on their roles in governance, this official has in-depth knowledge of the central social phenomenon studied. Also, this official understands the challenges and barriers experienced by SGBs in their role of managing school finances across the district as he/she is the one supporting schools around managing school finances. Based on these reasons, the official was sampled as the most relevant and key in the triangulation of data from the four focus group interviews, observations and document reviews.

The natural setting of the manager for governance was also considered to conduct one-on-one in-depth interview at the circuit office, which is the manager's workplace.

During the focus group and one-on-one interviews, the researcher observed all the participants for non-verbal cues to enrich his hard data gathered through semi-structured questions on his interview guide. Observations are outlined in the next section.

#### 3.4.2.3 Observations

Maree (2016) defines observation data gathering technique as a systematic process of recording the behavioural patterns of participants, objects and occurrences without necessarily questioning or communicating with them. Observations are considered crucial in qualitative data collection as written data collected through questionnaires misses information on what is seen, heard and experienced during data collection that enriches the hard data. Maree (2016) corroborates Field and Morse's (1985) assertion that field notes on observations are written accounts of what was neither uttered in the interviews nor examined in the documents and policies but what the researcher hears, sees, experiences while collecting or reflecting on the data obtained during the study. Busetto, et al. (2020) also concur that observations are particularly useful to gain insights into a certain setting and actual behaviour as opposed to reported behaviour or opinions. They further assert that field notes on observations could be written during or after the observations.

Afterwards, these field notes are transcribed as per the observation protocols (Busetto, et al, 2020).

The study has used observations as a supplementary data collection method only. The focus was solely for the gathering of data derived from the participants' natural setting, their cues and gestures and other body languages before, during and after the interviews on the day of the interviews. Therefore, an observation protocol was used to guide the researcher on key areas to observe from participants and their natural settings on those days. These field notes on observations were then transcribed. Congruencies and linkages in the observation and the analysis of data collected through interviews and documents reviewed were instrumental in enhancing the trustworthiness of this study.

#### 3.4.2.4 Documents review

Data collected through interviews alone cannot be relied upon given that a case study uses multiple data sources to ensure credibility of the study (Kabir, 2016). According to Maree (2016), when documents are used as data gathering technique, focus should be on all types of written communications that may shed light on the phenomenon studied.

The researcher gave each sampled SGB a list of financial documents sought for review and requested each SGB to furnish him with duplicated copies of the listed financial documents after their interviews. All the requested financial documents are for public consumption for ensuring transparency and accountability and therefore, not confidential. A total of eight financial documents were requested, namely, finance policy, fundraising policy, procurement policy, approved annual budget, cash book, bank reconciliation statement, financial statements, external auditor/independent reviewer's appointment letter and audited/reviewed financial statements. A financial documents data analysis tool was completed (c.f. Table 4.2)

The focus of financial documents review was to determine whether preparation of these documents ensured that effective and efficient management of school finances was in place. Also, the review was to determine whether they were all

drafted in accordance with applicable legislative requirements and whether there is compliance with these policies and supporting documents by the SGB. The researcher is a former accounting teacher, departmental head for commercial subjects and a lecturer in accounting for teachers in one of the universities in South Africa. Also, he oversees schools' financial records and train SGBs on school financial management in one of the provinces in South Africa and therefore, has a skill in reviewing schools' financial record. It is against this background that the researcher collected and reviewed the financial records of these schools. Annual budgets audited financial statements and approved and ratified finance policies were also sought for review by the researcher.

### **3.5 Site selection**

The study targeted public ordinary schools established in terms of section 12(3)(a)(i) of the SASA as amended (RSA, 1996b). This type of schools is neither for learners with special education needs nor provide education with a specialised focus on talent, including sport, performing arts or creative arts (RSA, 1996b). In this study, the researcher selected five of this type of schools from the 431 public ordinary schools of the Capricorn South District belonging to different circuit offices. The public ordinary school status was used as the criterion for selecting these schools irrespective of the circuit offices to which they are attached. The researcher selected the three schools in the no-fee school category (quintile 1 – 3) and two more schools falling in the fee-paying school category (quintile 4 – 5). The five selected schools were conveniently and purposively sampled (Etikan, Musa & Alkassim, 2016). The schools' convenience was considered based on their accessibility and proximity to each other. The three no-fee schools belong to one circuit office and are not far from each other. Similarly, the two fee-paying schools also belong to one circuit office and are also closer to each other. No-fee schools and fee-paying schools constituted the study sample because they were potential sources of the required data. Public ordinary schools are mandated in terms of Section 20 of SASA to have SGBs who are to act in the best interest of the school in their governance role and also the custodian of school funds (RSA, 1996b). As constructivists are interested in understanding the social phenomenon from the participants' perspectives at their

natural settings (Korstjens et al, 2017), these sites were, therefore, selected as they are the natural settings where the school financial management role is being executed by the SGBs.

The researcher's focus was to develop a broader understanding of the social phenomenon studied, including similarities and differences across the two main settings. Therefore, sampling for maximum variation was used (Ames, Glenton, & Lewin, 2019). Given that SGBs' school financial management role is carried out at all public schools irrespective of the quintile level of the schools, but with minor variance between no-fee schools and fee-paying schools, the criteria for the selection strategy was public schools in the two main categories. The selection of participants natural setting (Korstjens et al, 2017), consisted of three no-fee schools SGB and two fee-paying schools SGB in the Capricorn South District.

This section has outlined the natural settings conducive for the researcher to understand the perceptions of the participants. Another important aspect of the research design is sampling which is described in the next section.

### **3.6 SAMPLING**

This study used a purposeful sampling method. According to Palinkas, Horwitz, Green, et al (2015), purposeful sampling is widely used in qualitative research for the identification and selection of information-rich cases related to the phenomenon of interest. It involves identifying and selecting individuals or groups of individuals that are especially knowledgeable about or experienced with a phenomenon of interest (Creswell & Plano Clark, 2011). The researcher specifically used homogeneous purposive sampling premised on the notion that SGBs share a set of common characteristics or are from a similar background in terms of their involvement with the central social phenomenon under study.

The homogeneous purposive sampling method assisted the researcher to carefully select information-rich sources for in-depth study. The researcher considered SGB members and one of the managers for governance as social actors sharing common contextual uniqueness pertaining to the research phenomenon. More importantly, the researcher believed the shared contextual uniqueness would provide a thick

description of the research phenomenon. Also, the thick description would provide in-depth description and hence understanding of the phenomenon under study (Bryman et al, 2014). The researcher relied on homogeneous purposive sampling with the notion that all the selected participants share common characteristics. Also, that the common characteristics of participants assures contextual uniqueness which is crucial in a qualitative study (Bryman et al, 2014).

For the purposes of confidentiality and anonymity, the selected schools are addressed with pseudonyms. The three no-fee schools are coded as NFS1, NFS2 and NFS3, and the fee-paying schools are coded as FPS1 and FPS2 in this study. As a decoder, letters and a number were used to identify the schools according to their quintile. That is, the letters 'NFS' stood for "no-fee school, while "FPS" stood for fee-paying school, and the numbers, 1, 2" and 3 were used to differentiate one school from the other in the same category. In the same manner, the SGB chairperson, deputy chair, treasurer, school principal, and finance officer were addressed by fictitious names which corresponded with the codes attached to their respective selected schools. For instance, Treasure NFST1, Finance officer FPSFO2, School principal NFSP2 were used, where the first three letters and the number denoted the school in which they were based. The manager for governance was given a pseudonym "MG".

This following section describes the population, the sample selection and size.

### **3.6 POPULATION AND SAMPLE SIZE**

Ames, Glenton and Lewin (2019) purport that overwhelming data in a qualitative study compromises the researcher's ability to perform thorough analysis. They also advocate for achieving a manageable amount of data to enable thorough analysis. It is for that reason that a manageable number of 25 participants was purposively sampled in this study.

#### **3.6.1 Participants selection**

Sampling for the richness of data was also used based on the premise that rich data can provide in-depth insights into the research phenomenon, allowing the researcher to better interpret the meaning and insights articulated in the data ((Ames, et al.,

2019). The researcher has employed purposive sampling techniques in the selection of participants. The researcher's choice of this sampling technique was based on the specific quality or worldview the participants are expected to possess. Participants were selected because they are deemed information rich as they work directly with school finances, which are a central facet of the research problem. Also, to obtain rich data premised on the assumption that SGB members share common contextual uniqueness which could emit thick description of the research phenomenon. Purposive sampling was, therefore, considered suitable as Etikan, Musa and Alkassim (2016) affirm that purposive sampling technique is the deliberate choice of a participant owing to the qualities the participant possesses. Three members of the FinCom were sampled in each of the four focus groups, namely, the finance officer, the SGB deputy chairperson and the SGB treasurer. In addition, the school principal and the SGB chairperson were sampled.

School principals and the SGB chairpersons were sampled based on the premise that they are key role player in making approvals for payments from the school funds (LDoE, 2021). No payments could be made in a public school unless the claim or requisition has been signed by the school principal and SGB chairperson then verified before payments are made (LDoE, 2021). Finance officers are appointed in the FinCom based on their background knowledge of accounting and/or finance (LDoE, 2021). The finance officers were, therefore, purposively sampled for their understanding of school finances in terms of receiving funds, keeping records of funds received and paid including financial statements. The SGB treasures were sampled on account of being the overseers of school finances and chairpersons of the FinCom with the authority to transact through the school's Electronic Fund Transfers (EFT). The SGB deputy chairperson as a member of the FinCom, also has the transacting authority. Only two officials are legally able to transact, namely, the SGB Treasurer, SGB deputy chairperson or a third FinCom member other than the finance officer (LDoE, 2020, 2021). Furthermore, the manager for governance was sampled on the premise that he/she works closely with SGBs regarding school finance matters, training of the management of finances and conducting internal auditing of schools' finances. The total number of participants interviewed were 25.

By implication, my purposive sampling enabled the inclusion of participants representing a broad sector, rich data and a focus that closely resembled my study objective as articulated in the study by Ames, et al. (2019). This suggests, therefore, that all the sampled participants in the SGBs are assumed to possess fair experience in terms of the central social phenomenon under study as they were in the third year of their term of office as SGB members. The underlying assumption is that all these participants share common contextual uniqueness that could provide a thick description of the social phenomenon studied (Bryman et al, 2014).

### **3.6.2 Participants' selection strategy and sample size**

Ames, et al. (2019) purport that overwhelming data in a qualitative study compromises the researcher's ability to perform thorough analysis. They also advocate for achieving a manageable amount of data to enable thorough analysis. It is for that reason that a manageable number of 25 participants was purposively sampled in this study (c.f. table 4.2.).

The next section outlines data analysis techniques used in this study.

## **3.7 DATA ANALYSIS**

The qualitative researcher typically functions as part of the measurement instrument itself and has a great say in generating findings from the data. During the data analysis procedure, the data are transformed into descriptions of themes, patterns or theoretical models by means of the researchers going through several stages of data interpretation. Every result in a qualitative design is one that is subjective interpretation; it is influenced by the lens through which the researcher has interpreted the data. The assumption of the presence of this "lens" originates in the interpretivist paradigm from which qualitative researchers typically operate (Haven & Van Grootel, 2019). Social reality is perceived differently by researchers; their interpretations are shaped by a priori values ("lens") and therefore, cannot be portrayed "objectively" (where objectivity means "without being influenced by the lens of the researcher"). Subjectivity is crucial for the ability to transform the data and for interpreting the findings afterwards. Moreover, it is crucial for the ability to transform the data and for interpreting the findings afterwards. It allows researchers

to understand the meaning of social phenomena within the context of the material conditions in which people live (Ritchie et al, 2013).

Busetto, et al. (2020) assert that data collected through observations, interviews and focus groups need to be transcribed into protocols and transcripts for analysis. Interviews and focus groups can be transcribed *verbatim*, with or without annotations for behaviour. According to Ngulube (2015), qualitative data analysis is concerned with transforming raw data by searching, evaluating, recognising, coding, mapping, exploring and describing patterns, trends, themes and categories in the raw data, to interpret them and provide their underlying meanings. Newman (2014) concurs that data analysis means to systematically organise, integrate and examine data and in so doing, the researcher searches for patterns and relationships among specific details.

In this study, data collected through the three-legged approach of interviews (focus group and one-on-one), review of documents and observations through field notes were collated for content analysis. The audio-recorded interviews were transcribed verbatim and analysed following Tesch's steps for open coding (Creswell, 2009). Emergent themes and categories were given names related to the actual responses of the SGBs, denoting how they perceive their roles in school financial management.

The study applied qualitative content analysis to the transcribed interviews and qualitative documents reviewed. Data were organised into smaller units in the form of main concepts, sentences and words, which involved a *verbatim* transcription of audio-recorded data and noting the tones of voices, emphases used, pauses and silences and unclear or indecipherable responses (Cohen, et al, 2017). Data were arranged in categories denoting how SGBs perceive their role in the management of school finances. Eventually, collated information was presented as themes which then fall into a pattern of meaning.

The interpretation of the findings was presented in a narrative form which was corroborated by direct citations from the participants. That served as confirmation of interpretations. Therefore, the adopted data analysis process guided the researcher to draw empirical conclusions and recommendations.

### **3.8 DATA TRIANGULATION**

According to Korsjer and Moser (2018), the process of qualitative research could be enhanced through triangulation of multiple data sources. Yin (2018) states that triangulation of data sources involves the use of multiple data sources to substantiate findings and develop a comprehensive understanding of the central research phenomenon. To strengthen a qualitative research, supportive sources of data need to be sourced. The researcher then strengthened the quality and validity of data by implementing a multipronged data collection strategy. Likening qualitative research to a legal case which gains its strength through the triangulation of witnesses' evidence, pictures and other sorts of supporting evidence or exhibits, the researcher has, in this study, strengthened the quality and validity of data by employing a multiple faceted data collection strategy. Therefore, focus group interviews with the SGBs and the one-one interview with the manager for governance were not the sole data relied on. The researcher also supplemented the data with the review of schools' financial documents. In addition, he used field notes on observation to enhance the validity and trustworthiness of the collected data. Data collected through these four-pronged data collection approach were triangulated to ensure the richness of data and its trustworthiness.

The following section details how trustworthiness and credibility of the data were established.

### **3.9 TRUSTWORTHINESS AND CREDIBILITY**

#### **3.9.1 Trustworthiness**

According to Pilot and Beck (2014), trustworthiness in a study refers to the degree of confidence in data, interpretation and methods used to ensure the quality of a study. Lincoln and Guba (1985) claim that qualitative researchers who frame their studies in an interpretive paradigm focus on trustworthiness as opposed to the conventional, positivistic criteria of internal and external validity, reliability and objectivity. Maree (2016) also affirm that trustworthiness is momentous in qualitative research as reliability and validity are to quantitative studies. The researcher followed both constructive and evaluative procedures to ensure the trustworthiness

of the research and provide quality assurance. Trustworthiness stems from the co-construction and interpersonal contact with participants and the subsequent data (Guercini, Raich, Müller, & Abfalter, 2014). Stenfors, Kajamaa and Bennett (2020) assert that when dealing with the validity of qualitative data, researchers are essentially concerned with trustworthiness of the study. The researcher also sought to ensure trustworthiness of the study by using the same format and sequence of words and questions to each of the focus group interviews conducted (Cohen, Manion & Morrison, 2011). The researcher further ensured the trustworthiness of this study by adhering to the criteria of transferability, dependability, conformability and credibility of the data (Bryman et al, 2014).

#### 3.9.1.1 Transferability

Bryman et al (2014) assert that transferability is assured where there is intensive, in-depth study of a small group or individuals sharing certain characteristics. The researcher opines that common shared characteristics of the focus groups of SGBs are likely to share almost similar worldviews about the social research phenomenon studied, hence bringing contextual uniqueness. Bryman et al (2014) also maintain that qualitative findings are orientated to the contextual uniqueness and the importance of the aspect of the central research phenomenon. It is for that reason that a small focus group consisting of SGB chairpersons, their deputies, SGB treasurers, finance officers and school principals were targeted for focus group interviews with the premise that they share certain characteristics crucial to bring forth contextual uniqueness. Guba and Lincoln (1994) affirm that such contextual uniqueness provides others with a repository for making resolutions about the possible transferability of findings to other contexts and environments.

#### 3.9.1.2 Dependability

Bryman et al (2014) assert that records of all phases of the research process must be kept in an accessible manner. The researcher has documented all processes followed in this study and included appendices of supporting documents. In addition, raw data has been stored securely in password protected devices and saved on cloud. Such information could be reached on request. The researcher has, therefore,

kept sufficient information such that another researcher could follow the same procedural steps, albeit possibly reaching different conclusions (Korstjens & Moser, 2018).

#### 3.9.1.3 Confirmability

The researcher has shown how he made his findings through detailed descriptions and the use of quotes from the participants' responses (Stenfors, et al, 2020). The four criteria were, therefore, key in confirming the quality of data collection and the data collection methods used. The processing and management of data usually needs to be in a good quality so that users can get better results (Azeroual & Abuosba, 2019). Concurring with these scholars, the researcher upholds the notion of the adage "garbage in, garbage out," meaning that the quality of the data determines the quality of the study in terms of its trustworthiness. The researcher has, therefore, ensured that his study complies in all respects with the four criteria of trustworthiness.

#### 3.9.1.4 Credibility

According to Asiamah, Mensah and Oteng-Abayie (2017), credibility is of essence to every research study. They also purport that embarking on a study that is not credible is a waste of efforts by the researcher, funders and stakeholders supporting it. Credibility of the study was ensured through acceptance of the research proposal by the UFS which outlined well-established research methods, a research design that fits the research question, a theoretical framework that aligns with the research question and method (Maree, 2016). Maree (2016) also purport that credibility is enhanced through developing familiarity with the participants and the participating organisations. The researcher has, therefore, enhanced the credibility of this study by being familiar with the participants and schools as their natural setting as he was an educator before and participated in the SGB as a treasurer. In addition, the researcher works in the institutional governance sphere of the education system. Data were collected from participants sharing common contextual uniqueness; hence, the use of thick description of the role of the SGB in the management of school finances to further enhance credibility of this study was ensured.

Further strengthening credibility of the study, member check was used to verify consistency of data analysis with the participants regarding their worldviews to reduce the possible researcher biases. In member checking, analysed data were returned to some of the participants to confirm if their perceptions about the research phenomenon were fairly presented without distortion or bias. During member checking, the researcher also verified that financial documents that SGBs failed to avail during data collection were still not prepared. Gunawan (2015) asserts that the role of triangulation of data must be emphasised in the analysis of qualitative data to reduce the effect of investigator bias.

### **3.9 ETHICAL CONSIDERATIONS**

In a typical qualitative study, analysts point out that the interaction between the participant and the researcher during data collection can foster moral consequences (Adhabi & Anozie, 2017). It is a constitutional imperative to treat people with dignity as per Section 10 of the South African Constitution (RSA, 1996a). Given that qualitative research is centred on social phenomena making people indispensable data sources, ethical considerations is compulsory. The researcher, therefore, also considered the participants' right to human dignity, their confidentiality and anonymity as priority and ensured that during data collection, none of these are violated.

According to Denzin and Lincoln (2011), informed consent is the cornerstone of ethical research. The researcher developed an informed consent form for participants to sign before they engage in the research to acknowledge that their rights will be protected during data collection.

The aspects included in the signed “informed consent form” included clear explanation on:

- (a) Who the researcher(s) are;
- (b) What the intent of the research is;
- (c) What data will be collected from participants (Appendix A);
- (d) How the data will be collected from participants (Appendix B);
- (e) What level of commitment is required from participants;
- (f) How this data will be used and reported (Appendix C);
- (g) What are the potential risks of taking part in the research;
- (h) An ‘opt in’ approach rather than ‘opt out;’
- (i) Information on the right to withdraw at any at any time without reason (including withdrawing data already provided);
- (j) Assurances that participant identity will be kept confidential;
- (k) Clarity of ownership of the data (participants own their raw data, researchers own the analysis data);
- (l) Their right to access to their data;
- (m) The right to ask for more information;
- (n) Information of the complaint process (contact details of the researcher along with the chair of the ethics committee); and
- (o) Permission to audio-record the interviews.

The code of research ethics, as promulgated by the University of the Free State, was strictly adhered to. The University of the Free State’s General/Human Ethics Research Committee also granted the ethics approval (see Appendix D). Moreover, permission to conduct this study in the LDoE was requested from the Provincial HOD and granted by the HOD (see Appendix E). Permission to enter the research sites was requested from the District Director, Circuit Managers, and the respective schools’ SGBs.

### **3.10 CONCLUSION**

This chapter outlined the congruency of processes that define a qualitative study research methodology. First the lens through which the researcher sees the nature

of the social phenomenon studied was described. Second, the epistemological orientation congruous to the researcher constructivist worldview of the school financial management role was presented. Third, the qualitative research approach that relies on non-numerical data but words and worldviews of SGBs that needs to be interpreted by the researcher in constructing meaning that depicts the social reality of the research phenomenon was described.

Qualitative research design and methodology and relevance to this study including motivations for choices and the unfolding of certain research processes were outlined in this chapter. The researcher gave a detailed account of how the study conforms to requirements of ensuring trustworthiness and credibility. Ethical clearance certificate was also granted by the UFS's General/Human Research Ethics Committee while approval to conduct research in schools was granted by the LDoE.

In the next chapter, findings on data collected from interviews, observations and analysis of schools' financial records examined will be presented and discussed.

## **CHAPTER 4**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 INTRODUCTION**

In the previous chapter, the focus was on the description of the research approach, design and methodologies used in exploring the role of the SGBs in the management of school finances. The researcher has thoroughly mapped out the research strategy, research instruments and research processes in the preceding chapter. In addition, the chapter contemplated on the chronology of the processes in the research strategy such as the identification of suitable participants, selection of participants, the selection techniques, generation of data, data production techniques and instruments. The chapter further outlined the research strategy to reflect the flow to the results of the study.

The focus in this chapter is on the presentation and the analysis of findings exploring the role of the SGBs in the management of school finances. The focus is also narrowed down to only public ordinary schools across the board. Therefore, no-fee schools and fee-paying schools were the targeted research sites for this study.

This is a case study of five purposefully sampled schools, namely, three no-fee schools and two fee-paying schools in the Capricorn South District of the LDoE. The two fee-paying schools are situated in the Polokwane Circuit, one no-fee school in the Moletlane Circuit and the other two in the Magatle Circuit of the same district. The researcher has purposefully selected participants for their direct involvement in the management of school funds as members of the school finance committee or their involvement in procurement and making transactions. The researcher has in addition, purposefully selected a district official responsible for monitoring and supporting schools on financial matters to share his/her worldview of the central study phenomenon as guided by the research questions.

In this chapter, the researcher presents and discusses the findings from the four schools through four focus group interviews and from a one-on-one interview with the district official. The researcher also presents discussions of analysis of data

collected through examination of schools' financial management documents and fieldnotes from observations.

In adherence to ethical considerations, the study sought to protect the identity of the sampled research sites (schools) and their participants, including the district official. In the interest of confidentiality and anonymity thereof, the selected schools and selected participants were addressed with pseudonyms.

The next section of the study presents data and the analysis thereof with a view to explore central research conundrum in line with the research questions. The discussion is presented in the following sub-headings:

- main research question; and
- secondary research questions.

#### **4.2 PRESENTATION AND ANALYSIS OF DATA**

Data were collected from five sampled schools, namely, two fee-paying schools and three no-fee schools. A focus group interview with the sampled members of the SGB was conducted in each of the sampled schools. A one-on-one interview with one of the managers for governance responsible for coordinating and supporting schools on governance and the training of SGBs in school financial management among others was also conducted. The sampled schools, their participants and the district official were coded as indicated in Table 4.1 to conceal their identities.

**Table 4.1: Participation codes**

Participant	Code
School NFS1	
School principal	NFSP1
SGB chair	NFSC1
SGB deputy chair	NFSDC1
Treasurer	NFST1
Finance Officer	NFSF01

Participant	Code
Secretary (additional)	NFSS1
School NFS2	
School principal	NFSP2
SGB chair	NFSC2
SGB deputy chair	NFSDC2
Treasurer	NFST2
Finance Officer	NFSF02
Secretary (additional)	NFSS2
School NFS3	
School principal	NFSP3
SGB chair	NFSC3
SGB deputy chair	NFSDC3
Treasurer	NFST3
Finance Officer	NFSF03
Secretary (additional)	NFSS3
School FPS1	
School principal	FPSP1
SGB chair	FPSC1
Finance Officer	FPSFO1
School FPS2	
School principal	FPSP2
SGB chair	FPSC2
SGB deputy chair	FPSFO2
Capricorn South District	
Manager for governance	MG

Data collected through the five focus group interviews with SGBs and a one-on-one interview with one of the managers for governance were analysed according to Tesch's open coding method (Creswell, 2009). The researcher has organised data

into categories, identifying patterns in the responses and discussions made by focus group on questions posed. The data were then interpreted by the researcher in a way that provides responses aligned with the research question.

In addition to the five focus group interviews held in the five sampled schools and a one-on-one interview with one of the managers for governance, documents instrumental in the management of school finances were also sampled and examined by the researcher. Table 4.2 presents analysis of sampled school financial management documents furnished to the researcher by the SGBs of the sampled schools.

**Table 4.2: Documents Data Collection and Analysis Tool**

<b>Documents selected</b>	<b>Analysis of Documents</b>	<b>Comments on compliance with applicable laws, policies, Directives, norms and procedures</b>
1. Finance Policy 2. Fundraising policy 3. Procurement policy	Alignment to SASA 84 of 1996 as amended and the National Norms and Standards for School Funding of 2008	All the five sampled schools indicated that they have not developed these three policies. All the five schools had zero compliance in terms of financial management policies to be kept by schools.
	Approved by the SGB	-
	Ratified by the Circuit Office (official)	-
4. Annual Budget	Preparation according to the Provincial Directives for the Management of Funds in Public Schools	One school did not furnish the researcher with the sought documents for analysis. Four of the five schools had annual budgets not prepared according to prescribed Directives: <ul style="list-style-type: none"> <li>- They included the closing balance in the total income for the budgeted period.</li> </ul>

Documents selected	Analysis of Documents	Comments on compliance with applicable laws, policies, Directives, norms and procedures
		<ul style="list-style-type: none"> <li>- They budgeted at a surplus instead of a zero-bottom line.</li> <li>- The income was not allocated according to predetermined percentage distribution.</li> </ul>
	Approval by the majority of parents attending the General Meeting	<ul style="list-style-type: none"> <li>- Schools used a blanket approach approval were silence of the parents on matters when the draft budget was read, meant consent. Attendance registers and resolution registers were not used to determine the majority vote of parents in all the four schools.</li> </ul>
	Approval by the School Governing Body	<ul style="list-style-type: none"> <li>- All annual budgets of the four of the five sampled schools were approved by the SGB.</li> </ul>
	Ratification by the Circuit Office (Official)	<ul style="list-style-type: none"> <li>- All budgets of the four of the five schools were not duly ratified by respective circuit managers.</li> </ul>
5. Cash Book and bank reconciliation statements	Recording of all monies received	<ul style="list-style-type: none"> <li>- Schools did not keep cash books for the financial year under review.</li> </ul>
	Recording of all payments made	<ul style="list-style-type: none"> <li>- Schools did not keep cash books for the financial year under review.</li> </ul>
	Monthly reconciliations of all transactions	<ul style="list-style-type: none"> <li>- None of the sampled schools prepared monthly bank reconciliation statements.</li> </ul>
	Adherence to procurement procedures	<ul style="list-style-type: none"> <li>- NF2 archived Service Providers for future use instead of sourcing out</li> </ul>

Documents selected	Analysis of Documents	Comments on compliance with applicable laws, policies, Directives, norms and procedures
	<p>Payments done through the PED's recommended EFT method</p>	<p>three quotations each time the SGB procures.</p> <ul style="list-style-type: none"> <li>- Other than NF2 whose finance officer is the lone transactor, all other schools follow the PED's recommended EFT payment method using the deputy chairperson, the treasurer or a third person other than the finance officer.</li> </ul>
6. Financial Statements	Preparation of financial statements	<ul style="list-style-type: none"> <li>- All the sampled schools outsource the compilation of the annual financial statements to their external reviewers.</li> <li>- These schools did not keep nor compile monthly and quarterly financial records and statements.</li> </ul>
7. External Auditor/reviewer's appointment letter	The external auditor's registration with the Independent Regulatory Board of Auditors in terms of the Audit Profession Act of 2005	<ul style="list-style-type: none"> <li>- None of the 5 sampled schools produced appointment letters.</li> <li>- The sampled schools did not appoint external reviewers on a yearly basis but kept their reviewers for year even spanning years beyond those of the school principals' appointment at these schools.</li> <li>- All these reviewers, despite being registered with reputable bodies</li> </ul>

Documents selected	Analysis of Documents	Comments on compliance with applicable laws, policies, Directives, norms and procedures
		such as SAIPA, SAIBA etc, are not regulated as they are not IRBA registered in terms of the Audit Profession Act of 2005.
	The external reviewer's approval letter from the PED's MEC for Education	- None of the external reviewers were MEC approved.
8. Audited/Reviewed Financial Statements	Opinion consistency with the submitted financial records	- None of the school used the services of an IRBA registered external auditor
	Review statements consistency with the submitted financial records	- Reviewed documents reveal huge amounts of money used by schools not budgeted for such purposes. Unauthorized expenditure incurred by schools are not reported about in the reviewers' reports.

### 4.3 EMERGING THEMES

The following themes emerged from the responses to questions by participants during both focus groups and one-on-one interviews.

#### 4.3.1 Misconceptions of the SGB role of managing school finances

- SGBs' perceptions on applicable legislative frameworks, Directives and policies.
- SGBs' perceptions in the appointment of auditors/reviewers.
- SGBs' perceptions on annual budgeting for schools.

- SGBs' perceptions on procurement.

#### **4.3.2 SGB members' capacity to manage school finances**

- Capacity of SGBs to perform the school financial management role.
- Capacity building for SGBs in school financial management.

#### **4.3.3 SGB's interactions internally among member and external parties**

- Outsourcing of the compilation of annual financial statements to external auditors/reviewers.
- Engagement of circuit managers in the management of school funds.
- Lack of transparency and accountability by role players.

#### **4.3.4 The SGBs' failure to execute their roles as prescribed**

- Compliance with annual budgeting implementation processes.
- Recording and record keeping of the school's financial information.
- Unconscious contravention of procurement processes and procedures by SGBs.
- Dominance by school principals in the execution of school financial management role.
- Conduct of appointed external reviewers.
- Implementation of internal and external financial control measures.

#### **4.3.5 Understanding of what constitute the role of SGBs in managing the school finances**

- Misinterpretation of external auditors and reviewers.
- Poor knowledge and understanding of applicable legislation.

### **4.4 NARRATIVES OF THEMES**

The researcher came up with the following narrative of themes when interpreting and applying a thematic analysis of the data collected through focus group and one-on-one interviews, review of sampled school financial records and the observation of participants during the interviews.

#### **4.4.1 Misconceptions of the SGB role of managing school finances**

Participants interviewed had varied perceptions regarding their mandatory role in the management of school finances, some inconsistent with applicable legislation, prescripts and Directives.

- SGBs perceptions on applicable legislative frameworks, policies and Directives.

The participants lacked the knowledge of applicable legislative frameworks, policies and Directives governing their role in the management of school finances. None of the key policies in school governance were mentioned by the participants during the interviews. That was confirmed by the following responses:

NFSP3 answered, *“Like PFMA Chapter 5 which shows the responsibilities of the accounting officer on how he should work. Then in finances I should be the one who guide the SGBs that when we use money, does the law allow or not allow. That is what I consider to be my biggest role in terms of managing the school funds.”*

The participant showed a little understanding of the advisory role to be played by the school principal in terms of section 16A of the SASA as amended (RSA, 1996a) but referred to the wrong Act.

FPSP1 responded, *“The SGB makes sure that whatever we want to purchase, we follow the PFMA by means of making sure that we have three quotations. In terms of the principal, as I have already mentioned so many things, my role is to ensure that the PFMA is followed to the letter.”*

Like NFSP3, FPSP1 demonstrated some understanding of mandatory procurement procedures in schools but not the Directives that provide for those procedures.

FPSC2 replied, *“Process of transparency and accountability also minimise risk of wasteful expenditure and work according to PFMA and Supply Chain procedures.”*

The SGB chairperson, FPSC2, quoted the basic values and principles governing public administration as per section 195 of the Constitution (RSA, 1996). Although

relevant to the schools' context, the law and policy quoted are foreign to school financial management.

The two school principals, NFSP3, FPSP1 and the SGB chairperson, FPSC2, demonstrated a little understanding of the SGB's role. Sadly, all of them quoted an Act, policies and procedures irrelevant to the school governance context. NFSP3 wrongly regarded his/her role as that of an accounting officer in terms of the PFMA. An accounting officer in terms of the PFMA is at the level equivalent to that of the HOD. In addition, DBE's circular M1 of 2019 clearly indicates that PFMA is not applicable in the school governance context (c.f.2.2.1).

Quoting of irrelevant legislation by these participants suggests that they are not conversant with applicable legislative frameworks governing their role in the management of school finances. They did not mention even one key law or policy applicable in school governance such as the SASA, ANSSSF, PED Directives and/or prescripts, among others. They also did not mention even one of the policies relevant to schools. The SGBs are mandated to develop policies and submit for ratification by the HOD or his/her delegation. This assertion is substantiated by the absence of the sampled policies for this study, namely, finance, fundraising and procurement policies in all the five sampled schools (c.f. Table 4.2). Failure to keep these policies is an act of non-compliance. Failure to get these policies ratified by the official delegated by the HOD (GDE, 2020) is also an act of non-compliance to applicable legislation. This, therefore, suggests that the SGBs' perceptions on legislative framework, policies and Directives is obscure.

The SGB members have knowledge of relevant legislative frameworks, policies and directives; they may not fully understand their responsibilities, obligations or the best practices for managing school finances. This information asymmetry may create a situation where the agents act without enough information, which prevents them from making informed decisions. That dearth of understanding of policies and directives could consequently lead to non-compliance with legal requirements, improper use of funds or inefficient financial management.

- SGBs' perceptions on the appointment of auditors/reviewers

The participants lacked the knowledge of the requirements for the appointment of external auditors or independent reviewers of their schools' annual financial statements. They all struggled to justify grounds for their appointment of current auditors/reviewers. Confirming their misconceptions, the participants responded in the following manner:

*NFSP2 replied, "Let me say according to me they are qualified because the auditor especially the one we use, if you go to the Circuit Office you can always request for a list of qualified auditors, and they will give it to you. Then the SGB would by itself sit down and select which one they prefer. People do not just come to the school and claim to be an auditor and be appointed. Ahhh, but we do not know which body they belong to."*

That suggests SGBs themselves cannot identify eligible external auditors or independent reviewers but had to rely on the list provided by their circuit office.

The school principal coded as FPSP1 showed lack of clarity on the credentials of illegible reviewers to be appointed replied as follows:

*"What body is that one? Something like SAIPA. The audited financial statements will indicate."*

The secretary from the same FPSS1 responded by saying:

*"It is SAICA, the South African Institute of Chartered Accountants. They are registered with the body; they are qualified to do so."*

One of the school principals, NFSP2, demonstrating his/her uncertainty about the eligibility of their independent reviewer replied:

*"This new SGB has found that the old SGB has appointed the auditors but not so sure of the body that they are accredited to."*

According to section 43 (1) of the SASA, schools are to appoint auditors registered in terms of the Audit Profession Act of 2005. This Act provides for the Independent Regulatory Board of Auditors. However, if that is not reasonably practicable, schools may appoint independent reviewers who are approved by the MEC for that purpose.

Inferred from these participants' responses, the researcher concludes that they are inconsistent with the SASA provisions presented in the preceding paragraph.

An observation made by the researcher at NFS2 and NFS3 is that when a question on whether the auditor or independent reviewer the SGB appointed meet the requirements in terms of the SASA, all the eyes of the participants in the focus groups swerved to their school principals. That reflection denoted that other members of the SGBs are neither familiar nor knowledgeable about eligibility criteria of these auditors/reviewers. This also indicates that their hope is with the school principals to respond accordingly but to no avail.

The analysis of documents so called "audited financial statements" from four of the five sampled schools also attested that the sampled schools did not appoint external auditors accredited by IRBA. It was further verified that independent reviewers they have appointed were also not approved by the MEC. That meant that appointments of independent reviewers made were invalid and hence, illegal. The fifth sampled school did not submit the sampled documents requested by the researcher, including the audited financial statements.

Deduced from the responses given, the reflections made on observation and the analysis of the financial records examined, all the participants did not know or understand who qualifies to review or audit their annual financial statement in terms of section 42 of the SASA. By implication, four of these five schools had been misrepresenting when presenting financial reports to the HOD, teachers and learners and parents as the annual financial statement presented since the appointment of these firms were in principle, neither audited nor reviewed. All their reviewers, despite being registered with reputable bodies such as SAIPA, SAIBA etc, are not regulated as they are not IRBA registered. In addition, appointment

letters of the so-called “auditors” appointed by all the five sampled schools were not provided to the researcher as requested (c.f. Table 4.2).

SGBs are responsible for the appointment of auditors or independent reviewers in terms of section 43 of SASA as amended. They stand in a position of trust to the school, as an agent (RSA, 1996b). The inference drawn is that they are unaware of the criteria reviewers/auditors should meet to be appointed, yet they have appointed. That was corroborated by document analysis which revealed that they were not auditors or MEC approved. On the contrary, these so-called reviewers misrepresented themselves to the ignorant SGBs and got appointed. Their appointment is invalid including the output of their reviews. In the process, money is spent on invalid activities by invalid appointees causing principals to lose value for money.

- SGBs’ perceptions on annual budgeting for schools

The participants did not appreciate the importance and mandatory nature of the school’s approved budget. They appeared to think that they are not compelled to adhere to the budget for all procurements. They also did not understand that their failure to comply with procurement procedures results in unauthorised expenditure. The following responses by participants substantiated the existence these misconceptions. NFSFO2 replied:

*“Because, for example, now they (referring to circuit managers) can call principals for workshops, things which were not budgeted for and they force you to use money because they would say there is no excuse and we also need money for catering; so much. They actually tell you how much they want. You must just pay that amount.”*

The finance officer submits that SGBs are ordered to transfer unbudgeted funds for circuit office activities. SGBs are in principle instructed by their circuit managers to incur unauthorised expenditure as such transfers were initially not part of the budgets they ratified. The MG replied:

*“They (SGBs) struggle with procurement procedures, with the preparation of the annual budgets, the monitoring of the budget itself.”*

MG submits that SGBs would make procurement without monitoring whether procurement is conducted according to the approved budget as they are oblivious to incurring authorised expenditures.

Implied in these participants responses is that their schools continue to incur unauthorised expenditure as a result of procurement of goods and/or services for which they did not budget. They are also circumventing of procurement procedures they struggle with.

- SGBs’ perceptions on procurement

The participants did not understand the mandatory nature of the procurement procedures as provided in the Directives. Their responses reveal that at times they used own their discretion when carrying out procurement processes thereby circumventing documented procurement procedures. The following responses confirm such malpractices. NFSFO2 responded:

*“On project, the secretary files the projects done at school and their quotations for future purpose so that when there is a need for someone to provide a particular service, we look no further but go back to the files.”*

NFSFO2 suggests that their school files the details of their preferred service providers from the three quotations sourced. They would then use the same service provider in the future without considering the three quotations rule. The implication is that service providers are being recycled with new projects instead of starting the process of sourcing out three quotations afresh each time the school intends to procure goods or services.

The school principal, NFSP2, exposed their inconsistent perceptions on procurement saying:

*“After quotations were checked, there should be adverts. It will depend on the type of items. If they are stationery, they are those we could get three*

*quotations from different shops, and we then sit as SGB to take a decision also looking at the issue of quality.”*

In the foregoing quotation, the school principal reveals his/her misconceptions on the minimum three quotation rule and its application. He/she also reveals that the SGB at his/her school takes over the role of the FinCom as adjudicators on the quotations sourced.

Clarifying the tail end of the procurement process, the secretary, FPSS1, replied:

*“The finance officer punches money on the system, the SGB treasurer and the SGB secretary approves the payments through the system. The finance officer has no powers to authorise the money on her own. Only the treasurer and the SGB secretary approves the payments.”*

FPSS1 submits that at their school there is no division of duties as the treasurer and secretary approve and authorise payments instead of the school principal and the SGB chair approving the claims and the treasurer and the deputy chairperson authorising payments.

Lamenting the circumventing of procurement processes at his/her school, NFSFO2 said:

*“And to add on the principal, any claim issued he has to authorise as the final.”*

Corroborating the procurement inconsistencies by SGBs, the MG said:

*“They (SGBs) struggle with procurement procedures.”*

Paragraph 8.6.3 of the LDoE Directives clearly stipulates that procurement should always be done on a minimum of three quotations basis with the FinCom serving as the adjudication committee. Also, the school principal and the SGB chairperson approve all claims. The SGB treasurer and the SGB’s deputy chairperson authorise payments (LDoE, 2021).

#### **4.4.2 SGB members' capacity to manage school finances**

Capacity of SGBs to perform the school financial management role.

The participants revealed that SGBs lack the capacity to perform activities relating to their mandatory role in school finances. Some of these mandatory activities are partially executed while others are completely not executed. Confirmation of the lack of capacity by the SGB is revealed in the following responses. MG responded:

*"They struggle with procurement procedures, with the preparation of the annual budgets, the monitoring of the budget itself. They also struggle with the monthly bank reconciliation and simply to properly administer a claim form. They struggle with those small things; so, generally they have got challenges."*

The finance officer, NFSFO1's response on the keeping of financial records was,

*"We usually do not compile financial records."*

NFSS1 added:

*"We do not do it but normally the principal would sometimes say "I am going to submit. I need a bank statement; I am going to submit at the Circuit (meaning circuit office), but he seldom clarifies he needs statement for which period, but he used to go to Circuit saying he is going to submit. They are not readily prepared. Yes."*

Participants at this school indicated that the school principal would take all invoices for the whole year and submit to their so-called auditor to first compile the annual financial statements and then issue a review statement.

The school principal, NFSP2, confirmed their lack of capacity in the budgeting process saying:

*"On the budgeting issue, normally the Finance Officer, actually the responsibility lies with the SGB, but the Finance Officer can draw the draft assisting the SGB. After the draft, in the SGB meeting, FinCom also check if*

*[it's] correct. Thereafter [they] submit to the SGB. SGB after seeing the draft convene the meeting of parents. Parents take the decisions to approve the budget."*

Substantiation similar misconceptions NFSP1 responded:

*"When coming to budgeting, there must be a committee on extra mural activities, academic committee to lay out their plan may buy a new copier secure at least three quotations. NSNP committee, our school participates in NSNP. What they intend to buy must once budget is drawn be presented to teachers and SGB."*

In their budgeting, NFSP1 and NFSP2 omit the HOD or his/her delegate (circuit manager) as the funding principal as per paragraph 10.4.9 of the Directives (LDoE, 2021).

Unlike in the UK and Australia where each member selected is expected to possess some of the skills, knowledge and expertise required in school governance, SASA opens the net wide by allowing any parent of a learner at a school irrespective of their level of education, skills, knowledge and expertise which has proven overtime to the demise of the school governance in South Africa as the SGBs struggle to cope with their mandatory role (Maluleke, et al., 2022; Xaba, 2021).

Documents analysis also confirmed the SGB's lack of capacity to perform their mandatory financial management role:

(a) Annual budget (c.f. Table 4.2)

Four of the five schools had annual budgets not prepared according to prescribed directives:

- They included the closing balance in the total income for the budgeted period.
- They budgeted at a surplus instead of a zero-bottom line (GDE, 2020).
- The income was not allocated according to predetermined percentage distribution (LDoE, 2021).

- All annual budgets of four of the five sampled schools were approved by the SGB.
- All annual budgets of four of the five schools were not duly ratified by respective circuit managers.

One school did not furnish the researcher with the sought documents for analysis.

(b) Cash book and the bank reconciliation statement (c.f. Table 4.2)

- Schools did not keep cash books for the financial year under review.
- None of the sampled schools prepared monthly bank reconciliation statements.

Documents analysis revealed that there was poor preparation of financial records by the SGBs, especially the monthly and quarterly records which were not even submitted to the researcher for analysis. The annual budgets submitted did not meet the requirements in terms of the provincial annual budget template.

Deduced from the participants' responses is that SGBs do not comply with budgeting processes. Circuit managers are excluded either by omission or commission by SGBs. This renders their annual budgets invalid. Invalid annual budgets suggest that all these schools incurred unauthorised expenditure since the beginning of the financial year. Also, SGBs as custodians of schools' financial resources are oblivious of applicable laws policies, directives and guidelines necessary for sound school financial management. In addition, principals are passive and not conversant with their own school financial management environment. This is based on the belief that agents often perform in the best interests of principals if the principals are conversant with deliverables and have the capacity to monitor the agent's behaviour (Boshkoska, 2015). This, therefore, implies that principals will bear the risks because they cannot enforce performance on processes they are not conversant with.

The SGB that lacks the necessary skills and knowledge to effectively manage finances may make decisions that are not aligned with the principals' interests, such

as poor allocation of resources or ignoring legal and policy frameworks. This misalignment can harm the financial stability and sustainability of the school.

These agents might, owing to a lack of capacity, prioritise items that do not directly contribute to educational outcomes or fail to make sound financial decisions owing to insufficient understanding of budgeting and financial planning.

- Capacity building for SGBs in school financial management

The participants' responses portrayed the mandatory capacity building programme they underwent to be ineffective. This cohort of SGBs was in their third and final year of office. By implication, they underwent all the capacity building trainings offered in terms of section 19 of the SASA. However, their discussions about their role had numerous inconsistencies with the SASA and other applicable legislations. The following participants confirmed this revelation:

NFSP3 attributed SGBs failures in financial management to the capacity building workshops conducted for SGBs in terms of section 19 of the SASA saying:

*“The other challenge I see is the training of the SGB. You would find that this module, they may need two to three days to train the SGB, but you would find them doing it in half a day.”*

By implication, the capacity building for SGB is short; hence not adequate to improve the efficacy of the SGBs.

Response by the MG also revealed that SGBs are not equal to task despite undergoing capacity buildings provided by the PED. He/she remarked:

*“They struggle with procurement procedures, with the preparation of the annual budgets; the monitoring of the budget itself. They also struggle with the monthly bank reconciliation and simply to properly administer a claim form. They struggle with those small things; so, generally they have got challenges.”*

Sampled SGBs failed to avail the three sampled policies. In some schools, some of the sought financial records were also not available (c.f. table 4.2). By implication, that suggests that SGBs neither have capacity to develop nor implement those documents despite PED's provision of capacity building in terms of Section 19 of the SASA.

The study reveals that School Governing Bodies (SGBs) face significant challenges in effectively managing school finances due to a lack of capacity. Participants acknowledged that SGBs struggle with a variety of financial management tasks, from procurement procedures to budgeting and monthly bank reconciliations. The following key points provide insight into the reasons behind these challenges:

#### **4.4.3 SGB's interactions internally among members and external parties**

- Outsourcing of the compilation of annual financial statements to external auditors/reviewers

The participants did not understand the difference between the compilation of annual financial statements and the auditing/review of the same. They also did not understand that these two processes cannot be performed by one person/accounting firm. They further did not know that the auditors/reviewers rely on the information compiled by the SGBs or their bookkeepers to base their audit opinions/review statements. Moreover, they did not know that it is illegal for an appointed auditor/reviewer to also compile the school's annual financial statements. The participants during their focus group interviews responded as follows:

Confirming these inconsistencies, the finance officer, NFSFO2, said:

*“He (the auditor) would then draft us the financial statements and submit. We first check it first if it is the way we expect it to be. If we identify an error somewhere then we would question that we know there had been this particular trip, but we do not see it reflecting. Should it be not reflecting so that when you give this report to parents, they know they once paid out monies for this particular trip but if it does not reflect, they start to suspect that, why is it*

*not reflecting, it means they might have stolen the money. Everything should reflect there so that when reporting to parents, they will be in a position to understand that money paid, oh! here it appears. After everything the Auditor would issue us with the audited financial statements with an assurance and everything.”*

The fee-paying school principal, FPSP1, also substantiated their misconceptions and said:

*“Soka (pseudonym for an auditing firm) is registered as an auditor. Soka as an auditor will tell what he needs; he will take our monthly statement and sit down and compile them.”*

Perusing their so-called “audited financial statements”, Soka has provided an audit opinion despite not being an auditor.

The school principal from no-fee school 2, NFSFO2 also corroborated by saying:

*“Appointed auditor compiles and showing income and expenditure and how that was used and why, so that we know that here at school how much do we use for which expenditure.”*

NFSDC3 gave a similar response saying:

*“As deputy, my other responsibility is to ensure that everything, all the slips are there, the approvement (meaning approvals) are in order so that when the auditor comes, he finds everything in order.”*

NFSDC3 submits that the compilation of their annual records is performed by their school’s external auditors.

Further demonstrating their misperception about this role, no-fee school 1’s finance officer, NFSFO1, replied:

*“Usually, the principal would take these papers (referring to invoices and other financial data) to the auditor.”*

Confirmation was, therefore, given by all these participants that it is a normal practice in schools that auditors/reviewers also compile the annual statements for their clients. Also, SGBs did not have the capacity to compile annual financial statements; hence, they outsource the compilation. Their fault is to outsource to those they have appointed as external auditors/reviewers which is unlawful.

Section 42 (b) of SASA mandates the SGB to draft annual financial statements (RSA, 1996b) and not the external auditors or reviewers. Section 43 (1) and (2)(b) directs the SGB to appoint as external auditors/MEC approved reviewers to perform auditing or review of annual financial statements of schools (RSA, 1996b). The SGBs lack of understanding the auditing and reviewing processes was also evidenced through analysis of annual financial statements submitted. They were all compiled and reviewed by the same independent reviewers appointed by the SGBs of the sampled schools.

Deduced from the participants' responses, the firms they have appointed as reviewers contravened Section 43 2(b) of SASA by traversing into the internal school financial management space. Hence the quality of their audit opinion or review statements would be compromised owing to possible biases created by the "referee and a player" situation. Circular M1 of 2017 also clarifies the two processes are distinct and their execution cannot be combined by one firm.

- Engagement of circuit managers in the management of school funds

The participants in this study purport to understand their role in the management of school funds and powers they possess thereon, among others, their approval of the budget. It emerged during the focus group interviews that participants perceive an interference in their role often by circuit managers who make financial orders and advice that contradict their mandatory role.

The finance officer, NFSFO2, felt that their approval of the budget as the SGB is often overruled by circuit managers as he/she replied:

*"Because, for example, now they (referring to circuit managers) can call principals for workshops, things which were not budgeted for and they force*

*you to use money because they would say there is no excuse and we also need money for catering, so much. They actually tell you how much they want. You must just pay that amount.”*

These invalid instructions also suggest that circuit managers, over and above overruling the legitimate approval of the school budgets by the SGBs, they also annul their own ratification of the same budgets.

In the same vein, circuit managers are found to be ill-advising the SGBs. NFSP2's statement on the appointment of qualified external auditors or independent reviewers was as follows:

*“If you go to the Circuit Office, you can always request a list of qualified auditors, and they will give it to you.”*

NFSP2's conviction about the auditors list by the circuit proved to be misleading. The external reviewer they had appointed selected from the same list was neither approved by the MEC approved nor IRBA registered as an auditor, hence ineligible for that purpose.

- Lack of transparency and accountability by role players

The participants' responses revealed a lack of transparency and accountability in the implementation of their role in managing the school finances. Some SGBs neither prepared annual budgets for presentation to parents for approval nor to the circuit managers for ratification. SGBs also prepared financial statements for malicious compliance and not for genuine accountability to the HOD, parents, learners and the teachers.

NFSFO1, showing a perpetual trend of acting inconsistently, said:

*“Actually, we never had it (budget), we never had it to tell the truth. It was suggested but we never had it. Ahh, the only time we had it was long ago since we had the budget.”*

This suggests that some SGBs came and went out without having had an annual budget let alone an approved one. That implies that SGBs were not transparent to

parents, teachers, learners and the HOD on how the school finances would be spend in all those financial years.

NFSC1 commenting about the audited annual financial statement replied:

*“Actually, it is only done on request like now especially when funds are to be released to the school, they would request for those statements to verify if funds are used correctly.”*

Audited financial statements are a requisite for the school to receive the second tranche of funds allocated by the PED. It implies that his/her school only prepares audited financial statements so that they do not forfeit the second tranche of such funds. In this instance, the SGB accounts only to the funding principal, that is, the HOD alone for the release of funds.

SGBs also fail to make their reviewers accountable for their shoddy work. When asked whether they got feedback after submission of their discontent with the reviewer’s report the secretary, NFSS1 replied:

*“Even today we are still waiting for that report that have funds we do not understand, why they reflect while we knew we had this much as balances.”*

No account of the unknown expenditure reflecting on the financial statements was given to the SGBs so that they reported to other stakeholders accordingly.

That was substantiated by the SGB chair, NFSC1 saying:

*“It (referring to the reviewer’s report) was never returned because we did not see it. We since pinpointed some of the mistakes we saw in the report.”*

However, the SGB continued using the services of the same reviewer they had for years despite his below par service to the school. It implies that SGBs do not value reporting to their stakeholders and beneficiaries by continuous re-appointment of the reviewer who issues no financial report. The reviewer only prepares (fabricates) financial records to be submitted to the Circuit Office to enable to school to receive their second tranche of funds from the PED.

#### **4.4.4 The SGBs' failure to execute their roles as prescribed**

- Compliance with annual budgeting implementation processes

Several scholars perceive the budget as a key tool an organisation must effect meaningful change, a key starting point and an integral part of financial management (Francis, Valodia, & Webster, 2020; Basson et al, 2019; Mosala et al, 2016).

The participants in this study reveal that some schools operated without the annual budgets for years without recourse. Also, some schools have budgets which are not duly ratified by circuit managers. Furthermore, these schools have been spending money despite their unapproved budgets. They also do not adhere to their unapproved budgets.

The finance officer, NFSFO1, responding on how the SGB does its budgeting replied as follows:

*“Actually, we never had it (budget); we never had it to tell the truth. It was suggested but we never had it. Ahh, the only time we had it was long ago since we had the budget. We are shy to point out it was this particular year.”*

This suggests that despite the absence of an approved budget for those years to date, procurement continued as usual. Also, incurring unauthorised expenditure in such schools is a long-standing norm.

The MG also indicated that annual budgeting by school is just a compliance exercise as he/she replied as follows:

*“They (SGB) do not follow their own budget. They prepare a budget but they themselves do not follow it. They still engage in irregular and fruitless expenditure here and there.”*

Non-adherence to the annual budget was confirmed by NFSFO2 saying:

*“Challenges are always there. That is why even if you have a budget you are not able to fulfil all the planned things because the money would be too small and others may be done the following year.”*

The finance officer confirms that their schools do not budget at a zero (nil) bottom line (GDE, 2020).

Analysis of documents also showed poor budgeting and non-compliance with the Directives. All reviewed budgets reflected a surplus bottom line instead of a zero (nil) bottom line (GDE, 2020). Some have included the closing balances in the income section of the budget instead of disclosing it as an opening balance of the budgeted period. Furthermore, the total norms and standards funds were not allocated to different expenditure items as directed in the provincial Directives. All these confirm the manager for governance's assertion that SGBs do not understand their policies and that they struggle to prepare budgets. This also substantiates findings by Rangongo et al (2016) that SGBs are not conversant with their role in school financial management. The request by circuit managers for SGBs to transfer funds not approved in the schools' annual budget into the Circuit Office bank accounts also corroborates the SGB's failure to execute their role in adhering to the approved budget when procuring goods and/or services (c.f.4.4.3).

- Recording and record keeping of the school's financial information.

The participants demonstrated failure to keep or compile mandatory financial records. They failed to keep cash books and bank reconciliation statements among others. They also sounded complacent with their annual statements being compiled by the independent reviewers they have appointed instead of outsourcing compilation of books to bookkeepers if they lacked that capacity internally. Confirming these revelations, the participants responded as follows:

FPSP1 replied:

*“Soka (pseudonym for the reviewer) as an auditor will tell what he needs, he will take our monthly statement and sit down and compile them (financial statements).”*

NFSP2 corroborated similar misconception saying:

*“Appointed auditor compiles and showing income and expenditure and how that was used and why so that we know that here at school how much do we use for which expenditure.”*

Further indicating that SGBs have no clue when it comes to schools’ financial information the following participants in the same school, NFSFO1 responded to the question in this fashion:

*“Usually, the principal would take these papers (referring to invoices and other supporting documents) to the auditor.”*

Document reviews revealed that all sampled schools did not keep cash books and prepare monthly bank reconciliation statements for the financial year under review. Non-adherence to the keeping of financial records as per the SASA prescripts in the sampled schools was, therefore, evidenced by their non-submission of the requested records for verification by the researcher on site during the days of the focus group interviews.

- Unconscious contravention of procurement processes and procedures by SGBs

The participants revealed an unconscious contravention of financial processes. They unconsciously swapped financial roles and responsibilities against the provisions of applicable laws. They also created their own undocumented ways of executing the school financial management role. The participants revealed the extent of these contraventions as follows:

The school principal, NFSP2, exposed their contravention of procurement as per the provincial Directives saying:

*“After quotations were checked, there should be adverts. It will depend on the type of items; if they are stationery, they are those we could get three quotations from different shops and we then sit as SGB to take a decision also looking at the issue of quality.”*

The Directives assign the bid adjudication responsibility to the FinCom to serve as a bid-adjudication committee (LDoE, 2021) and not the entire SGB.

The finance officer, NFSFO2, revealed that their school recycles quotations for years saying:

*“On project, the secretary files the projects done at school and their quotations for future purpose so that when there is a need for someone to provide a particular service; we look no further but go back to the files.”*

The Directives stipulate that each procurement requires the SGB to source a minimum of three quotation (LDoE, 2021). In this instance, instead of starting the process of sourcing out a minimum of three quotations afresh, the SGB only picks the service provider they intend to use from their archives.

The finance officer, NFSFO3, revealed additional unconscious contravention of the law saying:

*“The school money is also deposited after a month depending on the need. If the money is enough, some is deposited and if we are still going to need it, we do not deposit it but we go buy stock with it.”*

The Directives mandate that money collected at school should be deposited in the school’s bank account on a weekly basis (LDoE, 2021). NFSFO3 submits that their school spent more time with cash collected before banking. Also, that, some of the cash is received and used without being deposited into the school’s bank account as per the Directives.

FPSS2 indicating unconscious swapping of duties said:

*“The finance officer is responsible for all the funds of the schools. Submission of the claim form, secretary is the one responsible to take to the principal. The purchase form will be taken to the finance officer who will be making payments thereof.”*

The secretary at FPSS2 revealed that their school uses one person to transact, that is, the finance officer instead of two being the treasurer and the SGB deputy chairperson as per the provincial Directives (LDoE, 2021).

Confirming these unintentional malpractices by SGBs, the MG concedes: *“They (SGBs) struggle with procurement procedures.”*

- Dominance of the school principals in the execution of the school financial management role

Whereas the management of school finances is the collective responsibility of the SGB through its different portfolios, committees including the FinCom, the participants perceive their role in the management of school finances to be susceptible to systemic challenges. With their understanding that governance authority is vested in them as a collective by the law, they feel their authority is not absolute as they are often being overlooked or instructed to act contrary to the regulatory laws and Directives by school principals.

Pointing out the dominance of the school principal, the SGB secretary NFSS1 said:

*“Everything is done by the principal though we have the finance officer, the secretary and the procurement committee which is the one which should run things the right way on what to buy and what not to buy but everything is done by the principal. That is why we may be having problems instead of relevant committees; hence we often have challenges.”*

The SGB chairperson NFSC1 substantiates his role being overlooked by the school principal where goods and/or services would be procured without his approval (signature on PED 06 form) said:

*“I do not remember signing anything. If something could be discussed in the meeting that we are going to procure a particular thing, then the deputy chairperson and the treasurer would go and buy.”*

Dominance of the school principals also prevailed in the discussion during the focus group interviews as one of the school principals, NFSP3 responded:

*“And then just there on budgeting, the person who would be presenting it is **quiet** (they all laughed). After approval we submit it to the Circuit and then as soon as, because they may advise so that the following year, we are able to use it.”*

The school principal expected the SGB treasurer, as the FinCom chair to take the researcher through as budgeting is their responsibility. That also suggests that FinComs lacked that knowledge and only the school principals perform all the financial management functions of the school.

Observations recorded by the researcher during all the four focus group interviews reflected dominance in responding to questions by the school principals. In all these encounters, school principals took the lead in responding to questions. The school principal NFSP2 at NFS2 often interjected other participants while giving responses to questions asked.

The ignorance of some members of the SGBs about their role in managing the school finances was also observed in all the focus groups where some were reluctant to give responses. However, that which caught the researcher’s attention more was of a treasurer, NFST1 and NFS1 who is by his/her position, the chairperson of the FinCom. This treasurer/FinCom chairperson gave only one short response to only one of the questions on the interviews guide instead of elaborating on his role in the management of school finances. He/she then kept quiet throughout the rest of the focus group interview even on questions about financial activities that revolve around his/her responsibility as a treasurer such as procurement and processing payments. As the FinCom chairperson, it was expected of him/her to be conversant with FinCom operations and fully participate in the interviews. This was a clear reflection of how ignorant some of the key role players in the SGB are hence the ceding of the role to school principals and SMT (Xaba, 2021; Basson et al, 2019). It was, therefore, evident that the school principal did not want SGBs to understand why certain processes have to be carried out but only wanted them to carry out such processes without understanding.

As custodians of school finances, SGBs are expected to be fully accountable to the HOD, learners, teachers and parents. However, with their role being hijacked by school principals, their level of accountability is blurred. These unlawful instructions result in SGBs having to account for unauthorised expenditure they did not approve but coerced into incurring them by either circuit managers, or school principals as they are purported to have usurped the powers of the parent component of the SGBs (Rangongo et al, 2016).

- Conduct of appointed external reviewers

External reviewers are expected in terms of section 43 of the SASA to examine the financial records and statements of the school (RSA, 1996b) and issue out a review statement. The current practice as per the participants is that they also engage in internal school financial management processes of compiling financial records and statements of the schools they are to examine, thereby playing a referee and player positions simultaneously. This practice is, according to the accounting profession, unethical and impedes fair implementation of the SGB's role. The participants revealed these malpractices as follows:

The school principal FPSP1 said:

*“Soka (pseudonym for the reviewer) is registered as an auditor. Soka as an auditor will tell what he needs; he will take our monthly statement and sit down and compile them.”*

The school principal NFSP2 responded likewise saying:

*“Appointed auditors compile and showing income and expenditure and how that (money) was used and why so that we know that here at school how much do we use for which expenditure.”*

The finance officer, NFSFO1, lambasted the reviewers for the wrong information included while compiling the books saying:

*“On the auditor's report, there are few things that I saw they are totally wrong. We try to clarify them and then take the report back to the auditor. Even today*

*we are still waiting for that report that have funds we do not understand, why they reflect while we knew we had this much as balances.”*

The MG also lambasted the reviewers' malpractices saying:

*“It gives us a problem as departmental officials to believe that these auditors really do the work. If I, being an unqualified auditor, am able to see the mistakes here and there, but a qualified professional auditor or reviewer will always say no they are doing things right.”*

Deduced from the responses of these participants is that their appointed so-called external auditors show unfairness in carrying out their financial quality assurance processes as also affirmed in a study by Rangongo et al (2016). Circular M1 of 2017 (DBE, 2017a), Circular 11 of 2022 (Dederen, 2022) and the LDoE Directives (LDoE, 2020) clarify the illegality of combining the compilation and review of financial statements. These communiques also instruct independent reviewers and auditors to refrain from such malpractices. It is, however, deduced from these participants' responses that their independent reviewers were still engaged in those malpractices despite policy directives provided.

Observations recorded on the question of independent reviewers' conduct is that only the school principals and finance officers in these groups responded. Other members including the treasurers being the chairpersons of the FinComs were silent on this issue. Reflection suggests that only the principal and the finance officer have an encounter with independent reviewers.

The researcher's interpretation of these participants' perceptions about external reviewers is that they do not serve the intended purpose but drifting away from their obligatory duty of fair reporting to the HOD, learners and parents and teachers. This is an impediment to the SGBs as it obscures the fair implementation of their mandatory role. The conduct is also illegal as it contravenes the legal documents

such DBE's Circular M1 of 2017, LDoE's Circular 11 of 2022 and the LDoE Directives.

- Implementation of internal and external financial control measures

The Directives mandate schools to submit the annual budget for ratification after approval by the parents in their general meeting. They also stipulate that SGBs should submit quarterly financial statements to their circuit offices for monitoring their spending so that support is availed as and when an irregular spending trend or inconsistent school financial record keeping is identified.

In terms of internal scrutiny of these schools' financial records, the MG emphasizing that SGBs are not able to prepare quarterly financial records said:

*“Ja, ja, well generally SGBs are not competent in managing their finances. They still struggle to prepare finance books; they struggle to comply with legislation and policy.”*

According to provisions in the provincial Directives, SGBs are mandated to submit quarterly financial statements to their respective circuit offices. Whether schools adhere to this requirement, NFSC1 replied as follows:

*“We do not do it but normally the principal would sometimes say, ‘I am going to submit;’ I need a bank statement; I am going to submit at the Circuit (meaning circuit office), so, this is only done when requested; they are not readily prepared.”*

In terms of external scrutiny by the reviewers, the MG cast aspersions on the conduct of external reviewers saying:

*“The problem is that the auditors or reviewers seem to be covering up the weaknesses of the governing bodies. When they find fault, they will call the governing body to come and correct so that they will ultimately issue unqualified statements.”*

The manager for governance's perception about the external reviewers is further substantiated by the finance officer, NFSS1 saying:

*“On the auditor's report, there are few things that I saw they are totally wrong. We try to clarify them and then take the report back to the auditor. Even today we are still waiting for that report that have funds we do not understand why they reflect while we knew we had this much as balances.”*

The participants' responses clearly reveal their lack of capacity to implement internal financial control measures. These SGBs are not able to prepare the necessary internal financial management records and end up sourcing out compilation thereof to their so-called external auditors who also produce shabby work. This, therefore, suggests that poor internal and external financial control measures are a possible impediment to the SGB's role in managing finances. This also compromises the schools' opportunities for additional funding from prospective donors and sponsors as they rely on financial indicators derived from financial statements of the schools (Sebidi et al, 2023). The principals' benefits from additional funding will, therefore, be compromised by the SGB's failure to put effective internal and external controls in place.

#### **4.4.5 Understanding of what constitutes the role of SGBs in managing the school finances**

The participants subjected to focus group interviews from the sampled schools had a fair understanding of their role in the management of school finances. Participants understood what their role entails regarding the management of school finances although each participant deliberated much on how their specific position in the SGB contributes to the management of school finances. There were some instances where participants supported their understanding of their role with the legislation not applicable to school finances, the PFMA to be specific. In addition, there were participants who seemed not sure of their responses. The treasurer, NFST1, only responded to one question and for the rest of the interview he remained quiet and

seemed lost. The following responses demonstrates a fair understanding of what constitutes their role in managing school finances:

The school principal NFSP2 summarised what constitutes his role in terms of section 16A of the SASA saying:

*“I think to advice the SGB looking at financial policies that controls the school funds.”*

The finance officer of school 1 also mentioned his core responsibility in school finances. NFSFO1 replied:

*“Mine is to record and keep finance records of the school.”*

The treasurer of NFS 3 understood her role in the management of school finances as follows:

*“Myself as a treasurer, my responsibility is to ensure that monies are managed correctly, look to its that what we have budgeted for is not going to cost.”*

The school principal of fee-paying school 1 also summarised what constitutes his role in terms of section 16A of the SASA, however, quoting the wrong legislation, the PFMA saying:

*“In terms of the principal as I have already mentioned so many things, my role is to ensure that the PFMA is followed to the letter. And my role as the principal is also advise the SGB so that we do not deviate from the departmental policies so that we also do not deviate from the budget and so on.”*

While FPSP1 was correct about his/her role, he/she quoted the wrong legislation.

While the participants showed some level of understanding of their role in the management of school finances, document analyses also support that to a certain extent there is compliance with legislation in terms of the execution of the role linked to the management of school finances. The SGBs had, among others, SGB

approved budgets, prepared and submitted reviewed financial statements and used EFT as the LDoE recommended mode of transacting by schools. These participants have, however, flawed some of their mandatory financial management processes as reflected in Table 4.2.

- Misinterpretation of external auditors and reviewers

It emerged from the discussions during focus group interviews with SGBs and one-on-one interview with one of the managers for governance that despite the SGBs' fair understanding of their role in the management of school finances, their understanding of applicable legislative frameworks sounded very limited. This was evidenced by their contravention of Section 43 (1) and (2)(b) of the SASA which required that auditing or examination of financial records and statements of the school to be conducted by a person registered as an auditor in terms of the Audit Profession Act of 2005 (IRBA registered) or examined by an MEC approved reviewer (RSA, 1996b).

In responding to the question on the eligibility of their current reviewers which they call auditors, the manager for governance responsible for the training of SGBs in general governance of the school including the management of school finances replied and said:

*"I think the department should really focus on and make sure that these auditors or reviewers of books really do their work. They must be those that are registered in terms of your, these boards, the SAIPA, SAICA SAIBA and so no and so forth in terms of those bodies, yes."*

On whether the appointed reviewer is registered according to the SASA requirements, FPSP1 replied as follows:

*"It is SAICA, the South African Institute of Chartered Accountants. They are registered with the body; they are qualified to do so."*

Responding with confidence, the chairperson, FPSC2, also praised their appointee saying:

*“The founder of the company is a professor, is a doctor by qualification and an ethical man. We do not have qualms with them; we found their work being at a high level.”*

However, he/she did not indicate the body with which they are registered. On perusal of the documents provided by the SGB, it was found that the reviewer was registered with SAIPA but not approved by the MEC; hence being ruled out as not eligible to review the school’s annual financial statement in terms of SASA.

On review of documents, it was found that four of the independent reviewers appointed by the SGBs interviewed were not eligible to be appointed by schools as reviewers in terms of Section 43 of SASA despite being registered with reputable financial bodies. Therefore, participants’ responses to whether their reviewers qualify to perform the task appointed for in all the sampled schools proved the limited knowledge of SGBs in this area as all the submitted “audited financial statements” proved that these schools did not use auditors but external reviewers who were also not approved by the MEC, meaning that they are not regulated. All the bodies they have mentioned were professional financial bodies and not regulatory bodies.

It, therefore, implies that review statements on financial records and statements from these reviewers are not valid as they are not eligible to examine schools’ annual financial statements according to SASA prescripts. Their limited understanding of Section 43 of the SASA is, therefore, an impediment in the management of school finances in that, in principle, these schools have not been submitting their books for examination in all the years they worked with their so-called “auditors”.

- Poor knowledge and understanding of applicable legislation

The researcher’s observation of the participants is that although they have a fair understanding of their role, they did not know or understand the legal underpinnings of their role. This was evidenced by their constant reference to the PFMA.

NFSP3 said: *“Like PFMA Chapter 5 which shows the responsibilities of the accounting officer on how he should work.”*

FPSP1 said: *“In terms of the principal as I have already mentioned so many things, my role is to ensure that the PFMA is followed to the letter.”*

FPSC2 said: *“Process of transparency and accountability also minimise risk of wasteful expenditure and work according to PFMA and Supply Chain procedures.”*

It is worth stating that in all the focus group interviews, there was no mention of the either SASA, the National Norms and Standards for School Funding or the Provincial Directives but the PFMA was quoted in almost all the focus groups. Given that regulatory strategies and governance strategies are based on law (Armour et al, 2017), poor knowledge of the law governing school financial management has a negative bearing on the efficacy of these strategies.

The finding exposes the ignorance of the SGBs who do not fully understand their role in managing the school finances. They are prone to take decisions that are not in the best interest of the principals. This creates an agency problem, where the agents' actions do not align with the interests of the principals. When agents are unaware of their financial oversight responsibilities, they may fail to prioritise activities instead allocating funds to projects or areas that do not contribute directly to the school's mission.

#### **4.5 COMMENTS ON THE FINDINGS**

These findings suggests that SGBs are aware of what constitutes their role in the management of school finances. That was evidenced in that every member interviewed in all the focus groups was able to outline one or two roles they are mandated to undertake in terms of the management of school finances. Observations made were that some of the participants in the no-fee schools made few responses while the school principals dominated the discussions. That suggested that SGBs in fee-paying schools were better informed of what constitutes their role as compared to their no-fee school counterparts. On the contrary, most of the interviewees erred when asked how each part of their role should be implemented. They turned to misallocating roles contrary to policy dictates which implies that SGBs' perception of their role in the management of school finances is obscure.

The findings also suggest SGBs are neither familiar with nor understand the legislative framework governing their role of managing school finances. They substantiate their responses quoting wrong policies or Acts, such as PFMA. In addition, they struggle to draft policies that govern their role such as the Finance Policy or draft the budget in accordance with HOD's Directives in terms of SASA (RSA, 1996b).

The researcher asserts, therefore, that this lack of clarity about their roles and implementation and lack of understanding of applicable legislation thereof put the role vulnerable to abuse by other participants in the school financial management milieu, therefore, adding external impediments to the SGBs' role. Consequently, circuit managers and external reviewers of schools' annual financial statement were found to further impede the management of school finances. By so doing, they mystified applicable laws and policies by ill-advising the SGBs in circumventing other procedures and contravening others. Circuit managers ordered SGBs to transfer funds into the Circuit Office and/or other schools' accounts for functions at Circuit level despite not being budgeted for and against the HOD's Directives.

In the same vein, the so-called auditors blur the internal control and external controls line by unscrupulously combining internal and external roles. Instead of reviewing the annual financial statements compiled by others, they compile and review (DBE, 2017a), thereby acting as a referee and a player simultaneously which contravenes the financial management standards and their code of practice. It also impedes proper reporting as it leaves room for bias.

The findings further indicate that schools appoint non-qualifying external reviewers in terms of SASA. Their reviewers were found to be neither IRBA registered nor approved by the MEC. Also, these reviewers unethically compile annual statements and subsequently issue out review statements of their own work. Furthermore, SGBs unlawfully and obliviously appoint external reviewers indefinitely as the participants

purported and they failed to furnish the researcher with letters of appointment for their schools' external reviewers when requested indicating that reviewers were appointed years before their term of office.

Results also suggest that there is a lack of accountability by all the stakeholders involved in the management and quality assurance of school finances. Oblivious of their mandate to promote the best interests of their principals, SGBs are driven by circuit managers to incur unauthorised expenditure. They circumvent procurement procedures and swap mandatory duties and responsibilities where finance officers also transact on behalf of the school. They also appoint reviewers who are legally ineligible for appointment. On the contrary, circuit managers maliciously ratify annual budgets which are drafted inconsistently with applicable legislation. They also issue unlawful orders to the SGBs. The external reviewers as independent public agents are found to circumvent their code of ethics by unscrupulously combining two separate responsibilities, that is, compiling the schools' annual financial statements and issuing out a review statement thereby playing a referee and a player simultaneously.

#### **4.6 CONCLUSION**

The chapter has presented the thick description of the research phenomenon from the participants' viewpoints. The chapter has also depicted the shared contextual uniqueness of the participants in that their perceptions about their role, their current practices as evidenced by the financial records examined and their possible impediments in executing their roles were common in most respects. Analysis of the thick description of the research phenomenon from the data by participants culminated into four main themes that elicited 11 findings. The findings presented in this chapter indicate that the SGB as the primary and key role player in the management of school finances proves not to understand their role of management of school funds, lacks capacity to do so, their interaction internally among themselves and externally with other governance officials and independent auditors/reviewers is prone to deception and other forms of malpractices, lack of transparency and accountability. All these suggest that SGBs fail to execute their

role as mandated through the SASA and other legislation of ensuring the best interest of their HOD, parents, learners and teachers by applying their due diligence in managing the school finances. The SGBs' complacency owing to the culture of non-accountability is hence considered as a loophole in the management of school finances in that it opens chances for system abuse by other stakeholders. Their complacency as agents impacts negatively at principals as the risk bearer in the PA relationship. On the contrary, the passiveness of the principal and the asymmetry of information deters them from monitoring their agents and ultimately inherit the risk. The next chapter moves on to discuss the findings and make a conclusion with recommendations thereto.

## **CHAPTER 5**

### **DISCUSSION OF THE FINDINGS, RECOMMENDATIONS AND CONCLUSIONS**

#### **5.1 INTRODUCTION**

In the preceding chapter, the findings were presented, discussed and analysed for the purpose of exploring the role of SGBs in the management of school finances. This chapter focuses on the discussion of the research findings, recommendations derived from the study and conclusions. The chapter also presents the strengths of the study. The aim of the study was to explore the role of SGBs in the management of school finances in the Capricorn District of the Limpopo Province. The findings and conclusions presented in the study answered the main research question, “What is the role of SGBs in the management of school finances in the Limpopo Province”?

Prior studies that have noted the importance of the SGB’s role in the management of school finances have also found inconsistencies in the execution of this role among others, lack of capacity owing to the lack of necessary skills, low literacy level of SGB members, solo performance by school principals, collusion, corruption, money laundering, and pilfering (Mestry, 2006; Mosala et al, 2016; Botha, 2019). In reviewing the literature, more data were found to dovetail with data analysed in this study.

#### **5.2 DISCUSSION OF FINDINGS**

This study has provided the theoretical underpinnings of the research phenomenon (c.f. 1.5), the legislative framework (c.f. 1.6 & 2.2) hence, the following findings from the study are discussed against the backdrop of the reviewed literature. Deduced from the reviewed literature and the empirical findings by other scholars, this study presents a discussion of the main findings in line with the study objectives as follows:

### **5.2.1 Finding 1: Lack of knowledge on applicable legislative framework, policies and Directives.**

The literature decries the lack of knowledge of the law by the SGBs as agents of the school (c.f. 2.7.5). Deduced from the literature reviewed is that SGBs lack the knowledge of applicable legislative frameworks, policies and Directives (Rangongo, 2016, Makhuvele, 2019, Nonyane, 2016). The literature reviewed also affirms the finding that SGBs lack the knowledge of legislation applicable to their role (Rangongo et al, 2016; Mpolokeng, 2011). The law is the key source for the implementation of regulatory strategies and governance strategies in enforcing compliance by agents, in this case, the SGB (Armour et al, 2017). This finding confirms Rangongo (2017)'s assertion that school principals lacked the knowledge of applicable legislation in school governance and others showed sheer ignorance of the law in the management of school finances. By implication, SGBs are custodians of schools' financial resources in terms of the law but not in practice.

The finding highlights the lack of knowledge of applicable legislative frameworks, policies and directives among SGBs. Agency theory, which examines the relationship between principals (in this case, school management) and agents (SGBs), offers valuable insight into the implications of this gap in knowledge. In the context of school governance, the principal delegates authority to the SGB, expecting effective management of school resources. However, when SGB members lack an understanding of relevant legislation, they may fail to act in accordance with legal requirements, therefore, compromising governance practices and financial management (Armour et al., 2017). As a result, principals are vulnerable to mismanagement and financial risks, which may not be immediately apparent owing to information asymmetry (Picot et al., 1999).

Rangongo (2017) discusses the "comfort zone" attitude among school principals, wherein the lack of accountability and reliance on uninformed agents leads to complacency in financial management. This aligns with the findings that SGBs' lack of knowledge exposes principals to financial mismanagement and legal non-compliance. The agency theory posits that the stronger the dependency between

principals and agents, the greater the risk of opportunistic behaviour, as seen in the inability of SGB members to quote relevant legislation (Picot et al., 1999; Rangongo, 2017).

The agency theory worldview is that, despite litigations and other fines the SGB FinCom incurs because of their poor knowledge of applicable legislative framework it is always the principal that bears the risk. All the costly invalid contracts the agent enters into, is a risk shifted to the principal. Again, as the principal is not familiar with the financial management environment of the school, already information asymmetry exists. Therefore, the principal (parent) loses again because he /she is not familiar with governance mechanism applicable in the financial management space.

### **5.2.2 Finding 2: Appointment of ineligible auditors/reviewers.**

Established from the review of literature is that external reviewers appointed by SGBs are not qualified to render such service to the schools (c.f. 2.2.10 & 2.7.4). Circular M1 of 2017 by the DBE (DBE, 2017a) and Circular 11 of 2022 by LDoE (Dederen, 2022) also substantiate the existence of these malpractices in schools. DBE's Circular M1 of 2017 mandates PEDs' Internal Audit/Control functions to validate the appointment of independent reviewers who are:

- Registered with reputable financial bodies listed on the circular.
- Reregistered with CIPC.
- The MEC to approve their appointments (DBE, 2017a).

The LDoE also issued Circular 11 of 2022 echoing the same sentiments the PED took a decision that Audited/Reviewed Financial Statements for that financial year (2022) would only be considered valid if audited by IRBA registered auditors or reviewed by MEC approved reviewers/examiners. These two circulars validate the existence of malpractices by SGBs of appointing ineligible independent reviewers.

The finding regarding the appointment of ineligible auditors/reviewers illustrates a clear misalignment of interests within the agent-principal relationship, as outlined in agency theory. SGBs, acting as agents, are tasked with appointing qualified auditors

to review the school's financial statements. However, the literature highlights the malpractices where SGBs appoint ineligible auditors, often owing to conflicts of interest, as noted by Dederen (2022) and DBE (2017). This mirrors a fundamental issue in agency theory: the agent prioritises self-interest over the principal's interests, leading to poor decision-making and a breach of fiduciary duty (Picot et al, 1999).

Agency theory suggests that the principal (the school or its management) relies on the agent (SGB) to act in their best interests. However, when SGBs appoint ineligible or unqualified auditors, they are effectively placing their self-interest above that of the school's financial health and legal compliance (Rangongo et al., 2016). Furthermore, as highlighted by DBE Circular M1 (2017) and LDoE Circular 11 (2022), such appointments violate legal mandates and expose schools to financial risk. This failure to comply with legal requirements exacerbates information asymmetry between principals and agents, as principals may not be aware of the qualifications of appointed auditors until it is too late (Picot et al., 1999).

In some instances, the appointment may stem from agents' lack of knowledge or capacity to meet the legal and professional requirements (Dederen, 2022). Whether by commission, owing to competing interests, or by omission, due to ignorance, the financial risk is ultimately borne by the principal, reaffirming the vulnerability inherent in the agent-principal relationship.,

The agency theory postulates that the agent has that little information that someone called the reviewer needs to be appointed, which the principal is not aware of, then there is information asymmetry. Ineligible reviewers might be a cost to the principal as they are contracted to them through the agent. Again, because of the existing information asymmetry between the agent and the principal, there will be no risk sharing but risk shifting to the principal.

### **5.2.3 Finding 3: Dearth of budgeting and budget implementation skills.**

Literature reviewed affirms the extent of lack of budgeting knowledge by SGBs (c.f. 1.8 & 2.2.2). Findings by Nyakanyanga (2022), Mestry (2018) Mosala and Mofolo (2016) and Ndou and Menlah (2015) validate the prevalence of this challenge by SGBs. This finding also resonates with literature review affirming findings that not only budget preparation is a challenge to SGBs. Budget implementation is also a challenge which results in acute contrast of effective budgeting in the public schools (Bruin, 2014). Acute contrast of effective budgeting reveals the dearth of budgeting skills by SGBs. This manifested in Mosala and Mofolo's (2016) research where the school principals and SGB chairpersons approved the school's annual budget which is contrary to the provisions of the SASA and the LDoE Directives. The SASA and the LDoE Directives stipulate that school budgets should be approved by a majority vote of parents in attendance of their annual meeting, the SGB, then ratification by the official delegated by the HOD (LDoE, 2020, RSA, 1996b). Mosala et al (2016)'s findings confirm the dearth of budgeting skills and knowledge in some schools. Mofolo et al (2016) further affirms that most township schools' principals encountered grave challenges in budgeting for their schools. Mestry (2018) also found that SGBs in no-fee schools experience great difficulty in preparing budgets and related school financial records owing to the lack of the necessary financial skills. These scholars' findings attribute this challenge particularly to the deficiency of knowledge of the parent component of the SGB.

The belief that agents are likely to perform in the best interests of principals if the principals have the capacity to monitor the agent's behaviour (Boshkoska, 2015) hold true and this finding supports this assertion. The school financial management system is characterised by the lack of capacity by SGBs (Xaba, 2021; Aina et al, 2020; Botha, 2019) which has a long-standing history, with the principals (HOD, parents, teacher and learners) failing to monitor the SGBs' behaviour results in perennial underperformance of the agent at the expense of principals. Schools continue to incur unauthorised expenditure owing to spending without approved budgets, budgets not aligned to distributions as per the PED's Directives

(Uwizeyimana et al, 2013). With the status quo, principals earn no value for money from the services offered by SGBs with no capacity to perform.

The agency theory perspective is that the dearth of budgeting might come with risk when the agent (SGB FinCom) performs their usual financial management activities. Depletion of funds before the end of the financial year might be other risks incurred by the principal through the agent. Also, the asymmetry of information that prevents the principal from understanding how budgets operate and hence, the principal cannot monitor what he cannot understand; hence, no risk sharing but risk shifting to the principal.

#### **5.2.4 Finding 4: Inadequate capacity building of SGBs in school financial management**

This finding correlates with literature that points to the fact that a lack of knowledge is caused by a lack of training in financial management stakeholders (c.f. 2.7.3). It also correlates with findings by Makhuvele, et al. (2019) and Sebidi (2019) that SGBs are not sufficiently trained to effectively execute their roles. Also, the literacy level and the language proficiency of the SGBs are barriers (Xaba, 2021) that in the main render capacity building workshops ineffective; hence, irrelevant as the majority of the SGBs could hardly comprehend the presentations. The findings by Makhuvele et al (2019) substantiates findings by Baggarette (2012) and Nguyen (2013) that the current capacity building for the SGBs is irrelevant and inadequate, and Beyers and Mahloana (2015) who found that the SGB challenges include a dearth of effective capacity building for school principals and SGB members, particularly the SGB treasurers.

The literature reviewed suggests that the SGBs' role in the management of school finances require expertise in its committees (RSA, 1996b), failure of the capacity building programmes to enhance the SGB's performance owing to, among others, the short duration, poor quality of the content and the expertise of the facilitators (Mmako, 2018; Ogunleye, 2016; Beyers et al, 2015; Nguyen, 2013; Mncube, Harber & Du Plessis, 2011) renders the programme ineffective. This, therefore, suggests

that areas which are barriers for the SGBs to perform will remain thereby exposing the custody of the public funds to risks such as theft, collusion and corruption to mention but a few.

This finding implies that capacity building provided by the PED does not meet the requirements of the capacity building programmes in terms of section 19(1)(a) and (b) of the SASA and should hence be reviewed. Some studies reveal that capacity building offered in terms of section 19(1)(a) and (b) of SASA to empower the SGBs in school governance are not always adequate and consequently contribute to the failures of SGBs in executing their financial management role (Mafora, 2018; Ngobeni, 2015; Nguyen, 2013; Mncube, Harber & Du Plessis, 2011, Xaba, 2011). This challenge is also experienced in other countries as affirmed by Mugala, Daka, Nsama et al. (2023) who also attribute the ineffective and inefficient use of school funds to lack of proper training. A finding by Beyers and Mahloana (2015) adds that, such capacity building is offered by district-based personnel who themselves often lack financial literacy and basic knowledge of bookkeeping, and hence render them ineffective. Supporting the finding, analysis by Tsharane and Bussin (2022) also showed little and ineffective training and support. They argue that the training applied a blanket approach while its quality was also below par. Makhuvele, et al (2019) attribute the SGBs' lack of the required capacity to interpret and implement policies to the insufficient capacity building. These scholars substantiate a finding by Mmako (2018), where SGBs in all sampled schools indicated that their capacity building offered in terms of section 19(1)(a) and (b) of SASA neither included content nor topic on accounting, financial records and statements. This statement also correlates with findings that attribute poor financial management skills and knowledge to a lack of capacity building in financial management stakeholders (Sebidi, 2019).

The theory suggests that, despite financial risks incurred by the principal owing to shoddy work performed by the agent (FinCom member) who underwent that capacity building, continuous additional costs emerging from underperformance of the agent

by the agent, with the existing information asymmetry, such costs will not be shared between the agent and the principal but shifted to the principal.

#### **5.2.5 Finding 5: Unethical conduct by appointed external auditors/reviewers of annual financial statements**

The literature reviewed validates this finding (c.f. 2.7.11). Deduced from the reviewed literature is that external auditors/reviewers misrepresent the financial statements of their clients to conceal unfavourable audit results (LDoE, 2020b; Rangongo et al, 2016). Literature review further affirmed through Guan et al (2016) that external auditors who are friends to their clients will often issue favourable audit opinion for financially distressed institutions, thereby deceiving beneficiaries. This finding also affirms perpetuation malpractices by independent reviewers as per the finding by the DBE where bookkeepers who prepare financial statements were also engaged in the auditing of same (DBE, 2017a). The existence of SGBs in some schools with the lack of knowledge of applicable legislative framework (c.f. 2.7.5), lack of necessary financial management skills (c.f. 2.7.2) and the lack of internal control measures (c.f. 2.7.6) attested by the literature are clear indicators that principals inherit a dysfunctional system with agents that are unaware of their mandatory role. It also suggests that those SGBs' school financial management role is on autopilot with agents not knowing what to do.

The SGB FinCom's encounter with the external reviewers and all the cost associated therewith incurred by the agent are ceded to the principal. Again, these encounters are a cloak behind which information asymmetry is built. As the principal cannot bargain for risk sharing with an agent that is a better informed, all the risks will be shifted to the principal.

#### **5.2.6 Finding 6: Unethical engagement of senior officials of the Department in the management of school funds**

This finding is consistent with literature review about the unethical behaviour of senior governance officials in the DBE (c.f. 2.5.2 & 2.7.10). The circuit managers in the main where invalid orders are made to SGBs regarding the use of funds against the set Directives and applicable legislation (Basson et al, 2019), which is also

evidenced in other countries (Henebery, 2017). This was also evidenced by LDoE and subsequently, Circular 51 of 2024 titled, “*Unauthorised use of Norms and Standards allocations by School Governing Bodies (SGBs) and Circuit managers*”, was issued to curb these malpractices (Mashaba, 2024). Previous research also validates this finding as it considers the issue of senior education officials making unlawful finance-related orders as a long-standing practice carried out without recourse (Dederen, 2020, Mashaba, 2024). Circuit managers would, for instance, request schools within the circuit to contribute a predetermined fixed amount to fund the Circuit Office matric farewell functions where primary schools are also compelled to contribute (Mmako, 2018). The same amount is made compulsory indiscriminately, regardless of the size of the school, thereby jeopardizing the fiscus of small schools.

The finding regarding the unethical engagement of senior officials in the Department of Education (DBE) in the management of school funds aligns with agency theory, particularly concerning the relationships between principals (school management) and their agents (Departmental officials and SGBs). The theory suggests that when agents (in this case, senior education officials and circuit managers) act in their own self-interest, rather than in the best interests of the principals (schools and students), the system becomes vulnerable to unethical practices. This finding is supported by the literature, which highlights the long-standing issue of senior education officials issuing unlawful finance-related instructions to SGBs (Dederen, 2020; Mashaba, 2024).

The literature reveals instances where circuit managers issue invalid orders to SGBs regarding the use of funds, often directing schools to contribute indiscriminately to events or initiatives that do not align with approved financial directives or legislation (Basson et al., 2019). For example, schools are often compelled to fund activities like matric farewell functions, regardless of their financial capacity, undermining the proper management of funds. These practices are compounded by the lack of legislative knowledge within SGBs, as discussed in Finding 1, which makes them

more likely to comply with such unethical instructions due to their limited understanding of the applicable policies and regulations (Basson et al., 2019).

Agency theory emphasizes the risks associated with such behaviours, where principals (school leaders) may not have the capacity or knowledge to oversee the actions of their agents (officials and SGBs). When SGBs follow unlawful instructions without question, they may inadvertently compromise the financial health of the school, putting the principals at risk of financial mismanagement, unauthorized expenditures, and reputational damage. This systemic issue also points to a broader governance failure, where agents abuse their position of power without fear of recourse, as evidenced by Circular 51 of 2024 issued to curb these practices (Mashaba, 2024).

Ultimately, the unethical conduct by senior officials in the DBE highlights a significant breach of fiduciary responsibility, creating a culture of non-compliance and financial mismanagement that affects the entire school system. As suggested by the Public Service Commission (PSC) in 2021, officials are obligated to reject and resist any unlawful instructions, but the failure to do so perpetuates the cycle of unethical behaviour and exposes principals and schools to financial risks.

Costs will be incurred by the agent during encounters with the senior officials of the DBE with some moneys falling within the cracks of the system at the expense of the principal. It will, however, be difficult for the principal to monitor what is only known to the agent; hence, those encounters with senior officials were part of the building blocks in creating information asymmetry the principal cannot cross.

#### **5.2.7 Finding 7: Lack of transparency and accountability by role players**

Previous research revealed the existence of lack of transparency in the management of school finances locally and internationally (c.f. 2.7.7). Literature also depicts a long-standing existence of this challenge in terms of years the findings span (Dwangu, 2021; Munge, Kiman & Ngugi, 2016; Mestry 2006). These researchers find a dominant characteristic of the lack of transparency and openness when

dealing with school finances. The researcher opines that lack of transparency potentially compromise school financial management as it leaves room for corrupt activities to happen unnoticed like cases of illegal bank accounts were opened where SGB member siphoned school funds from for their ill-conceived ends (Chaskalson, 2017). A finding by Mugala et al (2017) also affirms this finding decrying lack of transparency as one of the causes of financial mismanagement in schools. This implies that there is a lax by the PED in enforcing transparency and accountability measures at the disposal of the HOD and all his/her governance officials from the head office, district offices, circuit offices and the school. Also, that ill-perceived hidden agenda by unscrupulous SGB members and even governance officials would thrive because of the lack of transparency and accountability.

The finding regarding the lack of transparency and accountability in the management of school finances resonates with agency theory, particularly in terms of information asymmetry and accountability challenges. Agency theory posits that when principals rely on agents (SGBs and other educational officials), there is often a misalignment of interests, with agents potentially exploiting the situation for personal gain at the expense of the principals. This is especially true in the context of financial mismanagement, where agents may withhold crucial information, creating asymmetry that hinders the principal's ability to monitor the agent's actions (Eisenhardt, 1989).

#### **5.2.8 Finding 8: Dominance of the school financial management role by certain members of the SGB**

This finding correlates with the previous research (c.f. 2.7.12). Parents component of the SGBs are perceived to possess inadequate knowledge to execute their role and hence involving them is considered by school principals as a waste of time (Aina et al, 2020). Some SGBs of no fee schools could not comprehend their role to an extend of ceding financial management to school principals and SMTs (Xaba, 2021; Basson et al, 2019). Moreover, findings by Aina et al (2020) regard the school principal, SGB chair and the finance officer as the ones with relevant experience on finances. This finding also correlates with Bagarette's (2014) finding that SGBs are

being excluded in participative decision-making in most public schools on account of their lack of knowledge about governance and their low literacy level which inhibits their effectiveness. Bagarette (2014) also found that these inhibitors are the reason SGBs surrender their roles to school principals resulting in the dominance of the school principals over SGBs. Previous research also affirms this finding in a study conducted by Mugala et al (2017) where some head teachers who had accountants and bursars in their schools were reported to connive with accountants in misappropriating funds as they dominated the role while also lacking transparency.

This finding depicts an agency problem where certain members of the SGB decide not to act in the best interests of principals. A faction of the SGB may possess control over financial management and prioritise their personal interests over those of the principals. This could lead to misallocation of funds, lack of transparency (Mugala et al, 2017) and decisions that do not benefit the school community.

Inferred from all the incidents dealt with in this section, it could be deduced that the agent (SGB FinCom) will always create information asymmetry so that the principal is prevented from monitoring a phenomenon he/she partially knows or does not understand completely. The fact that the agent managed to create information asymmetry, the risk is shifted to the principal other than being shared.

### **5.2.9 Finding 9: Lack of financial management skills**

Previous research showed that the challenge of lack of financial management skills has been in existence for some time looking at the first scholars to make this finding to recent scholars (c.f. 1.8; 2.7 & 2.7.2). Scholars also point to this finding as the main obstacle for the efficacy of SGBs in the management of school finances (Xaba, 2021; Aina et al, 2020; Botha, 2019; Mestry et al, 2012; Dieltiens, 2011; Mncube, 2009; Chikoko, 2008; Heystek, 2004). Substantiating the lack of financial management skills, a study by Mafora (2018) revealed that the majority of parents lacked the capacity to execute the financial management functions of the school that could enable them to effectively manage the schools' funds. Hlongoane (2016) and Dwangu (2021) also posit that SGBs lack the necessary expertise and financial

management skills to effectively run their school finances. A finding by Hungwe and Mporu (2021) also affirms the existence of the lack in financial management skills and knowledge, which exposes custodians to errors and financial malpractices. Such errors and financial malpractices impact negatively on the schools' financial reports and potentially compromises the schools' chances for additional funding from businesses and other prospective sponsors (Sebidi et al, 2023). It is also acknowledged that where there is lack of skills, transparency and accountability get compromised (Myende et al, 2018; Rangongo et al, 2016) hence, this study also has a finding on the lack of transparency and accountability.

The agency theory perspective will, despite financial risks and costs incurred on behalf of the principal, by the agent because of acting poorly without requisite skills, the principal cannot oversee the financial management role as a result of the information asymmetry.

#### **5.2.10 Finding 10: Poor or lack of implementation of internal and external financial control measures**

This finding is consistent with extant literature that there is lack or poor internal controls in schools as SGBs are found operating without internal control measures in place (c.f. 2.7.6). Naidoo et al (2017) also concur that the embezzlement of funds results from poor or lack of internal control measures. Also affirming this finding, Sebidi' s (2023) finding revealed that all the participants displayed insufficient comprehension of the auditing processes and an inability to interpret the audited financial reports.

Literature review attributes unauthorised expenditure (King & Mestry, 2023, fraud and corruption (Dwangu, 2021) embezzlement of funds (Naidoo et al, 2017) to the non-existence of internal control measures in some schools. All these occurs under the watch of SGBs as watchdogs over processes internal to the school environment. Millions of rands disappears under the watch of SGBs to mention but a few incidents, that large cash withdrawals of almost R60 000 made from the school's bank account without any formal procedures (Naidoo et al, 2017), Thousands of rands

misappropriated at Harmonia farm school in the Free State (Dondolo, 2025) and Thuto Tsebo Primary School in Lindley in the Free State (Kgobotlo, 2023).

The lack or poor implementation of internal and external financial control measures in schools has been a consistent issue identified in the literature and supported by the findings of this study. Research consistently highlights that many Schools Governing Bodies (SGBs) operate without adequate internal control systems in place, which exposes schools to a high risk of financial mismanagement, including embezzlement, unauthorized expenditures, fraud, and other forms of financial corruption (Naidoo et al., 2017; Sebidi, 2023).

The agency theory perspective points out that despite financial risks and costs incurred by the agent on behalf of the principal, owing to the lack or poor implementation of controls, the principal will bear all the risks because of asymmetry of information that creates monitoring barrier to the principal.

#### **5.2.11 Finding 11: Understanding what constitutes the role of SGBs in managing the school finances**

It was deduced from the literature that some SGBs, especially those in fee-paying schools, have a fair understanding of what constitutes their role in the management of school finances (Basson et al, 2019). Notwithstanding their fair understanding of the role, in practice there is a gap in financial reporting which should include, as a minimum requirement, monthly budget variances, monthly income and expenditure to the circuit offices, quarterly income and expenditure and audited annual financial statements to the Circuit Office (LDoE, 2020, & 2021; Dibete & Potokri, 2021). Gamede's (2016) finding also substantiates that the parents' component of the SGB lack the understanding of their roles and responsibilities. Mafora (2018) also found that the majority of SGBs do not comprehend what constitutes their role in the management of school finances. It, therefore, implies that public funds are kept in incapable hands and inevitably prone to misuse. Mestry's (2018) finding also indicates that parent component of the SGBs considers themselves to perform a submissive role in the SGBs with school principals and SMTs at the helm of school financial management role of their schools.

In terms of understanding which independent reviewer to appoint in terms of SASA, all the participants seemed to lack that knowledge. They also lacked the understanding that being a member of financial bodies such as SAICA, SAIPA, CIMA and others does not automatically qualify an independent reviewer to examine schools' annual financial statements (DBE, 2017a).

Previous research and findings by other scholars validate the varied level of SGBs' understanding of their role in managing school finances. While SGBs in fee-paying schools are considered to have a fair understanding of their role (Basson et al, 2019), the literature also suggests that most SGBs in no-fee schools, particularly the parent component, lack the understanding of what constitutes their roles (Basson et al, 2019; Mafora, 2018; Mestry, 2018; Gamede, 2016).

Understanding what constitutes the role of SGBs in managing the school fund might come at a cost as the agent undergoes the learning processes. The costs incurred during learning will not be shared but shifted to the principal as the agent acted on behalf of the principal. Secondly, with what the agent has learnt, information asymmetry was created which bars the principal entry to monitor. With the agent having an upper hand with information, then asymmetry of risk sharing will be expected, and the principal will take all the risk.

## **5.3 RECOMMENDATIONS**

### **5.3.1 Recommendation 1: Robust capacity building programmes**

The researcher's conviction is that most findings in this study are the results of the quality of the current capacity building programmes availed by the PED to SGBs. The following are cited as some of the findings that could be addressed through the review of the current capacity building programmes provided in terms of Section 19 of SASA:

- (a) Lack of knowledge on applicable legislative framework, policies and Directives.

- (b) Understanding what constitutes the role of SGBs in managing the school finances.
- (c) Budgeting and budget implementation skills.
- (d) Appointment of ineligible auditors/reviewers.
- (e) Lack of financial management skills.

To strengthen the current capacity building programme, duration of the training should be extended to adequately provide time to cover key financial management concepts, considering the outcry that these trainings are short (Nguyen, 2013) and often once-off (Mncube et al, 2011) hence not yielding intended results. The following recommendation also seeks to ensure the attainment of robust capacity building programmes to enhance the SGBs' capacity in the role.

The recommended capacity building should cover the following key financial management content:

- (a) Legislation governing the role of SGBs in the management of school finances.

The finding suggesting that SGBs lack the knowledge of applicable legislation implies that it would be difficult to effectively implement regulatory and governance strategies. SGBs cannot discern what is correct or wrong in terms of the applicable laws if they lack the knowledge thereof.

- (b) Regulatory strategies for effective and efficient school financial management.
- (c) Governance strategies for effective and efficient school financial management.

#### Capacity building programme structure

Given that the majority of SGBs struggle with the compilation of financial records and statements (Xaba, 2021; Aina et al, 2020; Botha, 2019), the capacity building programme should include among other contents, the following:

- (a) Preparation of the annual budget.
- (b) Preparation of the cash book and bank reconciliation statements.
- (c) Compilation of quarterly financial reports submitted to circuit offices.

- (d) Compilation of annual financial statements.
- (e) Identification of legal external auditors and reviewers and their appointment.
- (f) Procurement and procurement procedures.
- (g) Financial reporting to parents and the HOD.

The researcher asserts that the nature of the contents for the preceding topics require practice as is the case with financial accounting content from school level to tertiary education. The literature also supports that learn-by-doing is a very effective approach to capacity building (Mullen, Gray & de Meyer, 2015). The practical capacity building workshops for SGBs should also include assessment and evaluation of the skill acquisition process as opined by Mmako (2018). Improvement in performing the practical assessment with continuous capacity building provided should then be used to motivate an application by the SGB to the HOD for the allocation of other financial management functions in terms of section 21(1) of the SASA on conviction that the SGB member concerned has acquired the capacity to perform such function effectively (RSA, 1996b).

Capacity building should be contextualised

Noting the differences in the literacy and skills level of the SGB members (Basson & Mestry, 2019; Botha, 2019; Makhubele et al, 2019; Bloch, Favis & Hargovan, 2000), it stands to reason that a “one size fits all” approach of the capacity building programme is bound to be ineffective. Therefore, a capacity building programme should be structured and modelled to meet the learning needs of particular groups of SGB members. As studies have revealed that capacity building programmes at times fail owing to the language barrier (Makhubele et al, 2019), training materials should be translated to the home languages of the users.

Duration of the capacity building

It is also recommended that future training of the SGBs should be structured in such a way that time allocated commensurate with the content’s degree of difficulty considering the pool from which the parent component of the SGB is selected. The low literacy level of the parent component of the SGB suggests that ample time

should be allocated to capacity building training to ensure effectiveness thereof. Kiprono, Nganga and Kanyiri (2015) affirm that capacity building cannot be limited to once-off training but requires long-term strategies, such as regular on-the-job training, support networks, advisory visits, and published guidelines.

### **5.3.2 Recommendation 2: SGB capacity building qualification be made a pre-requisite for elected members and the aspiring ones.**

Inferred from the literature and findings is that most of the SGBs do not have the requisite capacity to perform their role. Also, the quality of training offered to SGBs is short; hence inadequate. The researcher recommends that elections of new SGB be conducted a year before the beginning of their term of office. That would be to afford them adequate opportunity to enrol for a SGB capacity building programme (c.f. recommendation 1) they need to pass before embarking on their role. Until each member qualifies, they should be barred from resuming office. The programme will enhance the quality of the elected members in terms of skills and also reduce the negative impact of low literacy level in school financial management milieu. It will also give assurance to the principal that the new agent has a certain level of capacity and hence, the reduction of envisaged risks.

### **5.3.3 Recommendation 2: Review of the eligibility status of MEC approved reviewers**

Since the repeal of the Close Corporation Act no 69 of 1984 and the enactment of the new Companies Act no 79 of 2008, external reviewers of schools' financial statements were not reviewed. As a result, most SGBs still appoint accountants in terms of Section 60 of the Close Corporations Act to examine their financial statements even after the repeal of this Act. Therefore, the MEC's prescripts should include the review of the eligibility of external school financial watchdogs to be either regulated by IRBA or the MEC as per Section 43 of the SASA (RSA, 1996b). The current cohort of reviewers are in the main unregulated as they are neither IRBA nor MEC regulated but only affiliated to reputable financial bodies which are not necessarily regulating them. The review will also ensure that unethical conduct by these external stakeholders is adequately addressed and minimised.

#### **5.3.4 Recommendation 3: Proper constitution of the SGB Finance committee**

Deduced from the preceding discussions, the researcher accentuates that most of the adverse findings relating to school financial management results from inferior input into the role, among others, the SGB members with the lack of financial management skills as also revealed by other scholars (Xaba, 2021; Botha, 2019). The research postulates that a properly constituted FinCom in terms of the SASA would experience less challenges and barriers in executing their role premised on the fact that a person with expertise will be appointed (RSA, 1996b) to assist in matters of finance. In addition, a finance officer with a financial background would be appointed by the school principal in consultation with the SGB (Dederen, 2021).

The researcher opines that with the two financially enlightened FinCom members, unintended challenges of dearth of budgeting and budget implementation (c.f. finding 3), poor or lack of financial records keeping, sourcing out the compilation of annual financial statements (c.f. 4.4.3), among others, would be alleviated if not completely prevented, all things being equal. The effectiveness of this recommendation is, therefore, premised on the assumptions that the SGB, together with its FinCom, stands in the position of trust to the school, and that quality capacity building trainings of the SGBs are provided (RSA, 1996b). Therefore, intentional disregard of the laws governing school finances would not be expected from the SGB as the agent of the school.

#### **5.3.5 Recommendation 4: Regulate on improperly constituted SGBs**

Understanding that it might be difficult if not impossible for some SGBs to find and appoint people with expertise and/or finance officers with a financial background in their FinComs, it becomes clear that such SGBs might experience challenges in the management of school finances. To prevent these challenges from occurring, such SGBs should outright have their financial management function withdrawn by the MEC through provincial prescripts. That will also be in line with the powers conferred to the MEC through section 21(6) of the SASA which stipulates that, “*The Member of the Executive Council may, by notice in the Provincial Gazette, determine that some governing bodies may exercise one or more functions*” (RSA, 1996b).

Therefore, PED prescripts need a review to include a clause that bars improperly constituted SGB FinCom from performing financial management role of the school. The prescripts should also cede the role to governance officials with such expertise the FinCom lacks.

### **5.3.6 Recommendation 5: Establishment of a designated SGB capacity building sub-directorate**

Literature condemns the short and once-off nature of the current capacity building programmes, which renders it inadequate and ineffective (Nguyen, 2013; Mncube et al, 2011). Previous research also decries the lack of qualified mentors nor qualified facilitators in school financial management (Ogunleye, 2016; Beyers et al, 2015). The research postulates that a team of adequately skilled facilitators from a designated capacity building sub-directorate would be instrumental to the course. The criteria for the appointment of the facilitators should include the possession of a qualification with accounting or financial accounting as a major subject from a reputable university. This is informed by the nature of the topics in the capacity building programme. The key performance area of the team would be to offer introductory training and continuous, frequent training coupled with practical assessment. Their performance target should be to ensure that all the members of the SGB in the now 3 650 public schools of the LDoE are adequately trained. In addition, the team be assigned to monitor that new SGB FinComs are properly constituted before being engaged in introductory training. That will ensure that the sought people with expertise and finance officers with financial background are appointed in FinComs which will make their work easy as they would be training people with a rich prior knowledge other than those with low literacy level.

### **5.3.7 Recommendation 6: Placement of qualified accounting clerks and/or State accountants**

While SGBs struggle or lack the accounting skills to record monthly, quarterly and annual financial records, including drafting Directives compliant to the annual budget, fiscus permitting, the PED should consider creating permanent positions for

accounting clerks/state accountant at each of its 141 circuit offices. These clerks/accountants' responsibilities, among others, be:

- (a) Assist the Circuit Managers in examining schools annual budget submitted for ratification.
- (b) Assist the Circuit Managers in the verification of schools' Audited Financial Statements and scrutinisation of the audit opinions or review statements given to each school in the circuit.
- (c) Alert and advise the HOD of any breach of conduct by MEC approved reviewers.
- (d) Report and advise the HOD of any breach of conduct by IRBA registered external auditors and on procedures to escalate the matter to IRBA.
- (e) To support schools in the circuit in keeping the required financial records
- (f) To support schools FinComs in the circuit struggling with the preparation of financial records
- (g) To respond to schools' enquiries regarding finance-related orders received from senior education officials.
- (h) Assist in the training of SGBs and FinComs on school financial management.

The placement of these officials with relevant qualifications at circuit offices as initial control points will strengthen the quality of internal controls and serve as a reinforcement of the school financial management system which is currently managed by officials who do not have finance or accounting skills (Mmako, 2018). In addition, poor or lack of implementation of internal and external financial control measures will be addressed through the placement of these officials.

#### **5.3.8 Recommendation 7: Enforce accountability, strict compliance measures and consequence management**

The review of the MEC's prescripts should include accountability enforcement clauses and recourse for acting *ultra vires* by these officials, including those internal to the SGBs that unlawfully dominate the school financial management space taking

over the entire financial management role (c.f. 2.7.2 & 2.8.1.2). The review should include criminalisation of cases where elements of theft, fraud and corruption, among others, are crystally evident. In addition, such cases should be reported outright to the law enforcement agencies with the support of the officials in school financial management.

### **5.3.9 Recommendation 8: Recommendation for practice and policy**

The findings of this study on unethical conduct by senior education officials and the appointed reviewers suggest several further courses for action, *inter alia*:

- (a) The annual rotation of external reviewers of financial statements to maintain their independence from the SGBs.
- (b) Review of provincial prescripts and Directives for the management of school finances stipulating recourse for intentional misrepresentation by officials appointed by the department of education such as the circuit managers, district directors, district managers for governance to ensure that their delegation by the HOD is not distorted nor used for ulterior and/or nefarious financial motives.
- (c) Amendment of the South African Schools Act to include among others:
  - Criminalisation of opening additional school's bank accounts other than the main account without the MEC's approval or transacting from such accounts with a pre-determined jail term or fine.
  - Criminalisation of financial underreporting on the school's financial information.
  - Imposition of the vetting of elected SGB members to ascertain their position with the laws of this country in terms of:
    - (i) previous criminal records
    - (ii) insolvency status
    - (iii) Guardianship/parentship with the learner

- Imposition of random lifestyle audit of government officials involved school financial management at PED's head offices, district offices, circuit offices and schools with pre-determined jail term or fine.
- Imposition of restrictions of exit by officials through resignations or retirement of employees under investigation for alleged fraud, collusion, mismanagement and misappropriation of funds.
- Imposition of timeframes for the conclusion of reported cases of school financial management with the PED's Labour Directorate and imposition of consequence management for exceeding given timeframes to issue a verdict.
- Imposition of sanctions for spending before the annual budget of the school has been approved by parents, SGB and ratified by the Circuit Manager as the delegate of the HOD.

(d) The LDoE should consider having a list of MEC approved reviewers of schools' annual financial statement to enhance the enforcement of compliance in terms of Section 43 of the SASA and the reviewers be stricken of the list on commitment of misconduct.

(e) The Development of a National Code of Conduct for state employees involved in school financial management by the DBE.

### **5.3.10 Recommendation 9: Strengthen the monitoring of school financial management and financial record keeping**

Provincial Outcome Indicator (POI) targets are set on the number of public schools monitoring the management of financial resources like the Strategic Outcome Indicator target set on the monitoring of state subsidised independent schools. This be included in the provincial Annual Performance Plan (APP) and in the officials' job descriptions as the Key Responsibility Areas (KRAs) upon which they are on an annual basis scored and incentivised based on their performance.

These officials should include managers for governance, Circuit Managers and Assistant Directors for governance. These officials are responsible for, among others, capacitating the SGBs in terms of Section 19 of the SASA. This could be

done through facilitation of capacity building workshops, ratification of finance policies and annual budgets approved by a majority vote of parents. Moreover, monitoring the use of funds by schools through on-site verification of financial records, evaluation of quarterly financial reports submitted by schools at circuit offices and verification of audited/reviewed annual financial statements are also essential interventions.

To ensure that every public school in the province has undergone all these processes every year, a target of all the public school being verified in all the mentioned areas of responsibility be set in the provincial Annual Performance Plan (APP). These officials need to be made to account for deviations in meeting the set quarterly or annual targets in all the set school financial management responsibility areas.

A provincial on-site monitoring tool should, among others, verify the availability and implementation of the following among others:

- (a) The financial management policies for individual schools have been developed and ratified by the Circuit Manager.
- (b) The school has an annual budget approved by a majority vote of parents, SGB and ratified by the Circuit Manager.
- (c) All payments made are reflected in the requisition books and have approvals of the school principal and the SGB chairperson.
- (d) All payments made were duly authorised by the SGB Treasurer and the SGB Deputy chairperson or a third FinCom member other than the finance officer.
- (e) A minimum of three quotations is adhered to when procuring goods and/or services.
- (f) Bank reconciliation statements are prepared monthly.
- (g) Submission of quarterly financial statements are made with the Circuit Office.
- (h) Proof of implementation of quarterly feedback on finances from the Circuit Office.
- (i) Evidence of FinCom meeting and SGB meetings where school finances were discussed with resolutions made.

- (j) Expenditure tallies with budget allocation.
- (k) Minutes of parents' annual meetings with resolutions taken backed by the majority votes of parents attending and their attendance registers.

Monitoring based on these key areas will ensure adequate transparency by SGBs to stakeholders. The tool should also indicate which breach of key reporting areas constitute misconduct and the applicable recourses. Enforcement of the monitoring tool so developed should include accountability sessions where the contravening officials need to be interviewed so that a full account of their inconsistent practices is given. Such a monitoring will assist in addressing lack of transparency and accountability by officials responsible for school financial management.

The next section focuses on the contribution of this study to current literature within the education sector and outside the sector.

#### **5.4 CONTRIBUTION OF THE STUDY**

In this investigation, the aim was to explore the role of the SGBs in the management of school finances. This study has found that generally the SGBs' perceptions about their role in managing the school finances are not in sync with the role as defined by legislative and conceptual frameworks applicable to the management of school finances. As a result, numerous implementation gaps were revealed by this study.

One of the more significant findings to emerge from this study is that quality assurance of annual financial statements through auditing or review is non-existent. First, reviewers need to examine the quality of the financial information they compiled. SGBs open room for biases in these processes where the compilation and review are centralised, that is, performed by the same accounting firm. Secondly, another room for bias is opened where reviewers do not rotate and become, in principle, permanent employees of the SGBs, hence the erosion of ethical conduct for the sake of keeping their clients as substantiated by literature (Rangongo et al, 2016). Thirdly, these reviewers have lost their relevance and authority after the enactment of the latest Companies Act 71 of 2008 which repealed their enabling Act, section 60 of the Close Corporations Act. Their review statements are, therefore,

invalid. For them to regain their relevance, they need to be MEC approved or IRBA registered before they could engage in the review or auditing of schools' annual financial statements.

These findings suggest that in general the best interests of the learners, parents, teacher and education are placed in the clumsy custody of the SGBs, vulnerable to other unscrupulous internal and external agents. According to literature (Mashaba, 2024; Chaskalson, 2017; Rangongo et al, 2016) and this study's findings, the unscrupulous stakeholders identified are among others, circuit managers, independent reviewers, SGB members themselves and school principals.

Some of the findings of this investigation complement those of earlier studies, namely:

- (a) Lack of knowledge on applicable legislative framework, policies and Directives.
- (b) Dearth of budgeting and budget implementation skills.
- (c) Inadequate capacity building of SGBs in school financial management.
- (d) Lack of transparency and accountability by role players.
- (e) Dominance of the school financial management role by certain members of the SGB.
- (f) Poor or lack of implementation of internal and external financial control measures.
- (g) Lack of financial management skills.
- (h) Understanding what constitutes the role of SGBs in managing the school finances.

While the literature (Sebidi, 2023; Mosha, 2018) acknowledges the importance of auditing and its contribution towards promoting the quality of education, there is however, less or no focus on their authenticity. Their registration with the IRBA and/or due approval by the MEC as a regulatory measure is often overlooked as is the case in this study. Despite these independent reviewers being registered with reputable accounting bodies such as, among others, SAIPA, SAIBA and SAICA,

these are not necessarily regulatory bodies. Hence, they further need to register with the IRBA or be approved by the MEC as a requirement in terms of Section 43 of the SASA (RSA, 1996b), lest they are ineligible to review schools' annual financial statement. This study, therefore, made the following novice findings backed by the review of literature:

- (a) Appointment of ineligible reviewers.
- (b) Unethical conduct by appointed external auditors/reviewers.

Besides these reviewers' ineligibility owing to non-compliance with legislation, this study made a finding that these independent reviewers had a long-standing malpractice of compiling schools' annual financial statements and subsequently reviewing them (DBE, 2017a). This practice blurs the line between internal and external financial processes. It also compromises the authenticity of the review statements.

This study, therefore, made a novice contribution by clarifying criteria to meet the requirements as external reviewers of school financial statements in terms of SASA. It further clarifies the expected quality reviews and impediments thereof where internal and external processes are unscrupulously combined by the so-called auditors.

The study, other than affirming a finding by international studies of unethical engagement of senior officials of the LDoE in the management of school, it also contributes to bringing awareness to the SGBs that only the HOD can issue Directives in terms of Section 37(1) of the SASA. Also, all Directives by governance officials not approved by the HOD are invalid and therefore, cannot be implemented. Furthermore, that issuing out or carrying out such Directives constitutes a misconduct as that is considered acting beyond one's powers and carrying out an illegal instruction.

This study contributed within the public schooling environment and outside. Its contribution outside the public schooling environment is discussed in the next subsection.

#### **5.4.1 Contribution of the study outside public-school milieu**

This study makes contributions on governance across the public and private sector. Noting that the public sector always has citizens as beneficiaries and the State as the funding principal and the councils or boards acting in the position of trust to the beneficiaries, one concludes that the public sector has both the principals and the agents. The private sector also has the board of directors and Chief Executive Officers (CEOs) as agents and the shareholders and their beneficiaries as principals. Like the SGBs, when the boards are less skilled to perform their role, CEOs may dominate them and often pursue their own ill-conceived ends. Cases such as the Government Printing Works' Acting CEO, EOH and its former CEO (Corruption Watch, 2023), Steinhoff's CEO (Naudé et al, 2018) bear similarities with the school governance context.

The main contribution across these sectors is that agents need to fully understand legislation regulating their role in managing organisations' funds. The study submits that organisation with agents that understand applicable legislation and acting in good faith will attain efficacy and efficiency in the management of finances. These agents will, through implementation of regulatory strategies, prevent barriers borne by their unconscious shirking of the law.

Given that money is central to any organisation, for profit, non-profit, government, non-government, households and industries alike, financial management is, therefore, indispensable in these organisations. Processes such as budgeting, compilation of financial records and statements, auditing of annual financial statements and financial reporting to stakeholders are common practices across all these organisations. The study, therefore, provides a general overview of the financial management system that could be adopted and adapted by any organisation.

Inferred from the tenets of the P-A theory applicable to the central research phenomenon, principals are alerted that their wishes and mandates become

secondary when agents have competing ones. Also, agents are not prepared to absorb risks but to always shift the risks to the principals. In addition, despite the contract between the principal and agent reached based on a win-win basis, agents often gravitate toward themselves exposing principals to risks. Furthermore, some of the risks are intentionally created by the agents through sharing less information with principals resulting in the asymmetry of information. Principals should, therefore, develop own systems of removing the information asymmetry (Bernhold & Wiesweg, 2021). This, therefore, calls for the principals to fully understand their area of operation and keep abreast with latest developments even engaging in research so as to be ahead of the agent and be able to monitor the agent's performance. This authenticates the belief that agents are likely to perform in the best interests of principals if the principals have the capacity to monitor the agent's behaviour (Boshkoska, 2015).

#### **5.4.2 Contribution of the study within the public-school milieu**

This study has brought governance processes by stakeholders external to the SGB under spotlight, among others, ratification of the budget, verification of quarterly and annual financial statements, the auditing or the review of annual financial statements. It also put focus of stakeholders responsible for the execution of these processes, namely, the external auditors, external reviewers, Circuit Managers and other governance officials delegated by the HOD. In addition, the study examines the consistency of these stakeholders in the implementation of their mandate relating to the management of school funds.

The contribution of this study is the discovery of a grand scale non-compliance norm by SGBs in terms of the reviewers appointed. Reviewers appointed were not MEC approved, SGBs kept no proof of their appointment, and they were in the main, appointed indefinitely without rotating. Also, non-IRBA registered auditors and non-MEC approved reviewers such as those of the sampled schools are not regulated. Furthermore, non-regulated organisations are generally risky to work with as there is often no recourse for damages incurred on account of their negligence.

Substantiating the position of this study about the risk of appointing non-regulated or non-MEC approved reviewers, each reviewer appointed by the sampled schools compiled and reviewed the annual financial statement of the school that appointed them. The researcher holds a view that this is motivated by greed to earn compilation fee and review or audit fee, thereby blurring internal and external processes. Also, their external independence is compromised as studies point out that some are involved in collusion with SGBs, misrepresenting the financial position of schools (Rangongo et al, 2016).

The study also contributed on revealing the ignorance or lack of knowledge by SGB members to draw a distinction among bookkeepers, external auditors and independent reviewers. Also, to differentiate among the internal and external control measures, namely, the compilation of annual financial statements, auditing and reviewing of same. In addition, that for external controls, SGBs are mandated in terms of the PED Directives to issue appointment letters to the successful auditor or independent reviewer. Furthermore, approved budgets ratified by the Circuit Managers cannot be overruled by the Circuit Managers making unlawful instructions to SGBs on things they themselves did not ratify.

The study also cautions parents and other principals that it is not always a fact that SGBs as the agents have good intentions about them. Parents go through harsh treatments at the hands of the SGBs by being handed over to lawyers, illegal suspension of learners and refusal with learners' performance reports all for failure to pay school fees. Also, parents need to familiarise themselves with their role, rights and responsibilities in the school setting so that risks are not just created and thrown to them unnecessarily by the agents. The vigilance of the principal in this relationship cannot be overemphasised for, "*if principals snooze, they lose*" as Picot et al (1999) warns that, "the stronger the dependency relationship between the principal and the agent, the higher the risk for the principal of hidden intention and the resulting hold-up problem".

Another contribution of this study is the long-established norm of distorting the HOD's Directives by governance officials, including Circuit Managers thereby misleading the SGBs. Circuit managers ratify schools' annual budgets as was the case with the ones verified by the researcher. Such budgets so approved have State-allocated funds appropriated according to the dictates of the HOD's Directives. The same circuit managers that ratified the schools' budgets turn and ask SGBs to incur unauthorised expenditure by instructing them to deposit part of their State allocation into the circuits' bank accounts. Notwithstanding the good course, these transfers are intended for no one other than the HOD, who has authority to direct the use of funds otherwise. Also, such changes or adjustment would only be communicated through the HOD signed circulars or reviewed Directives duly signed by the HOD. Therefore, Circuit Managers and other governance officials are to make the HOD's voice heard through training SGBs and applying governance strategies of monitoring their compliance while also supporting them.

#### **5.4.3 Contribution of the study to current literature**

The findings from this study make several contributions to current literature. First, circuit managers' manipulation of the SGBs to circumvent policy and other applicable legislation in the management of school finances ordering them to transfer money not budgeted for to offset expenditure outside the school has been unveiled (Mashaba, 2024). Second, the use of reviewers of annual financial statements who are not registered with IRBA or approved by the MEC in terms of the SASA as identified during the review of financial documents submitted as data has been revealed. Third, the unscrupulous combination of financial processes which require division of duties as a control measure, where compilation and review and/or auditing of the annual financial statements are conducted by the same auditor/reviewer. Fourth, SGBs neither kept nor issued appointment letters of their external auditors/reviewers. Fifth, the appointment of these reviewers was found to be indefinite instead of being carried out on an annual basis.

The role of circuit managers and other governance officials in terms of Section 19(2) of the SASA are to support the SGBs (RSA, 1996b) while also enforcing compliance

to applicable legislation and not add or subtract. They are part of the HOD's governance strategies to enforce implementation of PED's prescripts and Directives by the SGBs without creating deviations. The study clarifies, therefore, that Directives on the use of State allocated funds in schools remain the responsibility of the HOD alone. Also, Directives from any other governance officials not informed by the Directives are illegal and therefore, not valid.

In terms of the auditing or examination of annual financial statements, the study sheds light on a grey area where SGBs appoint ineligible external reviewers inconsistent to Section 43 of the SASA. The study also reveals these reviewers' inconsistencies in carrying out their mandate as external watchdogs by engaging in internal processes of compiling annual financial statements. They subsequently examine such statements and issue out review statements as evidenced by the so-called Audited Financial Statements reviewed by the researcher. The study further clarifies that this long-standing practice of combining internal and external financial processes by reviewers blurs the independence of this reviewers as they play a "referee and player" position. Moreover, the study puts it that, this long-standing malpractice renders the so-called "audited or reviewed annual financial statements invalid. This, therefore, suggests that what SGBs are submitting to the HOD as audited financial statements are not, but a mere malicious compliance act.

The indication by some of the participants was that some of these so-called auditors or independent reviewers were appointed many years ago by the same schools and was a clear indication that they were appointed indefinitely hence their independence fades over time as they become cronies with the clients and often start colluding with their clients. This was also substantiated by the SGB's failure to locate the appointment letters of the reviewers/auditors they claim to have kept. The study suggests that this practice has a potential to develop cronies who in the study by Rangongo et al (2016) collude in the misrepresentation of audit opinions or review statements, hence suggesting a rotation of these external watchdogs. The study

argues that indefinite appointment of reviewers deters the rotation of reviewers which has the potential ensure that they maintain their independence.

### **5.5 RECOMMENDATIONS FOR FURTHER STUDY**

Future studies focusing the selection criteria for parents' component of the SGBs to curb the filling of such important portfolios with incumbents that lack the necessary literacy level to interpret legislation and policies, capacity to perform owing to the lack of the requisite skills and expertise. Therefore, these studies should focus on the quality of the parents' component of the SGB brought on board in terms of their smooth articulation into cutting-edge capacity building programmes that address current challenges. Studies focused in this niche area should, therefore, consider benchmarking with best practices internationally.

Future study work should also focus on exploring the quality of the capacity building programme and criteria for enrolment into capacity building programme. It should also explore criteria and requirements of facilitators of the capacity building programme, the assessment criteria for the programme and the notional time for achieving predetermined programme outcome.

Another area of focus for future research would be the review of the current legislation on school governance by SGBs. The work should focus mainly adding recourse to SGB parent component members other than State employees serving in SGBs who are often charged for financial misconducts based on laws such as the Employment of Educators Act, Public Service Act and provisions by regulatory bodies such as the South African Council of Educators (SACE). Therefore, future research work should focus into finding ways of ensuring that all SGB members are equally treated in terms of the law. This should include corrective measures other than the current disbandment of the SGB where only State employees in cahoots with other SGB parent component members get charged by the PED's Labour Directorates.

Malpractices by external auditors and independent reviewers without recourse has been a long-established phenomenon worth researching on. Investigations of corrective measures for their misconduct should be a subject of focus for future studies.

## **5.6 RECOMMENDATIONS FOR PRACTICE.**

The revelation by this study about the audit or examination of financial records and statements is that SGBs mistook reviewers for auditors as they referred to their examined records as audited financial statement. Also, that reviewers appointed by SGBs were not duly approved by the MEC in terms of section 43 of the SASA, meaning their review is null and void.

The PED must, through circuit managers and governance officials at circuit offices, combat the appointment of people who pose as legitimate independent reviewers of the schools' financial records and statements by verifying the appointment letters SGBs submit with the annual budgets for ratification before the beginning of each budgeted period. The PED must make it compulsory that the SGB appoints a person registered as an auditor in terms of the Auditing Profession Act, 2005, that is auditors accredited by the Independent Regulatory Board of Auditors (RSA, 1996b). These auditors regulated and there is always a recourse for untoward conduct committed by them. Noting that it may not be reasonably practicable for all schools to access and afford the services of auditors, SGBs must appoint a person approved by the MEC to examine their financial records. MEC approved reviewers are also regulated by the PED and could, therefore, be managed. Therefore, non-IRBA accredited reviewers belonging to bodies like the SAIPA, SAIBA and CIMA, among others, can only be appointed to examine the schools' financial records on provision of the MEC approval letter lest they are not compliant to the SASA and therefore, irrelevant for public schools.

In combating the unethical conduct by the reviewers of compiling and examining the financial records and statements of schools that appointed them, the school principals, governance officials from the circuit offices, district offices and the

provincial head office must apply governance strategies available to enforce compliance by the SGBs to nib possible misappropriation of school funds in the bud.

SGBs must manage disinformation by internal and external stakeholders that has the potential to compromise the management of school fund through understanding all applicable legislation in their role so as not to be deceived into maladministration of school funds. Therefore, SGBs must rely on regulatory strategies to discern disinformation from among others, governance officials like circuit managers. Similarly, SGBs must discern malpractices by external stakeholders, including external reviewers and auditors.

The PED should consider criminalisation of cases where SGBs and governance officials have committed misappropriation of school funds construed as theft, acts of corruption, perpetuating disinformation and collusion that result in schools suffering financial losses. Such cases need to be referred to courts of law instead of been tried by the PED's Labour Directorate for equal fairness within and outside the education departments.

The PED must introduce and manage SGBs' financial quarterly review meetings (QRMs) per Circuit Office where each SGB presents and update of its school's finances and that be supported by bank statements and completed quarterly survey tools as the means of verification. Such quarterly review meetings should be preceded by the quarterly SGB meetings which will inform the presentations in the QRMs. The PED must develop financial reporting templates that align with financial records to be kept by school to enhance compilation of financial records by SGBs and discourage outsourcing that responsibility. This practice will ensure improved accountability that will deter, to some extent, ill-conceived ideas on school finances.

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## APPENDIX A: UNIVERSITY OF THE FREE STATE ETHICAL CLEARANCE



### GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

04-Oct-2022

Dear Mr Emanuel Mmako

#### **Application Approved**

Research Project Title:

**Exploring the roles of School Governing Bodies in the management of school finances in Limpopo Province.**

Ethical Clearance number:

**UFS-HSD2022/0247/22**

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

**Dr Adri Du Plessis**

**Chairperson: General/Human Research Ethics Committee**

Adri  
Du  
Plessis

Digitally  
signed by Adri  
Du Plessis  
Date:  
2022.10.05  
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205 Nelson Mandela  
Drive  
Park West  
Bloemfontein 9301  
South Africa

P.O. Box 339  
Bloemfontein 9300  
Tel: +27 (0)51 401  
9337  
[duplessisA@ufs.ac.za](mailto:duplessisA@ufs.ac.za)  
[www.ufs.ac.za](http://www.ufs.ac.za)



## APPENDIX B: LIMPOPO DEPARTMENT OF EDUCATION ETHICAL CLEARANCE



LIMPOPO  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
**EDUCATION**  
CONFIDENTIAL

Ref: 2/2/2      Enq: Makola MC      Tel No: 015 290 9448      E-mail: [MakolaMC@edu.limpopo.gov.za](mailto:MakolaMC@edu.limpopo.gov.za)

**Mmako ET**  
17 Kgabo Matjila Street  
Ext 12 Nylpark,  
Mokopane  
0601

### RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH

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1. The above bears reference.
2. The Department wishes to inform you that your request to conduct research has been approved. Topic of the research proposal: **“EXPLORING THE ROLES OF SCHOOL GOVERNING BODIES IN THE MANAGEMENT OF SCHOOL FINANCES IN THE LIMPOPO PROVINCE.”**
3. The following conditions should be considered:
  - 3.1 The research should not have any financial implications for Limpopo Department of Education.
  - 3.2 Arrangements should be made with the Circuit Office and the School concerned.
  - 3.3 The conduct of research should not in anyhow disrupt the academic programs at the schools.
  - 3.4 The research should not be conducted during the time of Examinations especially the fourth term.
  - 3.5 During the study, applicable research ethics should be adhered to; in particular the principle of voluntary participation (the people involved should be respected).
  - 3.6 Upon completion of research study, the researcher shall share the final product of the research with the Department.

REQUEST FOR PERMISSION TO CONDUCT RESEARCH : MMAKO ET Page 1

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Cnr 113 Biccard & 24 Excelsior Street, POLOKWANE, 0700, Private Bag X 9489, Polokwane, 0700  
Tel: 015 290 7600/ 7702 Fax 086 218 0560

***The heartland of Southern Africa-development is about people***

4 Furthermore, you are expected to produce this letter at Schools/ Offices where you intend conducting your research as an evidence that you are permitted to conduct the research.

5 The department appreciates the contribution that you wish to make and wishes you success in your investigation.

Best wishes,



**Mashaba KM**  
DDG: CORPORATE SERVICES

06/09/2022

Date

REQUEST FOR PERMISSION TO CONDUCT RESEARCH : MMAKO ET Page 2

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Cnr 113 Biccard & 24 Excelsior Street, POLOKWANE, 0700, Private Bag X 9489, Polokwane, 0700  
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## APPENDIX C: EDITING CERTIFICATE

### EDITING AND PROOFREADING CERTIFICATE

22 Osche Street

The Reeds

Centurion

0157

19 September 2024

#### TO WHOM IT MAY CONCERN

This certificate serves to confirm that I have edited ET Mmako's thesis titled, **“Exploring the roles of school governing bodies in the management of school finances in Limpopo Province.”**

I found the work easy and intriguing to read. Much of my editing basically dealt with obstructionist technical aspects of language, which could have otherwise compromised smooth reading as well as the sense of the information being conveyed. I hope that the work will be found to be of an acceptable standard. I am a member of Professional Editors' Guild.

Hereunder are my contact details:



Jack Chokwe (PhD – University of Leicester (United Kingdom))

Contact numbers: 072 214 5489

[jackchokwe@gmail.com](mailto:jackchokwe@gmail.com)

Professional  
**EDITORS**  
Guild



## APPENDIX D: INTERVIEWS SCHEDULE

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UNIVERSITY OF THE  
FREE STATE  
UNIVERSITEIT VAN DIE  
VRYSTAAT  
YUNIVESITHI YA  
FREISTATA



UFS  
POSTGRADUATE SCHOOL

**Ref: 20202330958**

### **Questions SGBs**

1. What do you think constitute your role in the management of school funds?
2. Can you elaborate on your roles in:
  - Budgeting
  - School fees  
Determining and approval processes of school fees charged
  - Fee exemption
  - Fundraising
  - Payment of state employees for additional work done in terms of Section 38A of SASA?
  - Compilation of monthly, quarterly and annual financial records
  - Auditing or review of financial statements
3. How is the budgeting carried out at your school? Whose discretion is critical and why?
  - Are all the items on the budget duly approved? Elaborate.
4. How do you administer your school funds?  
Elaborate on the number of bank accounts the school has excluding the NSNP account.
5. Please describe the procedure followed by the SGB when procuring goods and services.
6. Who are the stakeholders to whom the SGB accounts for their actions? Which process do the SGB follow when they account to the stakeholders?
7. Indicate why, in your opinion, it is important or not important for the SGB to account to stakeholders?
8. Take us through the internal control measures in place. (Please modify and specify the management of school finance measures adopted by the SGB)
9. Are the school auditors/reviewers legally qualified to quality assure the schools financial statements? Which bodies regulate their existence? Elaborate
10. What do you think about your efficiency in the execution of financial management roles in the school?
11. Take us through challenges you encounter in executing your role in the management of school finances
12. What do you think could be done to mitigate challenges in the management of school finances?



## **ONE-ON- ONE INTERVIEWS SCHEDULE**

**Ref: 20202330958**

### **Questions DMG**

1. What are the challenges that you experience with regard to how SGBs manage school finances?
2. How do SGBs relate with their stakeholders in their management of school funds:
  - LDoE
  - Service Providers
  - Parents
  - Managers for governance
  - External auditors/ reviewers
3. Comment about the general level of competence of SGBs in executing their financial management role
4. What are the challenges in the management of school finances experienced by SGBs and what do you think could mitigate that?
5. In your opinion what can assist to enhance the capacity of SGBs to manage school finances efficiently?

## APPENDIX E: CONSENT FORM

Confidential Information - This is for official consumption



Ref: 2022/07/31/2020233958

### CONSENT/ASSENT TO PARTICIPATE IN THE STUDY

I, \_\_\_\_\_ (participant's name), confirm that the person asking my consent to participate in this research has told me about the nature, procedure and potential benefits and anticipated inconvenience of my participation.

I have read and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am also aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to the audio recording of my voice responding to interview questions and/or engagement in the discussions on the research problem.

I have received a signed copy of the informed consent form.

Participant's name and surname (please print): \_\_\_\_\_

\_\_\_\_\_  
Participant's signature

\_\_\_\_\_  
Date

Researcher's name and surname: Emanuel Tebogo Mmako

\_\_\_\_\_  
Researcher's signature

\_\_\_\_\_  
Date



FOCUS GROUP CONSENT/ASSENT AND CONFIDENTIALITY AGREEMENT

Ref. 2022/07/31/2020233958

I, \_\_\_\_\_ (participant's name), grant consent/assent that the information I share during the focus group may be used by Emanuel Tebogo Mmako for research purposes. I am aware that the group discussions will be audio recorded and grant consent/assent for these recordings, provided that my privacy will be protected. I undertake not to divulge any information that is shared in the focus group discussions to any person outside the group in order to maintain confidentiality.

Participant's name and surname (please print: \_\_\_\_\_

\_\_\_\_\_  
Participant's signature

\_\_\_\_\_  
Date

Researcher's name and surname: Emanuel Tebogo Mmako

\_\_\_\_\_  
Researcher's signature

\_\_\_\_\_  
Date

## APPENDIX E: TURNITIN REPORT

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