

**FINANCIAL MANAGEMENT  
IN SELECTED PUBLIC PRIMARY SCHOOLS IN GAUTENG**

by

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Submitted in accordance with the requirements  
for the degree of

**MASTER OF EDUCATION**  
in the subject

**EDUCATION MANAGEMENT**

at the

**UNIVERSITY OF SOUTH AFRICA**

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**JUNE 2010**

## **DECLARATION**

I declare that Financial Management in Selected Public Primary Schools in Gauteng is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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**B. Naidoo**  
**February 2010**

## **ACKNOWLEDGEMENTS**

I wish to express my gratitude to the under-mentioned for their assistance in this research project:

- To God for giving me the knowledge, wisdom and strength to complete this dissertation.
- My husband, Prakash, for his motivation, assistance and support.
- My daughters, Talira, for her assistance in the preparation of the graphs, and Tamiraa and Akira for their support and understanding during my studies.
- My supervisor, Prof. A.E. van Zyl for his invaluable assistance and guidance.
- Prof. M. Dhurup for his inspiration, guidance and advice.
- Mr. S.N. Chetty (Department of Education Ekurhuleni South District) for his assistance.
- Principals and members of School Governing Bodies (Ekurhuleni South District) for completing the questionnaires.
- My family and friends for their encouragement and continued support throughout my period of study.

## **SUMMARY**

The implementation of the South African Schools Act (Act 84 of 1996) has placed additional financial management responsibilities on school principals and school governing bodies. Financial management has created several challenges for school principals and members of school governing bodies who do not have the necessary financial knowledge, skill and expertise to perform this function.

This research was undertaken primarily to determine how principals and members of school governing bodies, in public primary schools, implement financial policy. The research is supported by a detailed literature study covering financial policy, the budget process, approaches to budgeting, the advantages of a budget system and requirements for effective financial control.

In order to determine the financial management practices at public primary schools a questionnaire was designed and administered amongst twenty five public primary schools in the Ekurhuleni South District of the Gauteng Department of Education.

The findings suggest that there is a need for schools to communicate resolutions adopted at parents' meetings and other consultative procedures to parents of learners and in this way ensure the dissemination of pertinent information. There is a need for early intervention by schools concerning outstanding school fees to prevent the exacerbation of the problem. Educational institutions should prepare their budgets on the basis of their main objectives and policies in order to ensure an efficient allocation of funds...

## **KEY TERMS**

budgeting, school governing body, school fees, financial policy, financial planning, Gauteng Department of Education (GDE), South African Schools Act (SASA), public primary schools

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# CHAPTER ONE

## INTRODUCTION AND PROBLEM ORIENTATION

### 1.1 INTRODUCTION

The restructuring of the education and training system has been one of the many priorities of the government, since the first democratic elections in 1994. Prior to this era South Africa did not have a comprehensive national system of education and training. Education was characterized by separate education tailored specifically for the various race groups within the national populace. Disparity was abundantly evident as schools in townships were poorly resourced both in people management (Human Resources) and financial management resources as the per capita expenditure was highly unequal (Mothata 2000:2). In an attempt to build a just and equitable system the Department of Education and Training published numerous policy documents with the aim of restructuring the South African education system. Such policies were in congruence with the stipulations of the Constitution of the Republic of South Africa, Act 108 of 1996.

The White Paper on Education and Training of 1995 (Education White Paper 1) (Mothata 2000:6) was the predominant official policy document on education published by the ANC-led government. The White paper set out the policy directions, values and principles for the education system in accordance with the Constitution. The document emphasized an integrated approach to education and training, an outcomes based approach, lifelong learning, access to education and training, equity and redress in transforming the legacies of the past.

Education White paper 2 was published in 1996. It was titled “Organization, Governance and Funding of Schools” and was based on proposals set out in the Hunter Report. It built on the principles that were set out in White Paper 1. In essence parental rights, the governance policy of public schools, roles and responsibilities of public school governing bodies, employment of teachers, public and independent schools and learners with special education needs were included in this Paper. The Paper formed the cornerstone of the South African Schools Act 84 of 1996. Within the broader educational paradigm the South African Schools Act (Act 84 of 1996) came into effect on 1 January 1997. The main objective of the Act is to provide for a uniform system for the organization, governance and funding of schools. The act places an enormous responsibility on the state regarding the funding of public schools. *Inter alia* the act provides that, “the state must fund public schools from public revenue on an

equitable basis in order to ensure the proper exercise of the rights of learners to education and the redress of past inequalities in educational provision” (South African Schools Act, Act 84 of 1996 section 34(1)).

The South African Schools Act, (Act 84 of 1996), also sets out the national norms and minimum standards for public school funding. These norms and minimum standards deal with:

- the public funding of public schools, in terms of section 35 of the Act;
- the exemption of parents who are unable to pay school fees, in terms of section 39(4) of the South African Schools Act (Act 84 of 1996); and
- public subsidies to independent schools in terms of section 48(1) of the South African Schools Act (Act 84 of 1996).

Whilst the government has endeavoured to honour the states’ responsibility in terms of the Constitution and the South African Schools Act (Act 84 Of 1996), *i.e.* to progressively provide resources to safeguard the right to education of all South Africans, educational needs in South Africa are much greater than the current budgetary provision for education. With financial constraints and limitations of both national and provincial budgets for education, it has become increasingly difficult for the government to provide for all financial requirements of a school especially within a disadvantaged educational environment. In essence it is accepted that the state cannot fund schooling totally out of its own budget. Therefore to effect redress and improve equity public spending on schools is in the main specifically targeted to the needs of the poorest within our communities (Bisschoff & Sayed 1999: 310).

Section 20 of the South African Schools Act (Act 84 of 1996) empowers the school governing body (SGB) to administer, and control the school’s property, buildings and grounds occupied by the school. Section 37 of the South African Schools Act (Act 84 of 1996) spells out how school governing bodies should manage their funds. Guidelines for the school governing body on their roles and responsibilities in managing the finances of the school are also provided within the South African Schools Act (Act 84 Of 1996). The Department of Education also provides basic training for school governing bodies in financial management. However, in my experience, as a senior manager at a school, I have noted that these guidelines and training (if provided) are inadequate and that members of school governing bodies have little knowledge of the contents of the South African Schools

Act (Act 84 of 1996). The interpretation of the South African Schools Act (Act 84 Of 1996) correctly has also posed problems among principals and SGBs. This has led to funds being mismanaged and many financial problems being experienced at schools.

Since the implementation of the South African Schools Act (Act 84 Of 1996), financial management has become an important responsibility for school principals and school governing bodies. Dealing with financial management has created several difficulties for school principals and school governing body members who do not have the necessary financial knowledge, skill and expertise to perform this function. In addition many schools do not have adequate financial policies to provide clear direction on the use of funds and resources. Members of school governing bodies are expected to develop financial policies for the institutions in accordance with directions issued by the Head of Department. The crux of the problem is that the members of the school governing bodies lack the necessary knowledge and “know how” to develop, adopt and implement financial policies. These and other duties (as stated in the South African Schools Act for SGBs) require high levels of literacy and relevant expertise.

Section 36 of the South African Schools Act (Act 84 of 1996) places a further responsibility on SGBs by stating 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”. Schools are empowered to set their own fees and the SGB has a central role to play in this process. In addition SGBs must ensure that parents are consulted in fee setting and that parents approve of a schools budget.

By implication SGBs have enormous financial responsibilities including budgeting (planning the school’s finances for the following year), managing devolved funding from provincial departments and raising additional funds to improve the quality of education in the school, maintaining all the financial records of the school, purchasing educational materials, equipment or textbooks for the school as well as controlling and maintaining school property, buildings and play grounds. Considering that financial management of schools is a relatively new concept in most South African schools and that many members of SGBs do not have the necessary capacity, experience and competence to carry out all the above mentioned financial

responsibilities, there is an urgent need for research in this field to improve the current financial management situation in schools.

## 1.2 MOTIVATION FOR RESEARCH

Studies conducted by Bush and Heystek (2006:12) of principals in Gauteng reveal that many principals consistently demonstrated their anxiety about carrying out the financial management function and their need for additional training to do so effectively. Similar findings were also noted by McLennan (2006:12) in her study on governance and management. She notes that “finance was one of the two most common issues discussed by SGBs in township schools in Gauteng”. The author further reiterates that, “fees were rarely set higher than one hundred rands and almost never paid. Financial irregularities were often noted or were in the process of being investigated”.

Bush (2006:13) carried out interviews in three schools South of Johannesburg and noted that “there is ambiguity that surrounds the budgeting process. Principals often do not know what proportion of notional fee income will actually be received and this makes it difficult to construct an appropriate budget”.

In addition the Ministerial Review Committee (2004:104) also found that finance and school fees occupy most of SGBs’ time and financial management is ranked as the most important part of the SGB’s function. The report adds that SGBs do not regularly and consistently manage the challenge of fund raising and monitoring school fees. The Ministerial Review Committee (2004:150) identifies skills deficits, including financial management and lack of legal expertise, as weaknesses most frequently noted by schools.

In view of the findings noted by the above mentioned researchers, one is obliged to ask how schools actually do manage their financial responsibilities and what processes are used to determine school budgets and set school fees. Whilst financial management is the main responsibility of all governing bodies in South African schools, there is a paucity of research undertaken on the manner in which financial management and governance actually function within an educational context. Such assertions are also supported by the Matthew Goniwe School of Leadership and Governance in their series, Mestry (2004:126) and Segoati (2006:

36) where their research emphasized the lack thereof or need for further research in the field of financial management in schools.

A preliminary investigation, derived from interviews with principals, on financial management in schools reveals that schools are struggling to cope efficiently and effectively with financial management. Although principals and SGB members play a pivotal role in financial decision making at schools, literature too suggests that there is a lack of capacity building within SGBs. This view is substantiated by Segoati (2006: 36) who, conducted case studies in four schools, using in-depth interviews with principals and personal questionnaire interviews with parents. The author found that the principals feel that parents cannot contribute to the financial management of the school because of a lack of skills and knowledge, and training that was provided did not help them to acquire the requisite skills. In my experience as a senior manager at two different schools I found the members of the school governing body to be seriously lacking in financial knowledge and expertise. This huge gap created by the lack of relevant skills and knowledge impacts negatively on policy and budget planning, formulation and implementation. Thus the effects of this lack in capacity can be felt in all departments of the school

Segoati's (2006: 36) view is further supported by Motha's (2006: 37) research on the financial accountability of primary schools. Motha's research based on four case studies in one Gauteng district supports the view that SGBs experience difficulty in managing funds because of a lack of experience and training. In my experience I have noted that the Department of Education provides very little training for newly appointed members of school governing bodies. The training that is provided is inadequate and is not facilitated by experts in the financial management field. It is done on a once off basis. No further support is offered nor is any further training done in the SGB's three year term of office. In addition to the inadequate training and lack of capacity to carry out the necessary functions of the SGB, cognizance must be taken that some members of school governing bodies resign within the three years or their membership ceases due to them no longer having children at the school. The remaining members of school governing bodies and principals are left to devise ways to find solutions to ensure that all functions, including that of financial management, of the SGB are adequately fulfilled.

Mestry (2004:126-132) examined the competences needed by effective governing bodies and noted their lack of capacity and experience to play an active role in the school budgeting process. Findings of Mestry (2004:126-132) emanating from focus group interviews shows that the Department of Education has no mechanisms in place to support schools on financial issues and problems. It is thus evident from the above that principals and SGBs with their limited knowledge of finances and capacity are left to make their own decisions regarding the finances of the school.

In addition financial management of South African schools is a relatively new function for many principals and SGB's. Ngcongco and Chetty (2000: 78) also resonate similar views of researchers and have observed "an acute lack of expertise in some schools, in areas such as financial management and budgeting." The authors have also found that "for various reasons, capacity building for school governing bodies has not materialized. A clear implementation strategy for capacity building in many instances was non existent". Therefore without a sound implementation strategy for capacity building of governing bodies, the effectiveness of the South African Schools Act (Act 84 of 1996) is threatened. Ngcongco and Chetty (2000:78) further reiterate that the need for capacity building and transformation for different levels of management in the education system in South Africa has been highlighted and motivated in various official and policy documents. Paramount among these is the Constitution of South Africa and the South African Schools Act (Act 84 of 1996).

Bisschoff and Sayed (1999:310-315) conducted research at six Gauteng Department of Education (GDE) schools on the changing role of the principal and their findings on the possible problems and obstacles encountered in fulfilling financial school management functions were twofold. Firstly, principals reported that payment and collection of outstanding fees posed a problem and secondly lack of relevant knowledge and information among parents, governing body members and principals appeared to be an obstacle particularly amongst disadvantaged schools.

Lemmer and Van Wyk (2004: 262) have also found that the contribution of parents in school governing bodies is limited and reported that "many working class and rural black parents face constraints in terms of participation in school governing bodies as a result of poor skills, distance from schools and lack of time".

Financial management thus forms an integral focus of school governance and management since it covers all activities of a school's overall financial performance mosaic. Although a school may have sufficient financial resources, such resources will not contribute to the attainment of educational goals and objectives if these resources are not efficiently and effectively managed (Bisschoff & Sayed 1999: 311).

Although the need for capacity building for members of school governing bodies, especially in the financial management, have been emphasized and pointed out by many researchers, very little is being done to address the situation. This study aims to establish the current financial management systems existing at schools and make recommendations on the budgeting process in an attempt to increase the effectiveness of financial management by the principal and SGBs. In taking cognisance of findings from various researchers the following issues appear to be key aspects of financial governance that is lacking in many schools: the financial policy of such schools, its implementation, monitoring and review and the accountability for the finances of such schools. Researchers have also accentuated the importance of budgeting and proper financial management within schools. From the above it must be acknowledged that many SGBs do not have the required financial skills and experience to effectively manage the finances of schools they serve. The review of some of the available literature in this field reflects a dire need for more research within this field. Further research on the budgeting process, school fees collection, monitoring and financial management issues in different types of schools would inform the development of sound financial management practices.

### **1.3 DESCRIPTION OF THE PROBLEM AND PROBLEM FORMULATION**

Financial accountability is of crucial importance in any organization. The financial policy of an organization provides direction on how available funds and resources should be utilized optimally for the benefit of the organization. Although public schools are non-profit organizations, the effective and efficient management of its finances and financial accountability should be consistent with profit-making organizations.

Whilst the South African education system has undergone fundamental changes in the last decade, the process of transformation remains far from complete. The Constitution and the South African Schools Act (Act 84 Of 1996) still remain transformation mechanisms which

are not realised, *albeit* the persistent efforts to redress imbalances inherited from the previous political dispensation.

The financial management of schools is one aspect, amongst many others that needs to be urgently redressed. In my experience as a senior manager at two schools in the Ekurhuleni West district I have experienced and noted the difficulties that members of SGBs experience in fulfilling the financial management function as stipulated by the South African Schools Act (Act 84 Of 1996). There are serious challenges around budgeting, collection and monitoring of school fees, raising additional funds to improve the quality of education, purchasing educational materials, equipment, and textbooks. During discussions with principals from other schools in the Ekurhuleni West district, I have noted that these challenges are prevalent because of a serious lack of capacity within SGBs. Furthermore, the Department of Education offers minimal support to schools on financial issues and capacity building exercises for both SGBs and senior managements of schools. This further exacerbates the problem of financial management in public primary schools.

Mestry (2004:126) concurs that there are many principals and SGB members who lack the necessary financial knowledge and skills and are placed under tremendous pressure because they are unable to work out practical solutions to problems. Mestry (2004:126) further reports that “in many instances principals and school governing bodies have been subjected to forensic audits by the Department of Education due to the mismanagement of funds through misappropriation, fraud, theft and improper control of financial records”.

Based on the above description of the problem the following main research question has been formulated:

- How do principals and SGBs determine and implement the key aspects of financial policy within public primary schools?

The following sub questions have been formulated to support the above research question:

- How do principals and SGBs make decisions about the budgeting process within public primary schools?
- How do principals and SGBs make decisions relating to fee setting within public primary schools?



- How do principals and SGBs make decisions about financial resource planning within public primary schools?

#### **1.4 AIMS OF THE RESEARCH**

The main aim of this study is:

- To determine how principals and members of SGBs implement financial policy at public primary schools.

In order to achieve the main aim of the study; the following secondary aims are developed:

- To examine how principals and members of SGBs make decisions about the budgeting process within public primary schools.
- To establish the procedures followed in school fee setting within public primary schools.
- To determine how principals and members of SGBs undertake financial resource planning within public primary schools.

#### **1.5 HYPOTHESES**

Where possible, the research problem should be translated into research hypotheses. Research hypotheses assist the researcher on implications inferred from theory in order to provide answers to the research problem (Welman & Kruger 1999:23).

In this study the following hypotheses were proposed:

H<sub>1</sub>: A negative relationship exists between experience (of SGB members) and an understanding of the budgetary planning process.

H<sub>2</sub>: A negative relationship exists between qualifications (of SGB members) and the understanding of the budgetary planning process.

H<sub>3</sub>: A negative relationship exists between experience (of SGB members) and their level of qualification.

## **1.6 RESEARCH APPROACH AND METHODS**

### **1.6.1 Introduction**

Research is a systematic process of collecting and logically analysing information for some purpose. Research methodology refers to the methods a researcher uses to collect and analyze data. Research methodology is systematic and purposeful. Procedures are planned to yield data on a particular research problem, and are not just haphazard activities. More specifically it refers to a design whereby the researcher selects data collection and analysis procedures to investigate a specific research problem (McMillan & Schumacher 1993: 9).

### **1.6.2 Research Approach**

A quantitative approach was followed in this study. Quantitative studies adopt a positivist philosophy of knowing which emphasizes objectivity and quantification of phenomena. Quantitative designs maximize objectivity by using numbers, statistics, structure and experimental control (McMillian & Schumacher 1993: 32).

The research problem stated in this study relates to financial issues at schools are more suited to a quantitative approach. Quantitative measures take into account factors that can be expressed in numerical terms while qualitative factors cannot be measured in numerical terms (Horngren, Foster & Datar 1994:389). Quantitative approaches assist managers in taking decisions with a reasonable degree of confidence (Ball, 1991:281). A quantitative approach will enable managers to make a proper assessment of all alternatives in the decision-making process.

### **1.6.3 Research Design**

A non-experimental research design, namely descriptive research was also used in this study. In a non-experimental design there is no manipulation of conditions. The researcher obtains measures from respondents to describe an occurrence. This type of research describes existing achievement, attitudes, behaviours or other characteristics of a group of respondents. A descriptive study reports things the way they are. Descriptive research is also concerned primarily with the present and does not involve the manipulation of independent variables (McMillian & Schumacher 1993: 266).

This research design was appropriate as the aim of the study was to establish the financial management systems prevalent in schools. Using this design the researcher was able to correctly describe the current financial management systems used at schools.

#### **1.6.4 Research Method**

The survey method was used to obtain relevant data. The survey method was chosen due to its ability to accommodate the required sample size at relatively low costs and its ease of administration among respondents (Zikmund 2000:220). A questionnaire based on a literature study was used to obtain relevant data in this research study.

##### ***1.6.4.1 Literature Study***

The thorough review of literature relevant to the area of study was undertaken in order to establish a theoretical background. The literature study focused on:

- financial policy
- the concept of budgeting and the budgeting process at schools
- the use of budgets as a tool for planning, implementation and control.

##### **1.6.4.2 Questionnaire**

Primary data was generated by means of a structured questionnaire. Questionnaires are widely used as a technique in obtaining information from respondents (McMillan & Schumacher 1993: 238). The questionnaire was designed to elicit information to meet the objectives of this study. The questionnaire contained five sections: section A comprised biographical information such as gender, educational experience, financial experience and current position held at the school; section B comprised questions aimed on gathering data on the school such as its location, type of school, and number of learners at the school; section C comprised questions aimed on gathering data on school fees; section D comprised questions on the budget and budgetary planning process; and finally section E comprised questions aimed at gathering information on financial management.

Permission to conduct this research at the schools had been sought from the Ekurhuleni South district director via a letter (refer to Appendix A).

In order to ensure that the questions were clear, simple, unambiguous and relevant to the study, the questionnaire was pre-tested with principals and members of SGBs. The revised questionnaires were hand delivered to the schools selected for this study by the researcher. The questionnaires were addressed to the principal and members of the SGB, since they are directly involved in the implementation of the finance policy, decision making and fee setting at schools. The principal and the members of the SGB of each school were required to complete the questionnaire. A covering letter (refer to Appendix B) addressed to the principals and members of the SGB was handed together with the questionnaire to principals. The letter informed the principals and members of SGBs about the nature and purpose of the research and assured them of the confidentiality, anonymity and encouraged them to respond.

The researcher was available to answer any queries, questions and problems that the respondents had pertaining to this study or the completion of the questionnaire. The completed questionnaire was collected from each of the participating schools personally by the researcher on a mutually agreed date. A letter of appreciation for their valuable time and effort in completing the questionnaire was handed to all participating principals and members of the SGBs.

### **1.6.5 Data Analysis**

An analysis of responses to the questionnaire was undertaken according to accepted quantitative methods. The analysis of closed type questions lends itself to statistical analysis of responses. Data was analyzed using the Statistical Package for Social Sciences (SPSS – version 16.0 for windows) by a statistician. The statistician used descriptive and statistical procedures so that:

- the researcher was able to formulate questions that were fully understood and thus could discuss results confidently.
- So that the analysis could be user friendly to principals who need not be statistical experts.

Since a quantitative research approach was used, the data was analysed primarily through descriptive analysis and then followed through the use of correlation analysis in order to establish the relationship between variables.

The method of analysis is further explained in Chapter Three. The responses were interpreted, and the findings are presented and discussed in chapter four. Conclusions, recommendations and limitations are reported in chapter five.

### **1.6.6 Population**

The study was restricted to the Ekurhuleni South District in the Gauteng Province of South Africa. The Ekurhuleni South District is one of the fifteen school districts within the province. The units of analysis were schools located within this district. The elements chosen for the study comprised principals and members of the SGBs.

### **1.6.7 Sampling Method and Procedure**

A non-probability sampling technique namely, purposive sampling was used in this study. According to Patton (cited in McMillian & Schumacher 1993: 378) purposive sampling is “selecting information-rich cases for an in depth study”. The sample for this study comprised of ordinary public schools as well as former Model C schools. The schools were located in urban areas, rural areas and township areas. Purposive sampling is undertaken to increase the utility of information obtained from small samples. “Information rich” participants are chosen because they are likely to be “knowledgeable and “informative” about the phenomena under investigation (McMillian & Schumacher 1993:378).

Schools in the Ekurhuleni South District (Gauteng Province) were selected for the purpose of this study. All schools were public primary schools within the Ekurhuleni South District. A letter was written to these principals and SGBs indicating the nature and purpose of this study. It also sought their permission to participate in this study and assured them that all information obtained from the schools will be held in strict confidence and that the questionnaire is anonymous (refer to appendix B). Principals and members of the finance committee of the SGB of the selected schools were required to complete the questionnaires.

Principals and members of the finance committee of the SGB of the selected schools had been chosen to complete the questionnaire because they are directly involved in the implementation of the finance policy, decision making and fee setting at their respective schools.

## **1.7 VALIDITY AND RELIABILITY**

According to Johnson and Christensen (2004: 140) validity refers to “the accuracy of the inferences, interpretations, or actions made on the basis of test scores”. Reliability refers to “the consistency or stability of test scores. If a test or assessment procedure provides reliable scores, the scores will be similar on every occasion.” (Johnson & Christensen 2004: 133).

According to Best and Kahn (2006: 324) “basic to the validity of a questionnaire is asking the right questions phrased in the least ambiguous way”. To ensure validity of the questionnaire the researcher ensured that the questions were directly related to the purpose and objectives of the study, that the meanings of all terms were clearly defined so that the questions were correctly interpreted by all respondents and that the questionnaire was free of ambiguities.

Piloting is the process of testing a questionnaire before a survey commences to make sure that any errors are identified and then corrected (Boyce 2002: 371). Hence piloting provides a final pre-survey assurance that the questionnaire contains no errors and to affirm that the questionnaire captures the information sought by the researcher (Malhotra & Birks 2004: 345). Piloting the questionnaire was done by the researcher on a sample of five academics, SGB members and a Principal of a school. In addition, the questionnaire was pilot tested with 20 respondents.

Reliability of questionnaires may be inferred by a the computation of Cronbach alpha coefficients for the scale (Best & Kahn 2006: 329).

## **1.8 AREA OF STUDY**

The study was conducted at schools that fall under the jurisdiction of the Gauteng Department of Education. Gauteng Department of Education comprises fifteen districts. The

Ekurhuleni South Region is one of the fifteen districts, which covers parts of the east rand area and includes Bedfordview, Edenvale, Germiston, Katlehong, Tembisa, Thokoza, Alberton and Boksburg. This research was limited to selected public primary schools in the Ekurhuleni South Region. It should be noted that the data obtained from these institutions is sufficient for this dissertation of a limited scope.

## **1.9 ETHICAL ISSUES**

All ethical measures were taken into consideration throughout this study. These measures included:

### **1.9.1 Informed consent**

Consent was sought from all participants (principals / SGB members). They were informed of the purpose of the study, the demands and risks of the study and were given all information that influenced his /her willingness to participate.

### **1.9.2 Freedom to withdraw**

The research participants were informed that they were free to withdraw from the research study at any time without penalty.

### **1.9.3 Confidentiality and anonymity**

Participants were assured that their identities, their responses and the names of their schools will not be mentioned/ revealed in this research study. Pseudonyms were used to report findings. In addition the data was analyzed on an aggregate basis without delineating any particular school or respondent. As the primary researcher of this study I take full responsibility for the ethical standards to which this study needs to adhere to.

## **1.10 DEFINITION OF TERMS**

The following provides a clarification of concepts / terms used in this study:

### **School Governing Body (SGB)**

According to the South African Schools Act (Act 84 of 1996), the governance of every public school is vested in its governing body. This term refers to members of the school governing body. The membership of the governing body of an ordinary public school is made up of elected parent members, the principal, elected educator members, elected members of staff at the school who are not educators and elected learners who are in the eighth grade or higher and co-opted members (South African Schools Act, Act 84 of 1996 section 2A).

### **Gauteng Department of Education (GDE)**

The Republic of South Africa has a single co-ordinated national department of education headed by the minister. The minister is assisted by the director general and her deputies. In addition, each of the nine provinces of the Republic of South Africa has its own department of education. Each provincial department of education is headed by a member of the executive committee. Gauteng is one of the nine provinces in the Republic of South Africa. Thus GDE refers to the Gauteng Department of Education.

### **Budget**

Knight, Morris & Tapply (1993: 19) describe a budget as “one of those items which is taken for granted because of its familiarity- it is often seen as a statement of planned expenditure against which actual expenditure can be matched.” They elaborate further by stating that “a budget is multi-purpose management tool, adaptable for different purposes”.

“Educational planning, the weighting of priorities and of alternative means to accomplish them, is the essential feature of effective budgeting in the schools. The educational budget is the translation of educational needs into a fiscal plan that, when formally adopted, expresses the kind of educational program the community is willing to support, financially and morally, for the budget period. The school budget expresses to the citizens of a community the dollar value of the program of education provided them”. (Candoli, Hack & Ray 1992: 111).



### **Financial Policy**

According to Ryan (1994:25) a good policy identifies and articulates the values and the basic principles to be applied to specific needs in an organization. It sets the broad objectives that should be achieved in managing the school's finances and informs the administrator of what is required. An effective policy set and gives direction.

A good policy must spell out the rules and regulations of handling the money/ assets of the school. The procedures for handling school fees, donations, post dated cheques, authorization for cheque payments, signatories to the bank account and every aspect related to the school's finances should be included in the school's finance policy (Mestry: 2004: 131).

*A comprehensive financial policy* refers to a compact policy document of all financial and financial related policies

### **Equity**

According to Marishane & Botha (2004: 96-97) “[e]quity refers to an impartial and consistent application of rules governing (financial) resource allocation to schools.”

### **Redress**

Redress refers to improving (financial) resource allocation by targeting the specific needs of the poor and previously disadvantaged (Marishane & Botha 2004 : 96-97).

### **Efficiency**

Efficiency refers to the allocation of (financial) resources to the school in such a way that the allocated resources once deployed will match the (financial) needs of the school (Marishane & Botha 2004: 96-97).

### **Quality**

Quality refers to the provision of (financial) resources in such a way that resulting improvements will be sustained (Marishane & Botha 2004: 96-97).

## **1.11 CLASSIFICATION OF CHAPTERS**

### **CHAPTER TWO: LITERATURE REVIEW ON FINANCIAL MANAGEMENT IN SELECTED PUBLIC PRIMARY SCHOOLS**

The main focus of chapter two is on financial policy, the concept of budgeting and the budgeting process at schools. This chapter also discusses how budgets could be used as a tool for planning and control.

### **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

Chapter three describes the research design and methodology and the specific measures taken to ensure research ethics, reliability and validity of the results.

### **CHAPTER FOUR: RESEARCH FINDINGS**

In this chapter an analysis of the data is presented and the findings of the research are discussed and interpreted.

### **CHAPTER FIVE: CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS**

The conclusions and limitations of the study are presented. Recommendations emanating from the study are made. Benefits and limitations of the research study are highlighted. Implications for future research are discussed.

## **CHAPTER TWO**

### **LITERATURE REVIEW ON FINANCIAL MANAGEMENT IN SELECTED PUBLIC PRIMARY SCHOOLS**

#### **2.1 INTRODUCTION**

Many public primary schools in South Africa now have control over their own budgets. Some of these schools, like the former Model C schools, have enjoyed self management of their finances for several years, whilst other schools in previously disadvantaged areas have experienced tremendous difficulty with financial management. Caldwell and Spinks (in Bush and Gamage: 2001:39) suggest that a self-managing school is one for which there has been significant decentralization to the school level of authority to make decisions related to the allocation of resources. The problem with financial management, in self management schools, is that there are many principals and SGB members who lack the necessary financial knowledge and skills (Mestry 2004: 126). This view is supported by Bischoff (1999: 313) who affirms that “in some cases governing body members may not be knowledgeable on financial management issues”. This is as a result of school principals and school governing body members not receiving adequate specialist preparation for this important management role. Although management of school finances becomes easier with experience, it becomes more complex for several reasons (Knight, Morris & Tapply 1993: V). Chapter two focuses on financial policy, the concept of budgeting and the budgeting process at schools. This chapter will also discuss how budgets can be used as a tool for planning and control. The significance of this chapter is that these three aspects, namely financial policy, the concept of budgeting and the budgeting process at schools also relate to questions that are contained in the questionnaire.

#### **2.2 FINANCIAL POLICY**

According to Guthrie, Garms and Pierce (1988: 1) “a policy is a uniform decision rule that guides action”. Policies prescribe how members of the society will act, make decisions or be treated by others. Policy is also defined as “a course of action adopted or proposed by an organization or person” (South African Pocket Oxford Dictionary 2004: 688, s.v. “policy”). A policy must comply with applicable legislation. A policy, thus, provides the framework and parameters within which an organization may function.

According to Mestry (2004: 131) a good policy has four distinct components that should be identifiable within any policy document:

- A statement of the need for a policy. When the need is clearly articulated the credibility of the policy and the policy making process will be enhanced.
- A statement of the values and the principles that should be brought to bear on that need. Values and principles drive policy. Values such as transparency, democracy and honesty should form the basis of the policy.
- A statement of the “guide for discretionary action”. Once the guide for discretionary action is identified, it must be a guide or a directive that an administrator must merely implement.
- A statement of expected outcomes. Identification of expected outcomes assists in the necessary process of policy review or evaluation.

Bisschoff (1997: 155) describes a financial policy as “a statement concerning the manner in which funds will be generated and spent at a specific school”. He further states that “the starting point of the financial policy lies with the mission statement of the school”. Every school must formulate its own mission statement and from that create goals. The realization of these aims should be directed by action plans, which lead to the budget of the school. Bisschoff (1997: 65) further reiterates that a budget is the mission statement of a school written in monetary terms. The mission statement directs all policies of the school. The financial policy should be seen as a document that may change over time.

According to Ryan (1994: 25) a good financial policy should identify and articulate the values and the basic principles to be applied to specific needs in an organization. It should spell out to an administrator what is required and it should set the broad objectives that should be achieved in managing the school’s finances. An effective policy should not only set direction but should also give direction. Administrators must be left to apply that policy with the discretion required by circumstances and their own professional judgment.

Mestry (2004: 131) emphasizes the need to spell out the rules and regulations of handling the money and assets of the school in the finance policy. The procedures for handling school fees, donations, post dated cheques, authorization for cheque payments, signatories to the bank account, trust accounts, recording transactions, documentation and every aspect pertaining to the school’s finances should be included in the school’s finance policy.

Mestry (2004: 131) is also of the view that the finance policy should clearly outline the duties or responsibilities of the treasurer, finance officer, auditor, finance committee, the principal, and other persons (educators) delegated for specific tasks. According to Mestry (2004: 131) one of the most important principles in school financial management is the “separation of powers”. The School Governing Body must ensure that the various tasks are delegated to different people who have the necessary knowledge and skills to perform these tasks efficiently. This ensures transparency and accountability and avoids or minimizes fraud, pilfering, theft and collusion.

Financial control mechanisms are an important aspect that must be included in a finance policy. The finance committee of the SGB should develop and put in place control mechanisms that will contribute effectively to the safe and accurate administration of funds, including procedures for fundraising. Key control mechanisms for the following should be developed and form part of the finance policy (Mestry 2004: 131):

- Cash receipts and cash payments
- School fees
- Management of assets
- Petty cash payments
- Stock control (cleaning materials and stationery)
- Tuck shop control (if the school has one)
- Budgetary control

The financial policy of the school should include aspects of sections 36, 37 and 38 of the South African Schools Act 84 of 1996. Sections 36 and 37 of the South African Schools Act 84 of 1996 prescribe the way in which schools should manage their funds. It also provides guidelines on the roles and responsibilities of the members of the school governing body and the principal in managing the finances of the school. According to section 15 of the South African Schools Act a public school is a juristic person with the legal capacity to perform its functions. This means that the school may buy, sell, enter into contracts, make investments, hire or own property and sue or be sued. The school performs all these actions through its governing body. The school governing body has decision making powers and may bind the school legally (Mestry 2004: 127). In addition, Section 38 of the South African Schools Act stipulates that a governing body of a public school must prepare a budget each year according to prescriptions determined by the Member of the Executive Council.

Taking into consideration this vast array of financial functions thrust upon the school governing body by the South African Schools Act (Sections 36, 37 and 38), it is of utmost importance that the SGB determine the financial policy for a particular school. The finance policy should clearly outline the rules by which the finances are organized, managed, and controlled, how the assets of the school are controlled, what criteria are applied to appoint a registered auditor, correct procurement and tendering procedures.

## **2.3 BUDGETING**

According to Igbuzor (2005: 3) budgeting is simply the process of preparing a budget. It refers to the procedures and mechanisms by which the budget is prepared, implemented and monitored. Preparing a good budget requires a responsible leadership, broad accurate and reliable information and effective monitoring and control over the execution of the budget plan. The budgeting process traces the budget in one year from conception through to preparation, approval, execution, control, monitoring and evaluation. Adams (2006: 124) also resonates a similar view by stating that “budgeting has an essential role to play in converting all elements of the strategic plan into actual financial statements to provide a standard for performance for the short-term future, set in the long term aims and objectives of the organization”. Budgeting is, thus, the key to financial management.

### **2.3.1 THE CONCEPT OF BUDGETING**

A budget is a financial plan for the future that is able to identify objectives and the actions needed to achieve those objectives (Hansen & Mowen, 2008: 334). Smith (2007: 137) views budgets as a collection of plans and forecasts. They reflect the financial implications of business plans, identifying the amount, quantity and timing of resources needed. The Chartered Institute on Management Accounts (2000: 51) defines a budget as “a quantitative statement, for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows”.

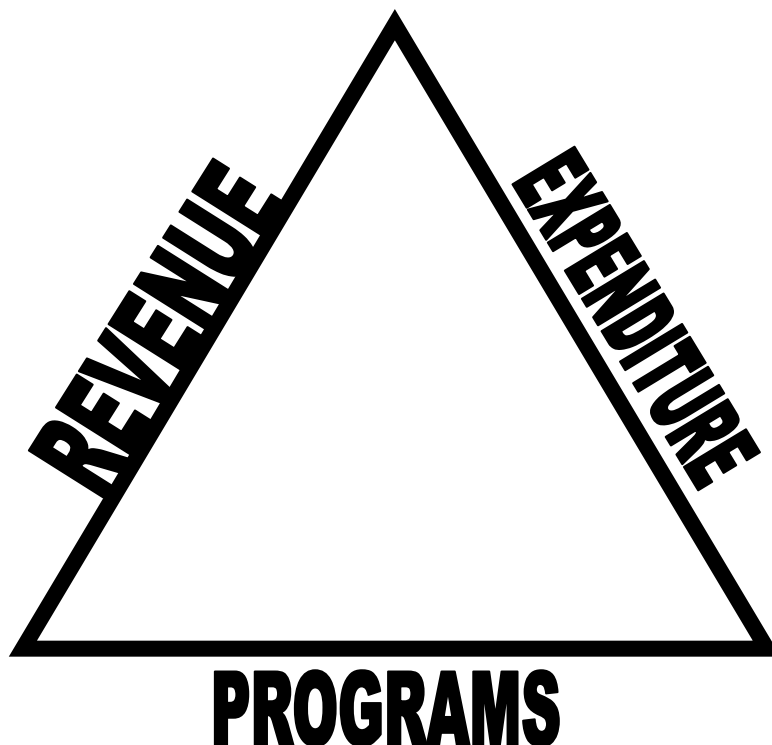
Thompson, Wood and Honeyman (1994: 307) provide the following three dimensional operational definition of a budget:

- A budget should be defined as the description of a desirable educational program.

- A budget should be defined as an estimate of expenditures required to carry out the desired programs.
- A budget should be defined as an estimate of revenues available to meet the defined expenses.

This definition is illustrated in Figure 2.1:

**FIGURE 2.1**      **The Ideal Budget Triangle**



Source: Thompson *et al.* (1994:307)

The budget triangle illustrates that a definition of a budget should be firstly based on quality educational programs, and supported by revenue and expenditure plans that make the envisioned outcomes possible.

According to Thompson *et al.* (1994: 305-307) the first and most fundamental principle of school budgets is that educational programmes cost money: without funds there are no schools. The second fundamental principle is that the primary purpose of a budget is to translate educational priorities into programmatic and fiscal terms. Thus the school's budget is a statement of priorities. Prioritization of programmes occurs through the budget process

where top priorities are funded first and other programmes' survival is a function of economic fortunes. A third fundamental principle of budgets is that they are not natural phenomena that occur spontaneously in educational environments but are created by people charged with carrying out a school district's legal educational obligations, which are influenced by philosophical and fiscal realities. A fourth fundamental principle is that budgets must be seen as a powerful political tool in school districts. The process by which money talks within budgets is highly political. The budget is the means by which public approval or disapproval of the school is expressed (Thompson *et al.*, 1994: 305-306).

Candoli, Hack and Ray (1992: 136) also resonates similar views in that they too believe that the school budget can be conceptualized as an equilateral triangle, with the educational programme as the base and expenditures and revenues as the other two legs. If any one of the three sides is shortened, the other two must also be shortened. Only when the three side lengths are in proportion, the basis of a feasible budget document would be in place.

Candoli *et al.* also differentiate between a needs and a working budget. In the needs budget, programmes costs are projected as if all educational needs are to be met. The working budget is the final document drawn according to educational priorities and will serve as the financial plan throughout the year. The working budget is actually a further refinement of the needs budget. The needs budget is more idealistic, in that it lacks the realistic parameters that surround the working budget. The working budget calls for the establishment of programme priorities.

Horngren, Foster and Datar (1994:183) define a budget as a "quantitative expression of a plan of action and an aid to co-ordination and implementation of this plan". Hammer, Carter and Usry (1994:394) aptly define a budget "as a plan expressed in financial and other quantitative terms". Budgeting in non-financial and non-quantifiable terms would be difficult to achieve since there are no definite targets to be achieved if such terms exist.

In addition there is a clear distinction between a forecast and a budget and it is important to take note of the difference. A forecast is a prediction of what can happen in the future whilst a budget is a target that management wishes to achieve. This target is part of the macro-planning process of any organization. In order to attain the goals and objectives of the organization, budgeting plays a vital role in coordinating the activities needed to implement



the plans of action to achieve these goals and objectives. Barfield, Raiborn and Kinney (1998: 620) emphasize the need for budgeting to provide focused direction for the planning of an organization. Budgeting in schools is just as important as in commercial organizations.

Sollenberger and Schneider (1996: 285) suggest that budgets are relevant for the following functions:

- formalizing the planning process
- creating a plan of action
- creating a basis of performance evaluation
- promoting continuous improvement
- co-ordinating and integrate management's efforts
- aiding in resource allocation
- creating an aura of control
- motivating managers and employees positively

It is through budgeting that an organization aligns its resources with its purposes. (Guthrie *et al.*,1988: 223). The budget process is the concrete, practical link between planning and evaluation and comprises of three fundamental assumptions.

### **2.3.2 FUNDAMENTAL ASSUMPTIONS IN BUDGETING**

According to Guthrie *et al.* (1988: 223), for budgeting to be most effective, the following three critical conditions should exist: annularity, comprehensiveness and balance:

- **Annularity**

A budget, an organization's resource allocation plan, is intended to cover a fixed period, generally a year. The budget year is generally known as a fiscal year. The important principle is that there is a previously agreed-upon span of time over which resource allocation and financial administration occur.

- **Comprehensiveness**

An organization's budget should encompass all fiscally related activity, on both the resource and the expenditure sides. All revenues received by an organization, regardless of source or purpose, and all that an organization spends, regardless of source or purpose, must be encompassed by the budget and the budget process. If a budget is not comprehensive, organizational resources may be accrued or utilized for purposes outside its leaders' control.

- **Balance**

What is received by way of resources must not exceed what is spent. A budget assumes explicit organizational acknowledgement of resources and obligations, and the two must match. If they are out of balance, an organization is out of control.

### **2.3.3 FUNCTIONS OF A BUDGET**

At most schools a budget is seen as one of those items which is taken for granted because of its familiarity. It is simply seen as a statement of planned expenditure against which actual expenditure can be matched (Knight *et al.*, 1993:19).

A budget, however, serves many other functions, which include the following:

- forecasting
- matching expenditure to income
- establishing priorities
- comparing the planning
- value of alternatives
- implementing plans
- co-ordinating school activities
- allocating resources
- authorising expenditure and activities
- communicating objectives to personnel
- motivating personnel by delegation
- controlling expenditure
- strengthening accountability
- obtaining value for money, economizing
- matching inputs against outcomes

It must therefore be noted, from the above listed functions, that a budget is a multi-purpose management tool that can be adapted for many different purposes. A budget does not only relate to expenditure and spending, of course, can only be done against projected income.

Smith (2007: 138-139) supports the view that budgets have a multi-functional role and outline the following multiple functions of budgets:

- it forces managers to plan ahead and reduce the number of ad hoc decisions;
- it provides a yardstick against which managers can be evaluated;
- it provides standards and plans which can be employed as part of the control process;
- it sets clearly defined targets which aid motivation;
- it helps to co-ordinate the separate activities of different departments and ensure that all parts of the organization are in mutual harmony; and
- it aids communication. Through the budget top management communicates its expectations to lower level management.

The concept of budgeting is widely used in all types of organizations. Managers do a better job of running the business with a budget than with no budget at all. In education institutions, such as schools, the budget must also be seen as a management instrument. It can, in fact, also be considered to be a policy document since the priorities of the institution and the essential changes, as reflected in the school improvement plan, are reflected therein. In schools, for example, the budget reflects decisions that are made about income, expenses, extra murals coaching and personnel. This relationship of matching income and expenses in schools is vital to the existence of the institution. Allocation of resources changes with the level of activity and available revenue. Inflation also impacts on the allocation of funds.

### **2.3.4 THE BUDGET PROCESS**

In a large commercial organization a budget committee is responsible for co-ordinating and directing the budget process. This committee usually comprises directors, accountants, sales managers, production managers, and other members of top management. In schools, co-ordinating and directing the budget process is the responsibility of the members of the school governing body.

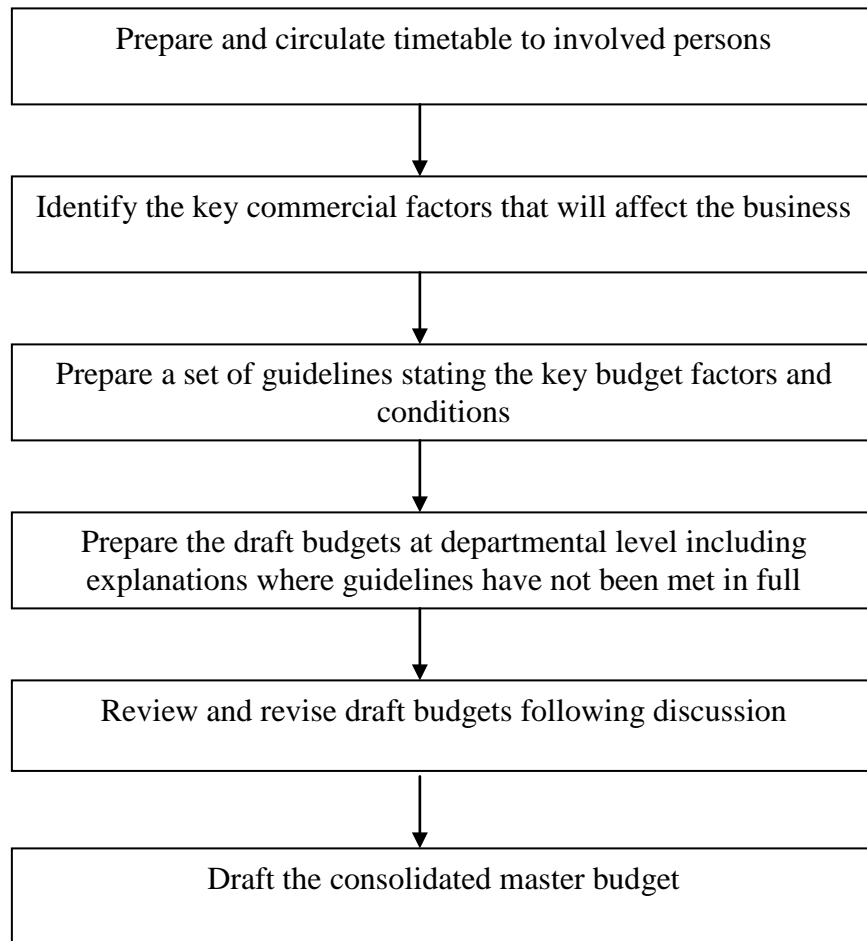
Mowen and Hansen (2008:336) outline the following as functions of the committee:

- reviews the budget
- provides policy guidelines and budgetary goals
- resolves differences that arise as the budget is prepared
- approves the final budget
- monitors the actual performance of the organization as the year unfolds

The following factors must be taken into consideration in the process of developing and implementing the budget:

- All levels of management are acquainted with the process and understand how the system works.
- The budgetary process should involve as many individuals of the organization, not only for their expertise in certain fields, but also for commitment by participating in the development of the budget.
- The budget targets must be realistically set in terms of its objectives.

Adams (2006: 130) outlines the following sequence of activities in the budgeting process:



The accountant is usually responsible for the administrative control of the budgetary process in an organization (Adams 2006: 130). In schools this would be the responsibility of the chairperson of the finance committee within the SGB.

According to Knight, Morris and Tapply (1993: 20-21) there are four main stages in the budget process viz., preliminary analysis, construction, control and monitoring and evaluation. These steps are discussed below:

- **Preliminary analysis**

This step is usually done in the early part of the academic year. At this stage objectives and priorities of the school development plan are introduced. Various alternatives for their delivery are considered, costed, and early projections for the coming financial year and their implications are discussed.

- **Construction**

This stage is done before the new financial year. As detailed information becomes available on outcomes of the previous budget, the new delegated budget total, projected enrolment, staff changes and salary increases and draft budgets can be constructed, leading to a final version for the governors' approval.

- **Control and monitoring**

This occurs during the academic year. Once the year commences, actual expenditure needs to be monitored against the intended expenditure and controlled to ensure that expenditures are properly authorized and subject to audit controls. Control and monitoring is discussed in further detail later in this chapter, under the heading *Requirements for effective financial control*.

- **Evaluation**

This takes place after the end of the financial year. This involves evaluating the final expenditure situation and matching this against intended objectives and actual outcomes.

The whole process of budgeting must be seen in the context of the managerial planning function, since the use of budgets is an essential component of an integrated planning process. According to Thompson *et al.* (1994: 319) the general budget process is regarded as consisting of four sequential and interrelated activities: estimating the revenues a school/district will receive for the upcoming budget cycle, envisioning the educational programme, estimating the expenditures required to support the proposed programme, and balancing programme needs against revenue and expenditure realities. Thus the general budget process is the operationalization of the budget triangle as discussed earlier in this chapter.

### **2.3.5 THE ADVANTAGES OF A BUDGET SYSTEM**

According to Mowen and Hansen (2008:334) “a budgetary system gives an organization several advantages”. These authors have identified the following advantages:

- It forces managers to plan for the future.
- It provides information that can be used to improve decision making.

- It provides a standard for performance evaluation.
- It improves communication and coordination.

Berkhout and Berkhout (1992: 51) maintain similar views on the advantages of a budget system and list the following as the most significant advantages of a sound budget system:

- The budget educates all parties concerned to think in terms of money and costs. Demands for more and better equipment, sports facilities etc. will be approached more rationally by the staff members concerned, because costs and income become 'visible' and can be judged.
- Requirements of other departments and of the whole institution can be observed and evaluated by all the officials concerned.
- It shows the estimated costs and income upon which services are based.
- It encourages members to economize.
- Members of management are able to study results which deviate from the budgeted data, plan and implement corrective measures and prevent the recurrence of irresponsible financial excesses or deficits.
- At budget committee meetings, staff members are committed to analysis, self analysis and accountability.
- The budget assists in exposing difficulties of a material nature or those relating to any personal interests which may be prevalent in the institution. These difficulties and any costs which may stem from them can then be eliminated to facilitate a smoother and more economical operation of the organization.

These advantages can only be achieved if the budget is prepared correctly and efficiently. This implies that budgeting must be executed with as much detail as possible, the budget documents must be designed correctly and proper control must be exercised and maintained.

### **2.3.6 THE RELATIONSHIP BETWEEN PLANNING AND BUDGETING**

Guthrie *et al.* (1988: 215) view planning as "the systematic determination of future allocation of resources." It shares many features with rational decision making. It differs primarily in three ways:

- The planner/s may not be the individual or team of individuals responsible for implementing the plan. Planners are not necessarily executives or decision makers.
- Planning is oriented toward a time horizon beyond the immediate present.
- Planning involves systematic efforts to reduce uncertainty. Planning can mitigate the risks involved in having to make instant decisions.

Planning and evaluation are two major stages in a cycle of events aimed at enhancing an educational organization's ability to serve its clients, namely, learners, parents and the public. The full cycle involves planning for future events, implementing or executing a plan, and evaluating outcomes (Guthrie *et al.*, 1988: 216).

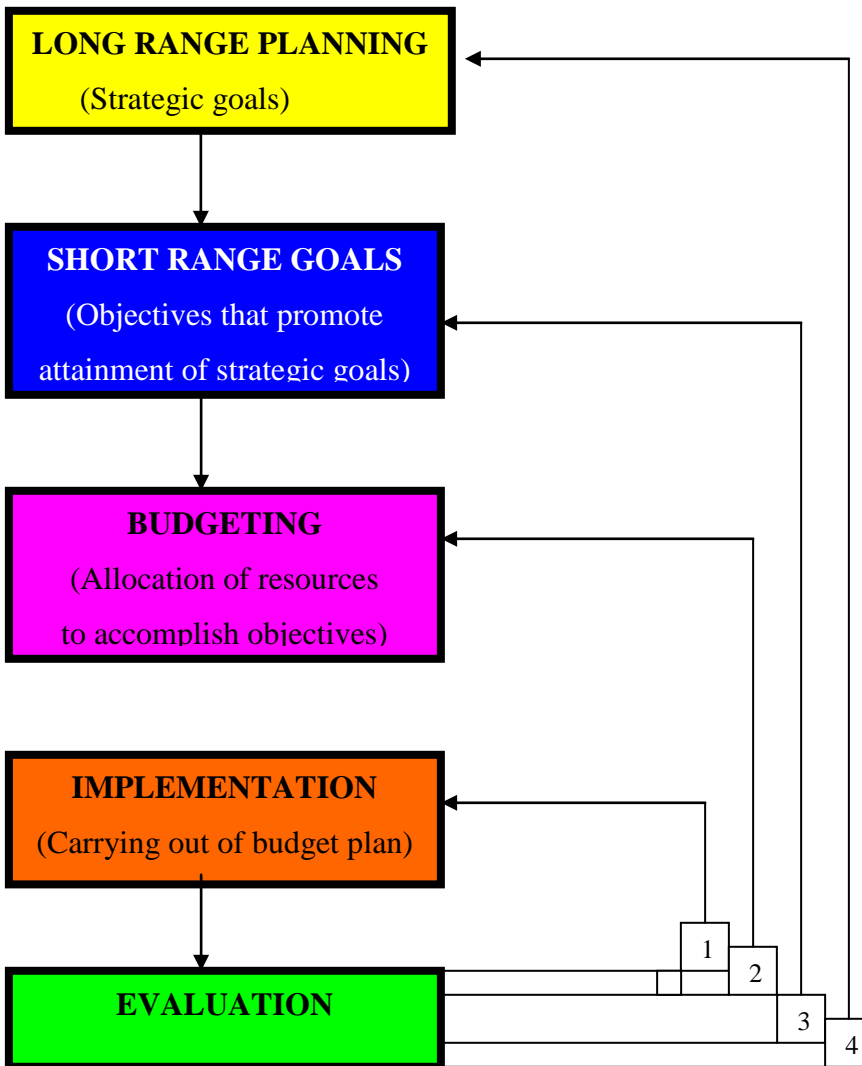
Budgeting is a practical bridge between planning and evaluation. Figure 2.2 illustrates the relationships among planning, budgeting and evaluation. Budgeting is an important component of planning and evaluation. After all, budgets represent the financial crystallization of an organization's intentions. It is through budgeting that a school can decide how to allocate resources so as to achieve organizational goals. Resources are expended consistent with an organization's overall plans and evaluations of programmes and activities subsequently inform the next cycle of planning and budgeting. Planning and evaluation are meaningless unless they can influence an organization's resource allocation. Budgeting is the process of allocating an organization's resources (Guthrie *et al.*, 1998: 216).

Planning is a management function that should occur at all levels within an education system. The prime purpose of planning is to reduce uncertainty and focus organizational activities so as to utilize resources efficiently (Guthrie *et al.*, 1988:216-218). It is through budgeting that an organization aligns its resources with its purposes (Guthrie *et al.*,1988: 223).

Management takes the responsibility of setting goals and objectives for the organization. These are transformed into plans to be achieved. Budgeting is that quantifiable part of the planning process which is needed to expedite the achievability of the goals and objectives of the organization.



**Figure 2.2 The Planning - Budgeting – Evaluation cycle**

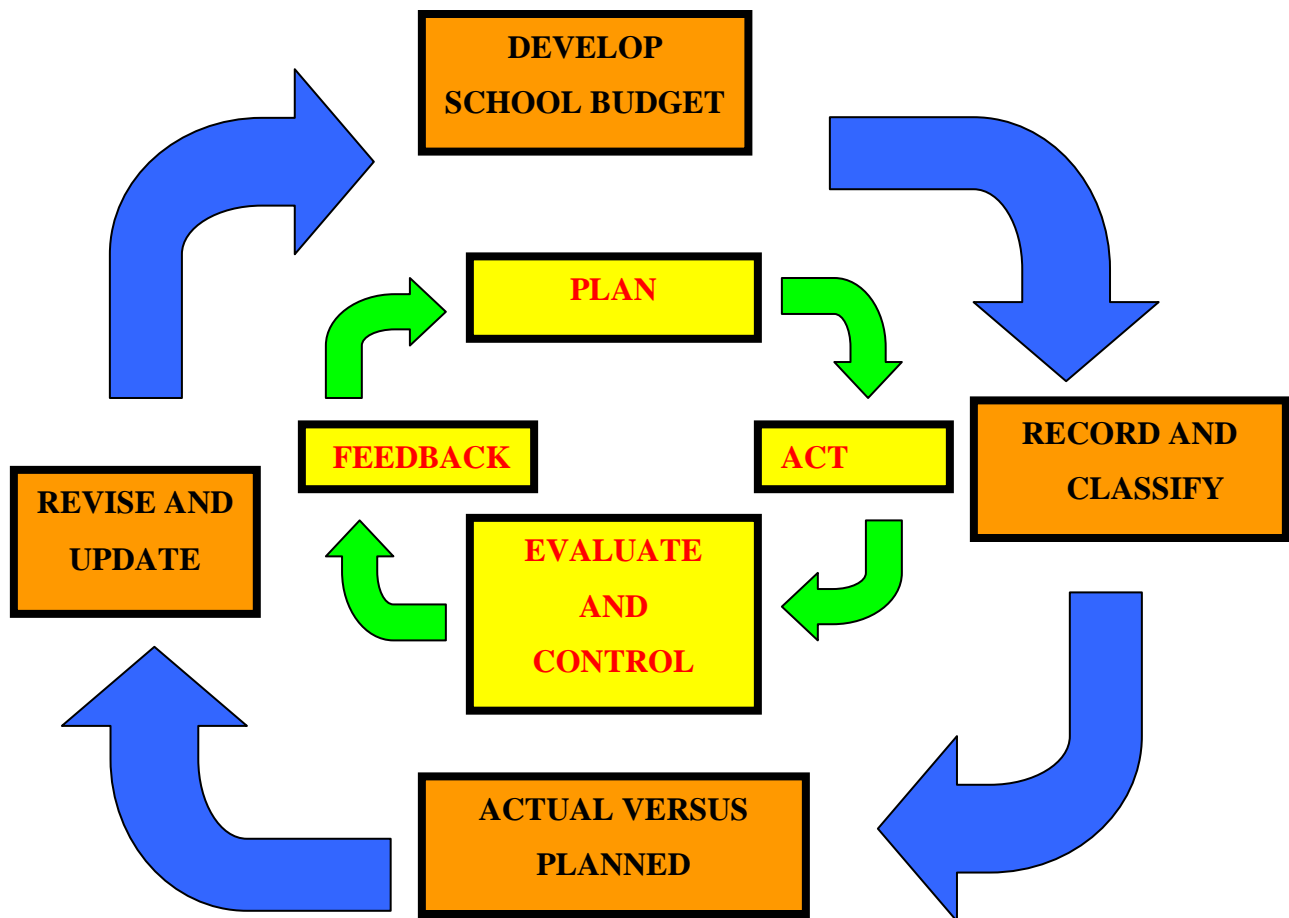


**Source: Adapted, Guthrie et al. 1998: 217**

Figure 2.3 confirms the interaction of the managerial process and budgeting system process which could be used in an educational institution. The diagram which illustrates two interconnecting cycles namely, PLAN - ACT - EVALUATE – FEEDBACK cycle indicates that managers at each step of the inner circle must use the outer circle to plan and control. This re-affirms that budgets link the objectives and objectives and outcomes to strategic plans.

Godfrey, Leitch and Ralph (1996: 38) recognize that management must make decisions using both financial and non financial measures and they advocate the use of multiple objectives planning. Schools lend themselves to the use of both financial and non financial measures in trying to achieve multiple objectives.

**Figure 2.3 Interaction of the managerial and budgeting process**



Source: Adapted from Anderson and Sollenberger (1992: 305)

### 2.3.7 APPROACHES TO BUDGETING

There are six principal organizational approaches to the budget process. These include incremental budgeting; line item budgeting; program budgeting; program, planning and budgeting system; zero based budgeting and school site budgeting. These models have followed the increasing sophistication of school operations. Each approach to budgeting has both benefits and drawbacks (Thompson, Wood & Honeyman 1994: 308).

### **2.3.7.1 Incremental Budgeting**

Incremental budgeting is a highly simplistic model that assumes that the previous level of expenditure is a reasonable base for estimating needs and revenues for the next budget cycle. Incremental budgeting assumes that each budget entity will receive the same increment as a percentage increase or decrease for the next cycle (Thompson *et al.*, 1994:308)

The drawback of this technique is that it focuses on aggregate trends and does not take into account the effects of revenue and expenditure changes within a budget unless deliberate efforts are made to track such changes. Furthermore incremental budgeting has historically failed to focus on the uses of money within budgets. Additionally, it must be noted that rigid application of incremental budgeting results in uncritical incremental increases to each budget line item in equal proportions when such neutrality may result in over-funding or under-funding of individual areas. This technique does little more than reveal gross trends and does not communicate to either methods of internal allocation or returns on investment in the educational enterprise (Thompson *et al.*, 1994: 309).

In addition, Smith (2007:143) states that “the major disadvantage of the incremental approach is that the majority of expenditure remains unchanged. Thus, past inefficiencies and waste inherent in the current way of doing things are perpetuated”.

### **2.3.7.2 Line Item Budgeting**

According to Husain (2003:15-16) the line item budget enumerates estimated expenditure by type for a specified period of time. Personnel are listed by type of position, for example, a clerk, typist, engineer or inspector. The budget is divided into sections according to organizational units, departments and divisions and various types of expenditure is listed by category, such as salaries of teaching, non teaching and administrative staff etc.

Thompson *et al.* (1994:309) have a similar explanation of line item budgeting. According to these authors this technique assigns amounts to each expenditure category of the budget. In line item budgeting, the emphasis is placed on the specific objects for which funds are

expended wherein each line item shows in the budget document is assumed to be the proper base for expenditure. Budgets are thus planned around each line separately, and the new budget is based on increases applied to each line's base, usually the expenditure level of the previous budget cycle. For example, the line items in a typical budget might include instructional salaries, administrative and clerical salaries, repair and upkeep of grounds, supplies and capital construction. Each line receives separate consideration wherein lines may be increased by different amounts.

Line item budgeting has several advantages over incremental methods. The major benefit is that the budget is now considered a sum of its parts, with each part considered separately in terms of some measure of need. Line item budgeting permits some tracking of expenditures over time. Line item budgeting suggests some consideration of programmatic needs (Thompson *et al.*,1994:309).

Husain (2003:16) lists the following as limitations of line item budgeting:

- It does not encourage examining whether or not activities are producing desirable results.
- New appropriations are made on the basis of the previous year's budgets.
- Any duplication, redundant activities and tasks are hard to detect.
- It is very difficult to identify and locate all items of expenditure relating to a single programme.

In addition, the following are highlighted by Thompson *et al.* (1994: 309-310) as major drawbacks of line item budgeting:

- This technique depends on the budget document almost exclusively for allocation decisions.
- Too little information is provided about how allocations are made, the process is too dependent on experience, and little or no record of decision processes is evident.
- Furthermore use of this method is not considered totally appropriate to determine levels of expenditure for particular grade levels, programs or projects.

- The use of this method fosters the cloistered appearance of budgets, vests decisions in only a few persons, and does not facilitate the greater degree of accountability required of today's educational planners.

### **2.3.7.3 Program Budgeting**

According to Lalli (2003: 30.1-30.2) program budgeting does not have a standardized definition because of its encompassing nature. Its many aspects include concepts; a system and process; a technique and format; and a management philosophy. It is a management decision-making system that ties together strategic and long-range planning with conventional budgeting and supporting analysis so that an organization can most effectively assign resources to achieve both its short-and long-range objectives.

According to Thompson *et al.* (1994: 310) program budgeting differs from line item budgeting in that the various funds in a budget are internally organized by the school according to their specific objective or purpose. Enabling this process is an elaborate system, developed with the advent of electronic accounting systems using various reporting standards, wherein various fund sub-accounts break expenditures in a budget into incrementally smaller parts related to how the money is used. The emphasis in this technique is placed on the program being supported by a set of funds. This conceptually moves the budget process into a conscious recognition of the relationship between money and programs, and the opportunity now becomes available to think of the budgeting process as an educational enterprise. The advent of electronic cataloging of expenditures and programs introduces possible productivity questions that were previously unavailable. The major benefit is that greater data are available for schools that choose to view budgets and instruction as interdependent functions.

### **2.3.7.4 Program, Planning and Budgeting Systems (PPBS)**

This approach extended program budgeting to require each individual budget unit within a school (or larger units, e.g. districts) to establish its own goals and direction through a systematic planning process. The process requires the development of an educational plan wherein each unit, such as the school in this case, develops individual plans for programs to

meet instructional objectives, supported by a plan for spending which is justified by educational needs. Funds are then allocated according to the plan (Thompson *et al.*,1994:311)

This technique links educational programs and school expenditures into a model that presume some cause and effect interaction. PPBS contributes powerfully to the concept of accountability, as a consequence of its focus on outcomes and its ability to continue and extend the object- function code account system to include analysis of success. The introduction of PPBS marked the beginning of modern productivity analysis. PPBS were a major contributor to the modern instructional environment of today's schools (Thompson *et al.*, 1994: 311).

Husain (2003: 17) compared PPBS with traditional budgeting and lists the following as improvements:

- A better understanding of problems and alternatives.
- Improved information related to objectives.
- Use of analysis in decision making.
- Greater involvement of managers and evaluation of management efficiency.

One of the drawbacks of PPBS is that both thinking and technology can outpace organizational readiness for change towards this budgeting system. As a result of the different value structures inherent to the model, significant discord often develop in school systems as programs and staff becomes competitors for resources. This has also led to confusion due to inconsistency between budgetary objectives, existing organizational patterns, and new organizational structures required by PPBS. Additionally, PPBS is heavily data driven. Significant investments of time, complicated processes, and expensive machinery is necessary to gather and interpret information required by the system's logical demands (Thompson *et al.*, 1 994:311).

#### **2.3.7.5 Zero Based Budgeting (ZBB)**

Phyrr (in Husain 2003:19) defines zero based budgeting as “an operating planning and budgeting process which requires each manager to justify why any money should be spent at all, as well as how the job can be done better. This approach requires that all activities be

identified in decision packages (or programmes) that relate to inputs, each one be evaluated by systematic analysis and all programmes be ranked in order of preference”.

According to Thompson *et al.* (1994:313) the basic premise supporting ZBB is that all budget categories must be completely re-justified each fiscal year to cut waste and thus improve organizational and fiscal efficiency. From an operational perspective, all budget categories must be set at zero and those responsible for preparing budgets must carefully justify the amount of money to be placed in each fund. To complete each budget cycle requires rebuilding the need for every staff position, every piece of new equipment, and every supply purchase.

One of the conceptual benefits of ZBB is that budget growth should not continue unchecked without serious questions about positive contribution to the educational enterprise. Additionally, the concept of multiple scenarios was sound in principle in that organizational planning would improve when rampant growth in expectations was systematically restrained (Thompson *et al.*,1994: 313).

According to Adams (2006:144-145) the advantages of ZBB are that the process

- concentrates on the cash value of each department’s activities and budget and not on percentage increases;
- can reallocate funds to the department or activity providing the greatest benefit to the organization;
- provides a quality of information about the organization that would otherwise not be available;
- involves all levels of management and supervision in the budgeting process; and
- obliges managers to identify inefficient or obsolete functions within their areas of responsibility.

In addition, Candoli *et al.* (1992:132) outline the following advantages of ZBB:

- ZBB controls staff expenses.
- ZBB focuses management processes on analysis and decision making rather than on quibbling about incremental requests.

- ZBB combines planning, budgeting, business proposals, and operational decision making into one process.
- In ZBB, managers have an ongoing requirement to evaluate in detail their operations, efficiency, and cost effectiveness.
- With ZBB all expenditures are evaluated, and discretionary and penalty cost exposures are specifically identified.
- ZBB offers mechanisms to trade off manpower and expenses between decision units.
- In ZBB, management has a follow – up tool to determine the level of achievement of each programme relative to the cost and effectiveness of the program.
- In ZBB the ranking sheet can be used to adjust the budget during the operating year.
- ZBB identifies similar functions among different staffs for comparison and evaluation.
- ZBB provides management training and participation in decision making.

These authors have identified the following as the disadvantages or problems with ZBB:

- ZBB is threatening.
- Administration and communications are more complicated because more people are involved in decision making.
- ZBB requires more time in budget preparation.
- ZBB places emphasis on work measures and evaluative data that are often unavailable.
- ZBB forces management to make decisions.
- The large volume of decision packages inherent in ZBB makes ranking difficult.
- ZBB involves the evaluation of dissimilar functions, which is not feasible.
- Evaluation of the “priority” or “required” packages can become a political nightmare.

In addition, according to Thompson *et al.* (1994: 313), one of the drawbacks of ZBB is that the process of zeroing budgets was extremely complicated. ZBB was also criticized as a cost reduction method that required more resources for effective preparation than could be saved by the process.



### **2.3.7.6 School Site Budgeting**

This is a site based management technique following on decentralized school administration wherein budget related decisions are made at the individual school building level. School site budgeting is an extension of program budgeting applied to each individual building site within a single district. Under this plan each school site is allocated resources each year based on a district level allocation formula that takes into account the number of students served at each site in each specific grade level and in each specific program (Thompson *et al.*, 1994:314).

There are numerous advantages for school site budgeting. According to Thompson *et al.* (1994:314) school site budgeting recognizes the importance of resources at the point of actual utilization. School site budgeting is also conceptually sound in that it involves all stakeholders (parents and teachers) in the total education of the child. The special value of this technique is in providing a more holistic and inclusive view of education. Newcombe *et al.* (1997: 94) argue strongly for the teachers' participation in financial decision making so as to remove the stigma of the principal centred financial decision making approaches.

The disadvantage of this approach is the complexity of the process. The addition of community members and parents to central decision structures is a complex and time intensive undertaking. The process of site based budgeting requires much learning and training for all stakeholders as administrators, teachers and parents must learn about organizational and technical structures of funding and learn to work together in a cooperative and collegial non threatening environment. (Thompson *et al.* 1994: 314)

Although there are many approaches to budgeting, Husain (2003: 15) points out that “generally educational institutions prepare their budgets on the basis of their main objectives and policies”. Husain (2003: 6) reiterates that organizations prepare budgets in order to ensure the most efficient allocation of funds and also for the accomplishment of their objectives as economically as possible. Budgets are used as the “most potent tool of financial planning and decision making in most modern organizations, so much so, that budgeting has become the most crucial component of modern financial literature”.

### **2.3.8 BUDGET PROFILING**

Budget profiling is the analysis of the expected patterns of expenditure and income during the financial year. Budget profiles are used to compare the expected budget position with the actual position. This will reveal whether the budget plan is on target and provide early warning of any problems.

There are four main advantages of budget profiling:

- It aids budget planning
- It provides feedback with errors and omissions when monitoring budgets
- It is a useful management tool to analyse resource consumption
- It provides important information for cash flow forecasting

A budget profile is a prediction of the pattern of budget spending over the year and where regular profiles can be established, they can be used as models for future plans and reduce the amount of uncertainty in budget planning. The recording of budget profiles over a number of years assists in making comparisons and provides reassurance that the budget is reasonable. Budget profiling provides a record of spending patterns over time which may be used in the future as the basis for cash flow forecasts (Knight *et al.*, 1993: 37-39).

### **2.4 REQUIREMENTS FOR EFFECTIVE FINANCIAL CONTROL**

Knight, Morris and Tapply (1993: 64) distinguish between the terms “control” and “monitoring” which are sometimes used synonymously. The authors state that “control requires setting up systems to ensure that money is spent for the purposes for which it has been authorized, and that proper standards have been adopted for the school’s financial management. Monitoring involves checking whether actual expenditure tallies with the pattern expected, and whether any remedial action is needed”.

The following sets of standards/guidelines have been suggested by these authors for effective financial control/administration in schools:

- Organisation of responsibility and accountability: definition of roles, limits of delegated authority, register of financial interests;

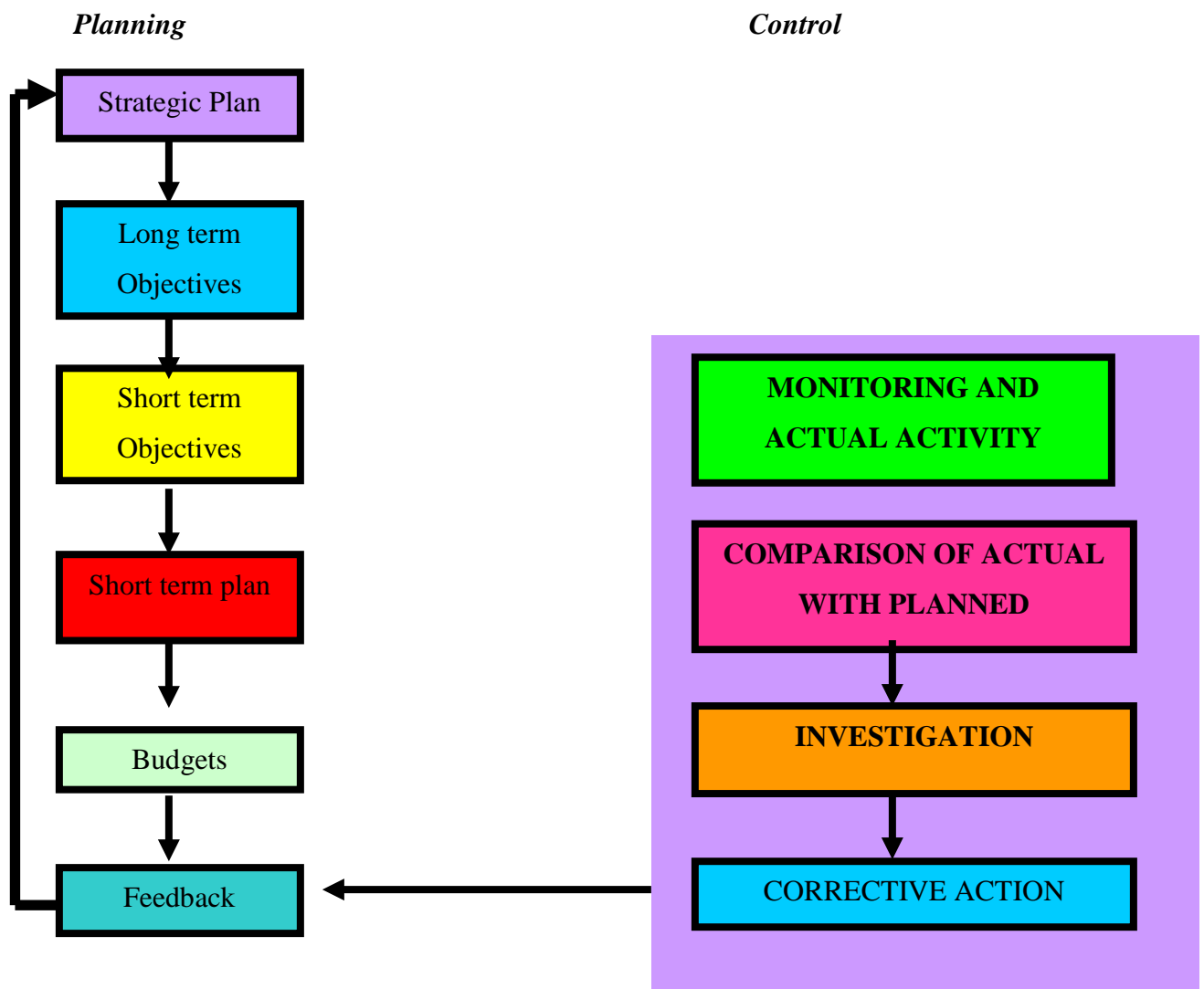
- budget management, particularly setting objectives, securing value for money, and effective monitoring;
- internal controls: a system of checks, written procedures, provision for staff absence, sound records, traceability of transactions;
- insurance: adequacy, annual review;
- computer system: effective back-up disaster recovery plan, controlled access;
- purchasing: value for money, provision for quotations and tenders, ordering procedures, checking and authorization of payments;
- personnel: personnel procedures, records, processing and checking payroll transactions;
- assets: security of cash, capital assets and stock, maintenance and checking of inventories, procedures for borrowing items;
- income: charging policy, collection and receipts from income, reconciliation with bank records, bad debts;
- banking arrangements: definition of limits, signatories, cheque procedures, reconciliation of bank records, investment of surplus funds;
- petty cash: agreed level, procedures, checks; and
- voluntary funds/public funds: treasurer and auditor, procedures, signatories, annual accounts, insurance/ fidelity arrangements, separation from official funds.

Budgets are closely linked to the strategic plan of organizations. This linkage can be seen in Figure 2.4. The illustration shows the pivotal role budgets play in the link between planning, control and achieving the objectives of an organization. In order to attain the goals and objectives of the organization, budgeting plays the vital role of co-ordinating the activities needed to implement the plans of action to achieve these goals and objectives. Barfield, Raiborn and Kinney (1998:620) emphasize the need for budgeting to provide focused direction for the planning of an organization.

Mowen and Hansen (2008:334) describe planning as the process of “looking ahead to see what actions should be taken to realize particular goals” and control as the process of “looking backward, determining what actually happened and comparing it with the previously planned outcomes”.

Before a budget is prepared, an organization, such as the school, should develop a strategic plan. The strategic plan identifies strategies for future activities and operations, covering at least five years. The organization can translate the overall strategy into long- and short-term objectives. These objectives form the basis of the budget. The budget and the strategic plan should be tightly linked. This linkage helps management to ensure that all attention is not focused on the short run, as budgets are generally seen as one-year period plans. Budgeting forces management to plan for the future. It encourages managers to develop an overall direction for the organization, foresee problems, and develop future policies (Mowen & Hansen 2008: 335).

**Figure 2.4 Planning, Control, and Budgets**



Source: Hansen and Mowen (2008: 335)

Budgets set standards that can control the use of a company's/school's resources. Control is a vital part of the budgetary system. Control is achieved by comparing actual results with budgeted results on a periodic basis (e.g. monthly). A large difference between actual and planned result in feedback reveal that a system is out of control. Steps should, then, be taken to find out why, and the situation should then be corrected (Mowen & Hansen 2008:335).

## **2.5 SUMMARY**

Management of a school's finances is an integral part of effective school management. The school governing body is responsible and accountable for the management of the funds of the school. It is therefore essential that the school should establish and implement sound internal financial control systems to ensure the reliability and accuracy of its financial transactions. In this regard, the existence and effective execution of a sound, watertight financial policy cannot be over emphasized. Financial policies are of utmost importance in guiding financial decisions in all organizations. The financial policy must comply with applicable legislation such as the South African Schools Act and it must give direction and guidance. Schools need policies and a financial policy may eliminate or reduce mismanagement of school funds. Tooley and Guthrie (2007:21), in investigating budgeting in New Zealand secondary schools, reiterated the view that it was important that school managers make use of budgetary and accounting technologies as important school-based management tools.

A budget is basically concerned with the allocation of funds and means in accordance with the activities anticipated by the governing body of a public school. A budget is also the plan of action by means of which the use of the allocated resources is coordinated, monitored and evaluated. The budget also creates the opportunity for continuous financial control, through which adaptations and corrective actions can be effected in good time so that set goals may be reached. The application of budgetary procedures and control ensures that the governing body and staff have to operate realistically within the prevailing economic climate.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1 INTRODUCTION

According to Welman and Kruger (2000: 2), research methodology refers to “the application of various methods, techniques and principles in order to create scientifically obtained knowledge by means of objective methods and procedures within a particular discipline”. Research methodology therefore refers to the techniques a researcher utilises to collect and analyse the data. The methods must be systematic, reliable and the procedures followed must be valid and purposeful (McMillan & Schumacher 1993: 27). Within the educational context, research may *inter alia* be used to acquire a new or different perspective about education or educational processes that generates ideas on how to approach a practical problem to aid policy and decision making. Hence, this study is intended to advance knowledge and to improve financial and educational practices at public primary schools.

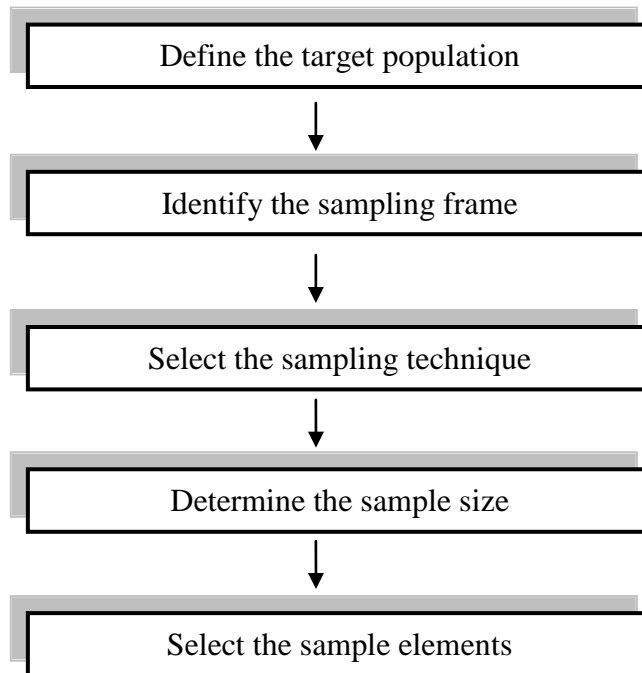
Research design refers to a plan for selecting subjects, research sites and data collection procedures to answer particular research question/s. The design indicates which individuals will be studied and when, where and under which circumstances they will be studied (McMillan & Schumacher 1993: 157). Research design is the plan and structure of the investigation that will be used to obtain evidence to answer the research question/s. The purpose of the research design is to provide results that will be judged to be credible.

This chapter provides an overview of the methodology employed in the design of the empirical research. It focuses on the sampling design procedure, data collection method, and the measuring instrument. Reliability and validity issues are also highlighted. Descriptive and statistical techniques applied in the study are explained. Ethical considerations applicable to this study are discussed. A brief discussion of the sampling design procedure follows.

## 3.2 THE SAMPLING DESIGN PROCEDURE

Malhotra and Birks (2004: 358) outline certain procedures that researchers can follow when drawing a sample from a population. The steps are sequentially reflected in Figure 3.1. A discussion of each of the steps is then pursued within the context of the current study.

**Figure 3.1 Steps in the sampling procedure**



**Source: Malhotra and Birks (2004: 358)**

### 3.2.1 Defining the population

A population (sometimes called a target population) is the set of all elements. It is the large group to which a researcher wants to generalize the sample results. (Johnson & Christensen 2004: 199). Best and Kahn (2006: 13) define a population as any group of individuals that has one or more characteristics in common and that are of interest to the researcher. Hair, Bush and Ortinau (2002: 328) views a population as an identified group of elements that are of interest to the researcher and pertinent to infer something about the population.

For the purpose of this study, the population was restricted to the Ekurhuleni South District in the Gauteng Province of South Africa. The Ekurhuleni South District is one of the fifteen school districts within the province. The units of analysis were twenty five public primary

schools located within this district. The Ekurhuleni South District has a total of one hundred and sixteen public primary schools. In this study the names of the schools and the respondents are anonymous. The reason for this is discussed in detail later in this chapter. The elements chosen for the study comprised principals and members of the SGBs. The study was also restricted among public schools that are within the ambit of the Department of Education (DoE).

### **3.2.2 Identifying the sample frame**

A sampling frame is a list of all the elements in a population (Johnson & Christensen 2004:199). A sample frame is a complete list on which each unit of analysis is listed only once. Unless such a sampling frame is borne in mind, it is, in fact, impossible to judge the representativeness of the obtained sample properly (Welman & Kruger, 2000: 49). The sample should be representative of the sampling frame, which ideally is the same as the population, but often differs due to practical problems relating to the availability of information.

For the purpose of this study the sample frame consists of a list of primary schools in the Ekurhuleni South District in the Gauteng Province of South Africa. This list was obtained from the regional office of the Department of Education in Ekurhuleni.

### **3.2.3 Selecting the sampling technique**

A major decision on the choice of a sampling technique is whether to use a non-probability or probability sampling. Non-probability sampling relies on the judgement of the researcher, while probability sampling relies on chance (Malhotra & Birks, 2004: 360).

Non-probability sampling techniques include convenience, volunteer, purposeful and snowball sampling (Best & Kahn 2006: 18). This study made use of purposive sampling. With purposive sampling, researchers rely on their experience and ingenuity to deliberately obtain units of analysis in such a manner that the sample they obtain may be regarded as being representative of the relevant population (Welman & Kruger 2000: 63). The sample chosen by the researcher is representative of the population because it included public schools that were located in suburbs, in rural areas, in township areas as well as in urban areas within the Ekurhuleni South district. The schools also comprised of former Model C schools as well as ordinary public schools. The basis of this sampling technique is that the



sample units should meet certain criteria which are appropriate to the successful completion of the investigation (Webb, 2002: 57).

A purposive sample of twenty five schools was selected for this study. Criteria for the sample were threefold: the selected schools were public schools; they were primary schools and the schools were located in the Ekurhuleni South District of the Gauteng Department of Education.

### **3.2.4 Determining the sample size**

Since the sample size formulas cannot be appropriately used for non-probability samples, the determination of the necessary sample size is usually a subjective, intuitive judgement made by the researcher based on past studies (Zikmund 2000: 519). Webb (2002: 59) is of the view that sample size primarily depends on the degree of accuracy that is needed, *i.e.* the sample must be representative of the population with respect to the characteristics/variables of interest. The author further re-iterates that the accuracy depends upon two characteristics of the population namely:

- The degree of variability in the population: populations which have high degrees of heterogeneity require larger sample sizes than those populations which are more homogeneous.
- The presence of population subgroups: the sample must be large enough to allow for valid analysis of any subgroups that may be present in the population.

Churchill (2001: 521) asserts that one of the methods used by researchers is to determine the sample size used by similar studies in the past (*i.e.* the historical evidence approach). Based on previous studies on school finances, undertaken by Mestry (2004: 126), who conducted four focused interviews in four schools in Gauteng, and Bisschoff and Sayed (1999: 312) who interviewed six individual school principals from the South of the Gauteng, the sample size of twenty five schools were deemed adequate.

As public primary schools have similar characteristics, a sample of twenty five selected public primary schools can provide accurate details. Although 25 schools were selected from a possible of 116 schools, these schools merely formed the unit of analysis. Whilst the respondents were purposively selected, the 25 schools were selected at random in order to avoid sampling error in the selection process. A total of 21% of the schools were surveyed.

During the sampling process, the researcher ensured an equitable representation of principals, chairpersons, treasurers, and secretaries of SGBs. In addition, the population was limited to principals and SGBs in order to reduce variability within the sample in terms of the characteristics of the respondents. With 116 schools in the region and each comprising the principal, chairperson, treasurer and secretary, the total population for the study was 464 possible respondents. A total of 83 questionnaires that were analyzed represent approximately 18% of the true total population which is a reasonable sample size. In the absence of a yardstick for the calculation of sample sizes for non-probability sampling and previous samples used with specific reference to the management of finances and the budgetary process in primary schools in a South African context, the researcher based the estimate of the sample sizes from previous studies using educators. Based on the quantitative studies of O'Conner and Geiger (2009:257) with  $n = 80$  and Putter (2003:30)  $n=40$  the sample seems consistent with previous studies.

The schools selected were based on the criteria that each had to be a public school, each a primary school and each school had to be located within the designated area in order to avoid contamination in the data collection and the sample. In addition this study is limited in its scope in terms of the population being investigated.

### **3.2.5 Selecting the sampling elements**

A sampling element is the unit of analysis or case in a population. It can be a person, a group, an organization, or a written document that is being measured (Neuman 2006: 224).

Execution of the sampling process requires a detailed specification of how the sample design decisions with respect to the population, sampling unit, sampling frame, sampling technique and sample size are to be implemented. The researcher identified all the relevant principals and members of the SGB's in the twenty five schools as sampling elements in order to ensure that the correct persons were contacted.

### 3.3 DATA COLLECTION METHOD AND MEASURING INSTRUMENT

The survey method was employed to obtain the data. In a survey method the researcher receives data from the sample of respondents. According to Webb (2002: 66) the following factors have to be considered when making use of the survey method:

- versatility: the ability of the research approach to adapt the data collection method to the specific needs of the project or of the respondents,
- available budget,
- constraints of time,
- sample control, *i.e.* the ability of the communication method to reach the stipulated units in the sampling plan effectively and efficiently,
- what quantity of data needs to be collected, and
- what quantity of data needs to be collected: *i.e.* the extent to which that collected data is free from potential bias resulting from the use of a particular communications approach.

Taking cognizance of the above mentioned factors, a structured questionnaire was used as measuring instrument in the data collection. A questionnaire is a self report data collection instrument that each research participant completes as part of a research study (Johnson & Christensen 2004: 164). The questionnaire is a versatile tool for researchers. Questionnaires are common techniques for data collection in educational research. Questionnaires require subjects to respond to written questions. The questions are designed to elicit information about thoughts, feelings, values, perceptions, reactions, beliefs and attitudes. Researchers attempt to measure many different kinds of characteristics using questionnaires. The researcher constructs a set of relevant questions and presents it to the subject to answer. The content and organization of the questionnaire will correspond to the research objectives. Questionnaires may include multiple questions and statements.

A fully structured questionnaire (see Appendix C) was chosen for this study as it ensures a standardized data collection procedure so that the data obtained are internally consistent and can be analysed in a uniform and coherent manner (Boyce, 2002: 318). The questionnaire comprises five sections, namely:

- Section A - biographical information such as gender, educational experience, financial experience and current position held at the school,

- Section B - questions aimed on gathering data on school details,
- Section C - questions aimed on gathering data on school fees
- Section D - questions aimed at gathering data on the budget and the budgetary planning process, and finally
- Section E - questions aimed at gathering information on financial management.

In sections A and B, multiple choice and dichotomous types of questions were used. In sections C, D and E, a 5-point Likert scale was used which required respondents to indicate a degree of agreement or disagreement with a series of statements. The scale was anchored with 5 implying strong agreement and 1 implying strong disagreement. The motivation for the use of such scales was based on the premise that these scales can be analysed on an item-by-item basis (profile analysis) or a total (summated) score may be calculated for each respondent by summing across items (Malhotra & Birks, 2004: 304). In addition reverse scores can be computed for negatively worded statements. Finally, Likert scales are easy to construct and administer and respondents readily understand how to use the scale, making it suitable for the current study.

The Financial Management Questionnaire was administered to all twenty five schools in the fourth school term in 2008. The questionnaire was addressed to the chairperson of the school governing body. In each case, the purpose of the questionnaire and explicitly clear instructions for the completion of the questionnaire was attached to the questionnaire. The requirement was that the principal, chairperson of the school governing body and the treasurer (or all members of the financial committee) must each complete the questionnaire over a two-week period. Each completed questionnaire was to be handed to the administrative clerk at each school. The completed questionnaire was collected from the administrative clerk of each of the twenty five schools. Three days prior to the due date, a courtesy telephone call was made to the school administrative clerk to confirm the appointment for the collection of the questionnaires.

### **3.4 PILOT QUESTIONNAIRE**

Piloting is the process of testing a questionnaire before a survey commences to make sure that any errors are identified and then corrected (Boyce, 2002: 371). Hence piloting provides a final pre-survey assurance that the questionnaire contains no errors and to affirm that the

questionnaire captures the information sought by the researcher (Malhotra & Birks, 2004; 345).

Pilot-testing was undertaken with 20 respondents from public schools, which were drawn randomly from schools within the Ekurhuleni South District. In addition, pre-testing was undertaken by vetting the questionnaire with two academics who are engaged in research in the field of education. This was followed by a process of debriefing where the researchers requested the respondents to share their thoughts about the questions, their answers and any shortcomings in the questionnaire. Whilst the respondents were drawn from the same population, they were not part of the main sample survey in order to avoid duplication of sample elements.

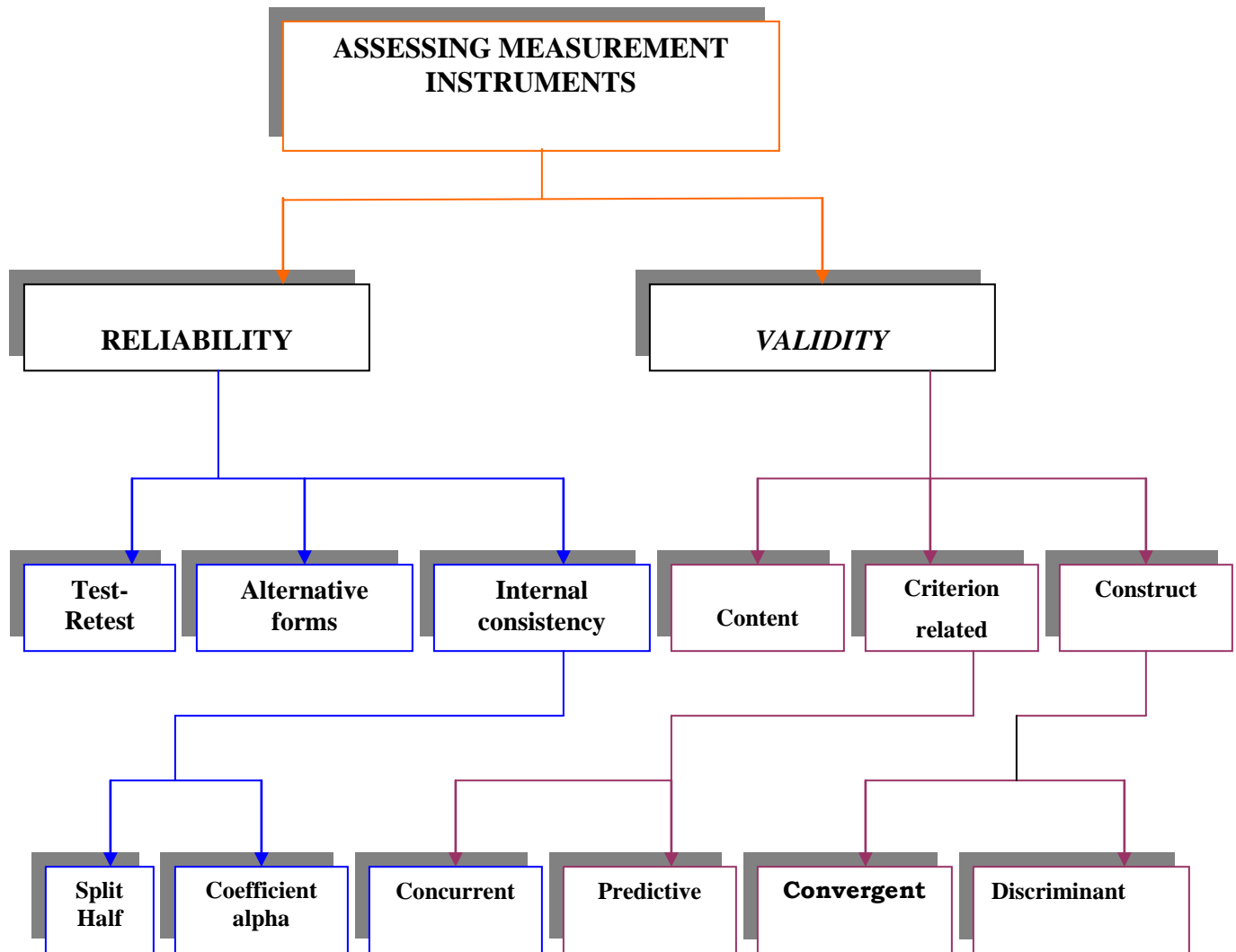
### **3.5 VALIDITY AND RELIABILITY**

McMillan and Schumacher (1993:157) define validity as the degree to which scientific explanations of phenomena match the realities of the world. Validity refers to the truth of propositions that are generated by research. Validity is the degree to which a test measures what it is supposed to measure. Several techniques are used to assess the validity of a measuring instrument; criterion-related validity, construct validity, convergent validity and discriminant validity.

According to McMillan and Schumacher (1993: 227) reliability refers to the consistency of measurement, the extent to which the results are similar over different forms of the same instrument or occasions of data collecting. Best and Kahn (2006: 289) define reliability as the degree of consistency that the instrument or procedure demonstrates. According to Malhotra and Birks (2004: 313) reliability refers to the extent to which a scale produces consistent results if repeated measurements are made.

Figure 3.2 provides an overview of the various types of validity and reliability measures. Although the exhibit treats validity and reliability as being independent of each other, there is actually a one-way relationship between them. A scale must be reliable to be valid: it does not have to be valid to be reliable (Shao 2002: 249). Hence, reliability and validity are two standard criteria for assessing the appropriateness of any measuring instrument.

**Figure 3.2** Types of Reliability and Validity



**Source: Shao (2002:249)**

As seen in the table above various forms of reliability exist in literature, namely, test-retest, alternative forms, and internal consistency reliability. There are also various types of validity, namely, content related, criterion related and construct related validity.

Internal consistency reliability refers to how consistently the items on a test measure a single construct or concept (Johnson & Christensen 2004: 136). Two commonly used approaches to measuring internal consistency are split-half reliability and coefficient alpha. Split-half reliability refers to a measure of the consistency of the scores obtained from two equivalent halves of the same test. Coefficient alpha refers to a formula that provides an estimate of the

reliability of a homogenous test or an estimate of the reliability of each dimension in a multidimensional test (Johnson & Christensen 2004: 137-138).

Content related validity refers to evidence based on a judgement of the degree to which the items, tasks, or questions on a test adequately represent the construct domain of interest (Johnson & Christensen 2004:137). McMillan and Schumacher (1993:224) are of the view that it is important to establish content related evidence for research involving achievement.

Construct validity refers to the extent to which a higher-order construct is accurately represented in the particular study (Johnson & Christensen 2004: 247). Construct related evidence is of primary importance with instruments that assess a trait or theory that cannot be measured directly( McMillan & Schumacher 1993:225).

Criterion related validity refers to evidence based on the extent to which scores from a test can be used to predict or infer performance on some criterion such as a test (Johnson & Christensen 2004: 144). McMillan and Schumacher (1993:224) are of the view that the value of criterion related validity evidence depends on the appropriateness and quality of the criterion.

Johnson & Christensen (2004:146) refer to predictive evidence as evidence based on the relationship between test scores collected at one point in time and criterion scores obtained at a later time. Convergent evidence is validity evidence based on the relationship between the focal scores and independent measures of the same construct. Discriminant evidence exists when test scores on your focal test are not highly related to scores from other tests that are designed to measure theoretically different constructs (Johnson & Christensen 2004:145-146).

This study made use of internal consistency reliability which is suitable for summated scales such as the Likert scale used in the study. The widely used form of internal consistency reliability is the **coefficient alpha** (Cronbach  $\alpha$ ). This is discussed in detail in chapter four. This method was also chosen as it requires only one administration of the questionnaire and consequently is supported to be most effective, especially in field studies. The Cronbach alpha is the average of all possible split-half coefficients resulting from different ways of splitting the scale items. This coefficient varies from 0 to 1, and a value of 0.6 or less

generally indicates unsatisfactory internal consistency reliability. Thus an instrument with no reliability will score 0 or close to 0 and an instrument with high reliability will score close to 1.

This study made use of the following types of validities:

- **Content validity:** Often referred to as face validity which is a subjective but systematic evaluation of how well the content of a scale represents the measurement task at hand (Malhotra & Birks, 2004: 314). One way to judge the validity of a scale is to request professional or experts on the test topic to assess the scale (Shao 2002: 245). Content validity in this study was ensured during the pre-testing stages. This test of validity is highly subjective, because the personal experiences and beliefs of the expert's inevitability come into play. Given the subjective nature of content validity; it is not a sufficient measure of the validity of the scale.
- **Convergent validity:** Convergent validity is the extent to which the scale correlates positively with other measurements of the same construct. Convergent validity in this study was assessed using simple correlation from the data obtained from sections D (Budgeting process) and E (financial planning).

Reliability and validity are essential to the effectiveness of any data-gathering procedure (Best & Kahn 2006: 288). This study made use of a questionnaire for data gathering. According to Best & Kahn (2006: 324) basic to the validity of a questionnaire is asking the right questions phrased in the least ambiguous way. Hence it is essential that the researcher asks the right questions, *i.e.* the questions must relate to the research problem and objectives of the study. The questions should not be ambiguous. The meaning of all terms must be clearly defined so that they have the same meaning to all respondents. Researchers should try to get colleagues or experts in the field of inquiry to peruse the questionnaire and offer suggestions. The researcher can ask the experts to rate the instrument in terms of how effectively it samples significant aspects of its purpose. In this way ambiguities and items that do not contribute to the purpose of the questionnaire may be removed.



## 3.6 DATA AND STATISTICAL ANALYSIS

The following procedures were used in the data analysis.

**3.6.1 Frequency distributions:** A frequency distribution, is a systematic arrangement of data values in which the data are rank ordered and the frequencies of each unique data value are shown (Johnson & Christensen 2004:436).

The final questionnaire comprised fifty three items, grouped into five sections. A total of one hundred questionnaires were distributed. Eighty three questionnaires were returned. Data was analysed using the Statistical Package for Social Sciences (SPSS – version 16.0 for windows) by a statistician. The statistician used descriptive and statistical procedures. The findings are reported in chapter four.

**3.6.2 Correlations:** Correlation was used to summarize the strength of association between two variables. If a relationship is present between two variables, it is important to know the direction of the relationship. The direction of the relationship can either be positive or negative. The strength of a relationship is generally categorized as non-existent, weak, moderate or strong (Hair, *et al.* 2002: 562). If a consistent and systematic relationship is not present, then the strength of an association is non-existent. A weak association means that there is a low probability of the variables having a relationship. A strong association means that there is a high probability of a consistent and systematic relationship.

The Pearson product-moment correlation coefficient was used to determine the level of association between variables. This is discussed in detail in chapter four.

The above analysis was conducted using SPSS (Statistical Package for Social Sciences) version 16.0 for windows.

Ethics is the principles and guidelines that assist researchers to uphold the things they value. (Johnson & Christensen 2004: 94). Research ethics are basically a set of principles which guide and assist researchers in conducting ethical studies.

Ethical guidelines (as outlined by the American Educational Research Association (AERA) (Johnson & Christensen, 2004:118-119) that needs to be followed by educational researchers are outlined below. Only those issues relevant to this study are discussed.

- *The necessity of obtaining informed consent.* A person can only participate in a research study when one has agreed to participate and has been provided with all the information that would influence one's willingness to participate. Deception, however, may be used if full disclosure will alter the outcome and invalidate the results of the study. The researcher must justify the deception. Deception must be revealed during a debriefing session (Johnson & Christensen 2004:118). It is an ethical norm in research that no one is forced to participate in a research study. For the purpose of this study consent was sought from the district director, Ekurhuleni South Region (see Appendix A) to undertake this study in this region.

All principals and chairpersons of school governing bodies were informed via a letter (see Appendix B) of all the features and purpose of the study.

- *Freedom to withdraw.* The research participants must be informed that they are free to withdraw from the research study at any time without any penalty (Johnson & Christensen 2004:119). In this study, respondents were encouraged but not forced to participate in the study.
- *Confidentiality and anonymity.* Anonymity means that the identity of the participants is not known to the researcher. Confidentiality means that the participant's identity, although known to the research group, is not revealed to anyone besides the researcher (Johnson & Christensen, 2004:119). Confidentiality and anonymity are important to avoid connecting the participant with any information that would be embarrassing or harmful. Confidentiality and anonymity are also important because it

is impossible to know how people might interpret responses or what responses might have adverse consequences for the participant (Johnson & Christensen 2004: 112). In view of these facts the name of the school or the name of the respondents are not revealed and not recorded on the questionnaire used in this study. Therefore it was necessary to use code names for the different schools. In addition confidentiality and anonymity was assured by using aggregate scores in data analysis. Principals and chairpersons of school governing bodies were assured that their responses on the questionnaire will not be identified by anyone else (see Appendix B). Principals and chairpersons of school governing bodies were also given the assurance that their responses to the questionnaire will be treated in the strictest confidence and their rights would not be violated (see Appendix B).

Hence, this research study has complied with all the above listed ethical guidelines to ensure that this study is ethically sound in all aspects.

### **3.8 SUMMARY**

In this chapter the research methodology applied, namely, the sampling procedure, data collection, reliability and validity, data analysis and the adherence of the various ethical issues were explored.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS**

#### **4.1 INTRODUCTION**

The preceding chapters provided an introduction and background, a theoretical perspective and methodology for the study. Issues relevant to financial management in public primary schools were reflected in these chapters. The objective of this chapter is to report on these research findings. The analysis was conducted using the *Statistical Package for Social Sciences* (SPSS), version 16.0 for Windows. Data analysis was undertaken in two phases. Firstly pilot testing the questionnaire was conducted. This was followed by an analysis of the main survey findings. Descriptive analysis of the main survey was undertaken using pie charts, bar charts and tables.

The questionnaire used in the main research study (see Appendix C) comprised five sections: Section A relates to the biographical details of the respondents, Section B relates to school details, Section C relates to school fees, Section D relates to budgetary planning and Section E relates to aspects of financial management. The responses to the different questions in each section are reported in the sections which follow after the discussion of the pilot study.

All data necessary for this research study was collected and presented in a tabular or graphical format for easy reading and understanding. The simplicity of the presentation in this form is guided by the assumption, that the findings and recommendations presented here are useful to school principals/managers, SGB members, policy makers within the ministry of education and other stakeholders requiring simple and useful information to guide financial planning and management.

#### **4.2 THE PILOT STUDY**

A pilot survey was conducted, prior to the actual survey, to ensure that the questionnaire contained no errors and to affirm that the questionnaire captured the information sought by the researcher. In the preliminary pilot survey twenty questionnaires were administered. The questionnaire consisted of four sections. The first section captured the respondents' gender,

their current positions at the school, their qualifications, their involvement with public primary education and their understanding of accounting/finance.

The second section related to the payment of school fees, legislation regarding the exemption from paying school fees, determination of school fees, and consultation of parents before levying school fees, school fee accounts that are outstanding, incentives that are offered to parents for full payment of school fees and the monitoring of the collection of school fees by the SGB.

Section three included elements of budgetary planning, drawing up the school budget in consultation with all stakeholders, the SGB managing the finances of the school, the budgeting system used by the school, inclusion of funds received from the state in the school budget, the calculation of budget estimates, the school having a good cost saving and an effective expense monitoring mechanism in place, the strict adherence to the budget and the annual presentation of the school budget to parents for approval.

The fourth section pertained to financial planning. It consisted of questions on the schools' financial policy, consultation of all stakeholders in drawing up of the financial policy, the direction the financial policy provides on the use of funds and resources, the role played by the SGB in fund raising, the schools' bank and investment accounts, the amount of petty cash kept by the finance officer, the system used to monitor the use of petty cash, the provision of audited financial statements annually to the GDE, the existence of a duly elected finance committee, financial irregularities and the schools' strategic plan.

The questionnaires were completed by principals and members of financial committees at various schools within the Ekurhuleni South District. Changes were made to the questionnaire in terms of question format, phrasing and content for the main survey. In the main survey the number of sections changed from four to five, the number of items increased from forty three to fifty three, making the content more specific, and individual items were rephrased to be more precise.

### 4.3 MAIN SURVEY

Findings from the main survey are summarized and these are discussed in the sections that follow.

#### 4.3.1 Data Gathering Process

Questionnaires were sent to twenty five public primary schools in the Ekurhuleni South District. This study made use of purposive sampling. Criteria for the sample were threefold: the selected schools were public schools, they were primary schools and the schools were located in the Ekurhuleni South District of The Gauteng Department of Education.

The final questionnaire comprised of fifty three items, grouped into five sections. A covering letter was distributed with the research instrument to encourage the respondents to co-operate in the survey (Appendix B). A total of one hundred questionnaires were sent out to public primary schools in the Ekurhuleni South District. Of the questionnaires that were distributed eighty three were returned. Seventy nine of these questionnaires were properly completed.

#### 4.3.2 Section A – Biographical Details Of Respondents

**Figure 4.1 Gender of the respondents**

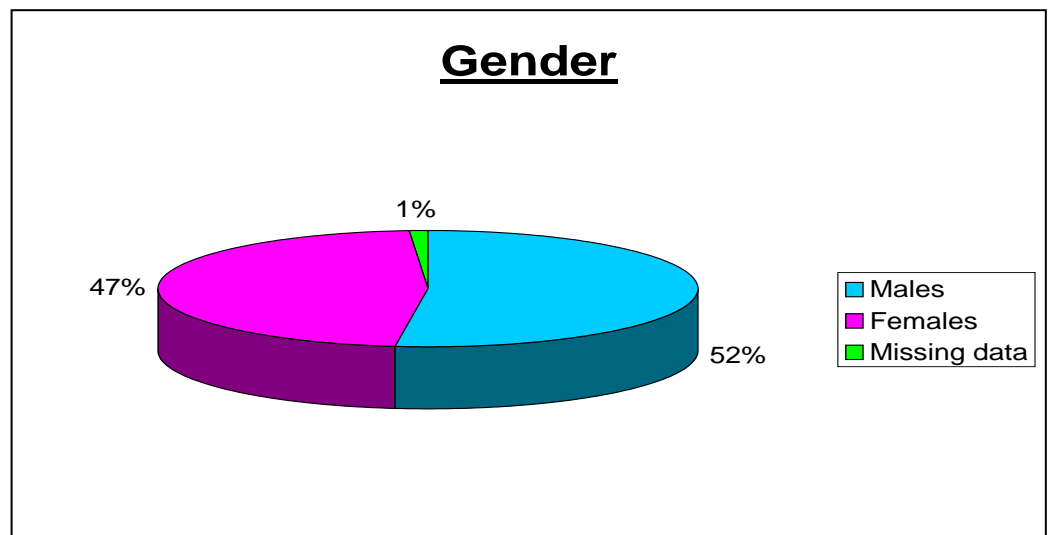


Figure 4.1 sets out the gender of the respondents. There were more male (52%) than female respondents (47%) in the sample. The missing data represents the one percent of the respondents who did not answer this question.

**Figure 4.2 Respondents' current position held at school**

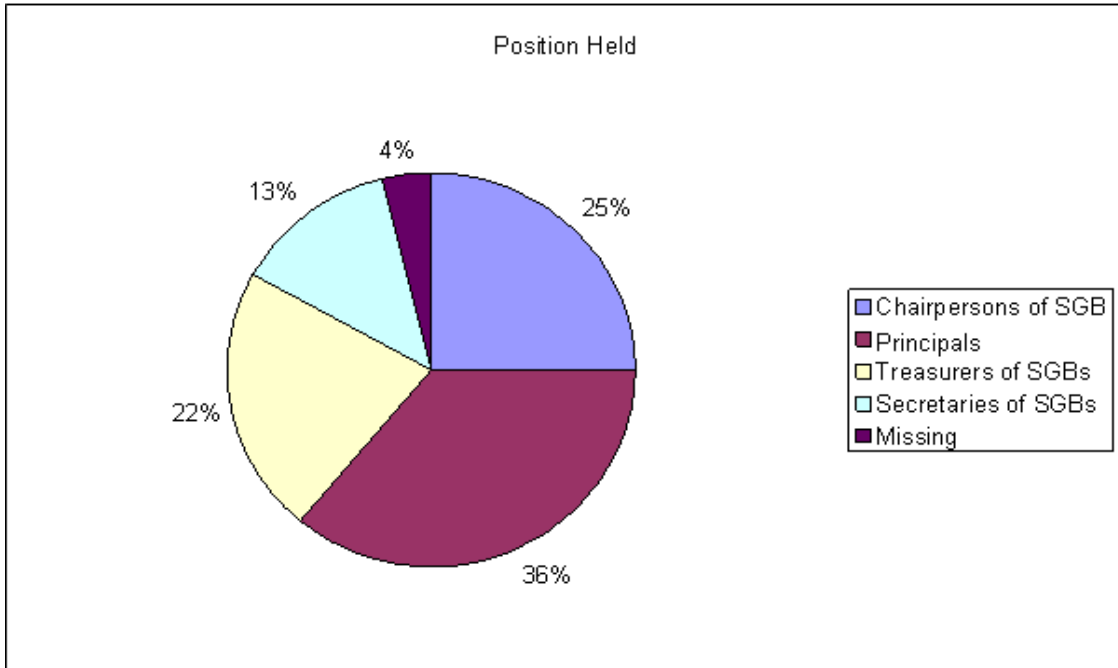


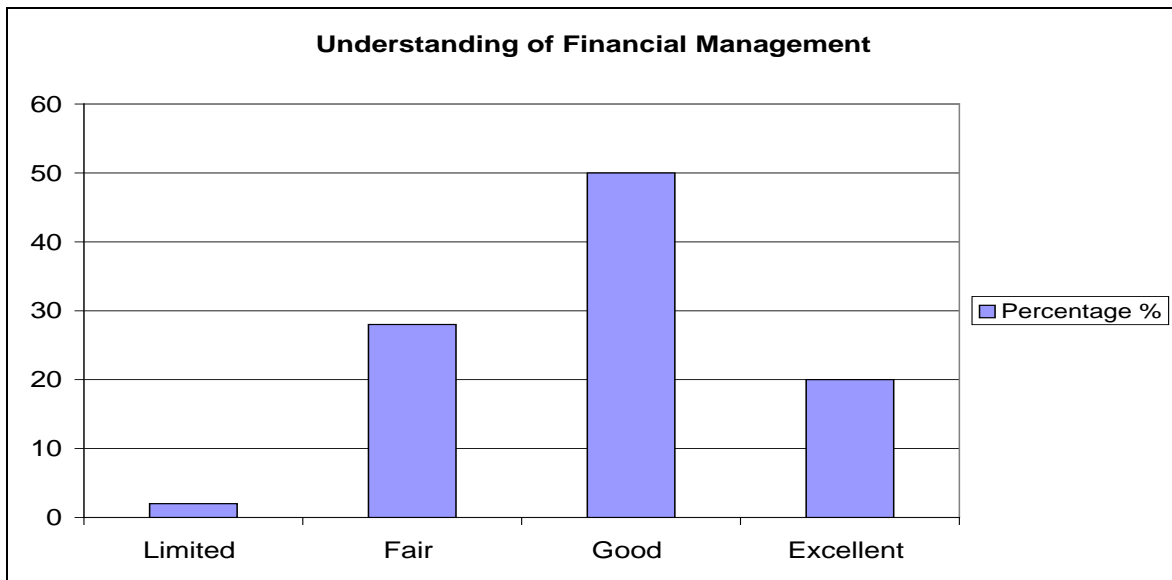
Figure 4.2 indicates that 25 % of the questionnaires were completed by chairpersons of SGBs. Thirty six percent of the questionnaires were completed by principals, twenty two percent were completed by treasurers of SGBs and thirteen percent of the respondents were secretaries of the SGB at the selected schools. Four percent of the respondents did not answer the question that required them to indicate the positions they currently hold at their schools.

**Table 4.1 Respondents' involvement with public primary education**

<i>Involvement in Education</i>	<i>Frequencies</i>	<i>Percentage %</i>
1-5 years	25	30
6-10 years	22	27
11-15 years	9	11
16-20 years	7	8
More than 20 years	20	24
<b>Total</b>	83	100

The majority (30% + 27% + 11% + 8% = 76%) of the respondents in the study were involved with public primary education for between 1 and 20 years. Twenty four percent of the respondents were involved with public primary education for more than twenty years.

**Figure 4.3 Respondents' understanding of financial management**

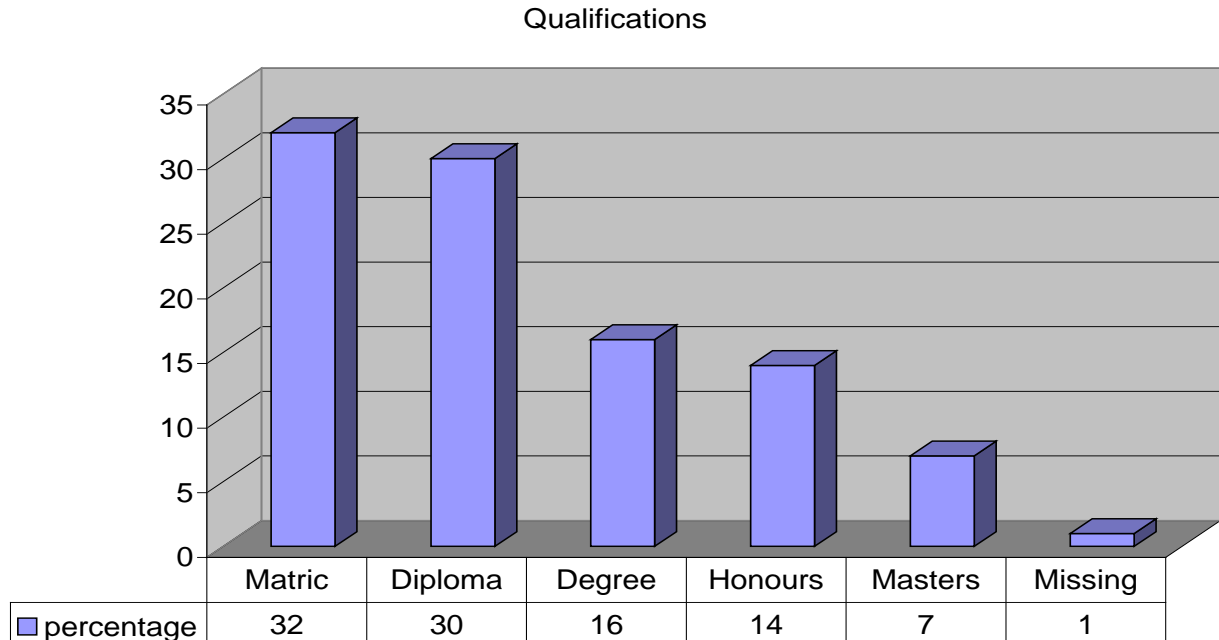


In answering the question on the respondents' understanding of financial management, the following results were obtained: 70 percent (20% + 50%) of respondents have a good to an excellent understanding of accounting/finance. According to their perceptions thirty percent (2% + 28%) of respondents consider themselves to have a limited to fair understanding of financial management. In their research, Bisschoff and Sayed (1999: 310-315) have noted



that one of the obstacles, encountered in fulfilling financial school management functions, was the lack of relevant knowledge and information amongst parents, governing body members and principals.

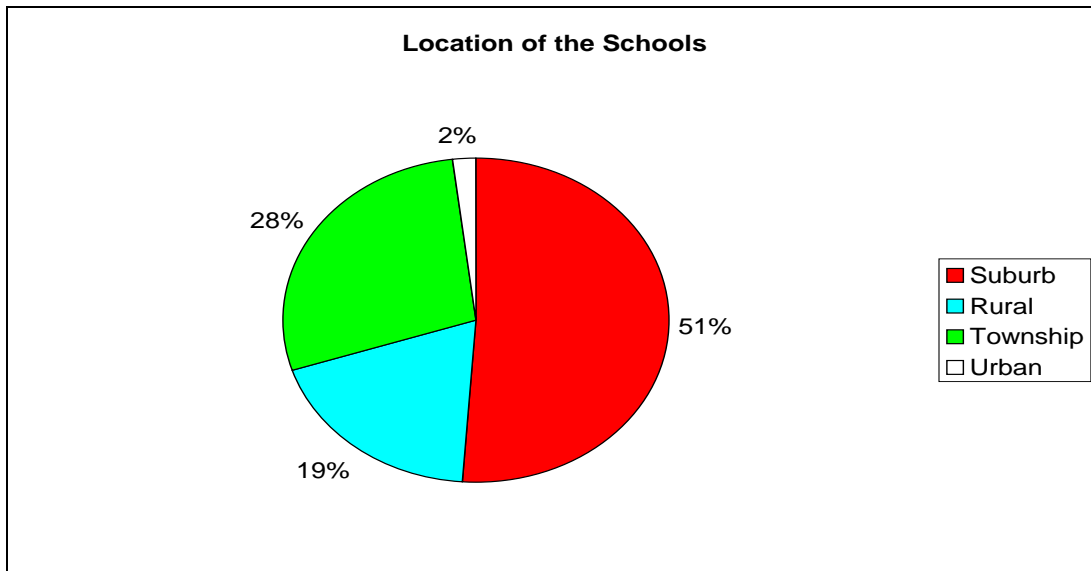
**Figure 4.4 Respondents' Qualifications**



The above statistics in figure 4.4 indicate that many of the respondents, although all are involved in management or governance of schools, have limited levels of education. Approximately thirty two percent of the respondents were in possession of a matriculation certificate. Similar findings have been made by Segoati (2006:36) who found that parents cannot contribute to financial management of the school because of a lack of skills, knowledge and training. This view was also supported by Motha (2006:37), who found that SGBs experience difficulty in managing funds because of a lack of experience and training. Mestry (2006:126-132) examined the competences needed by effective governing bodies and noted their lack of capacity and experience to play an active role in the school budgeting process. One percent of the respondents did not answer this question.

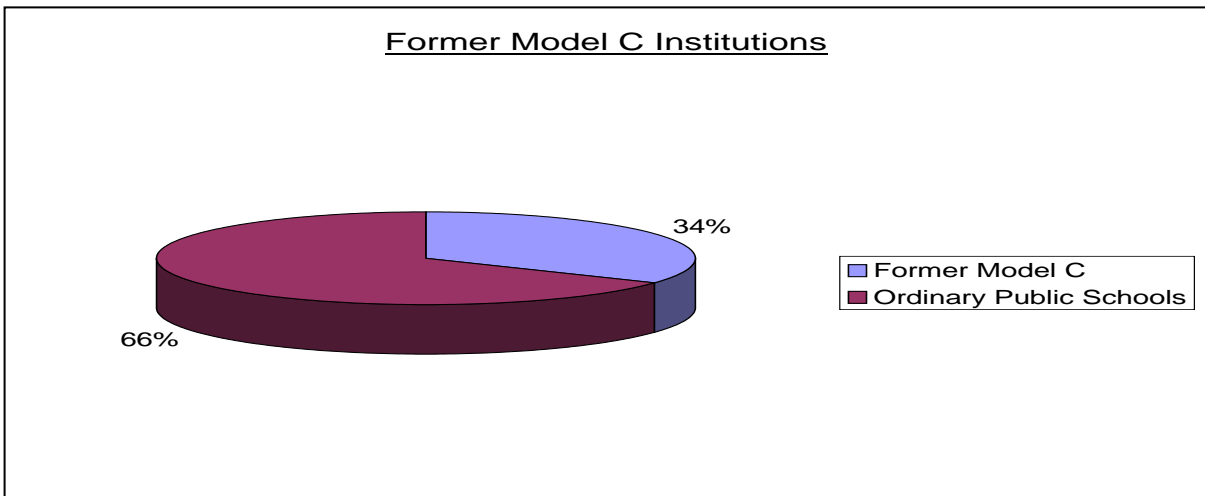
### 4.3.3 Section B - School Details

**Figure 4.5 Location of the school**



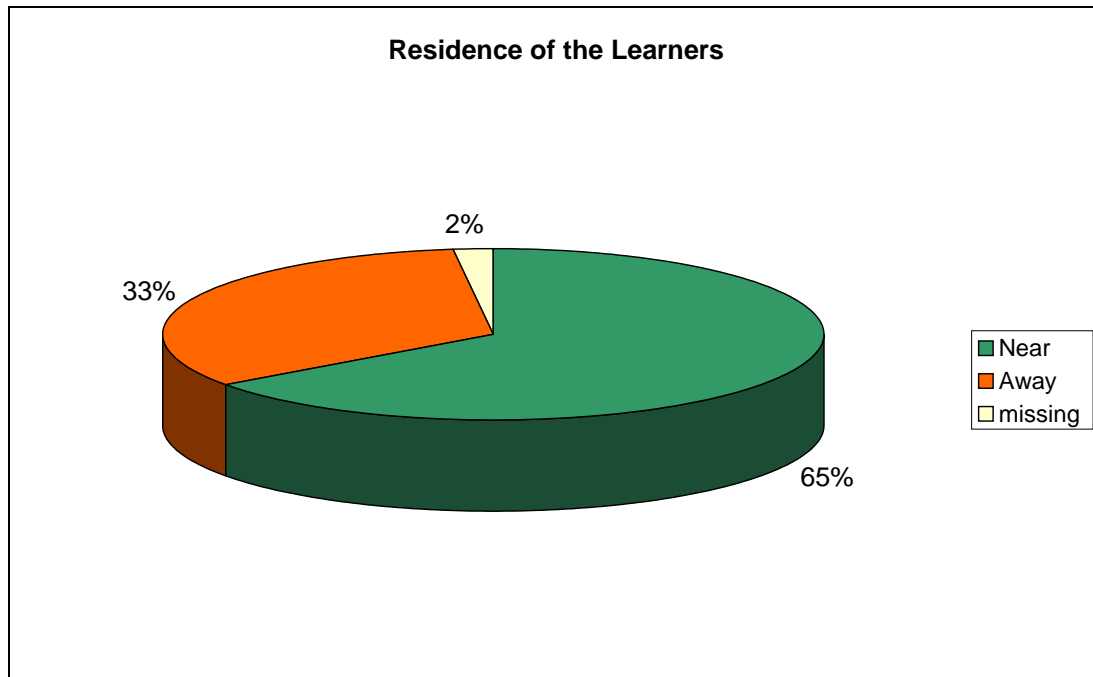
Fifty one percent of the schools in this survey were located in a suburb, 19 percent in a rural area, 28 percent were in the township areas and 2 percent were in urban city centre areas.

**Figure 4.6 Former model C institutions**



Thirty four percent of the schools in this survey were former model C institutions and 66 percent of the schools were ordinary public schools.

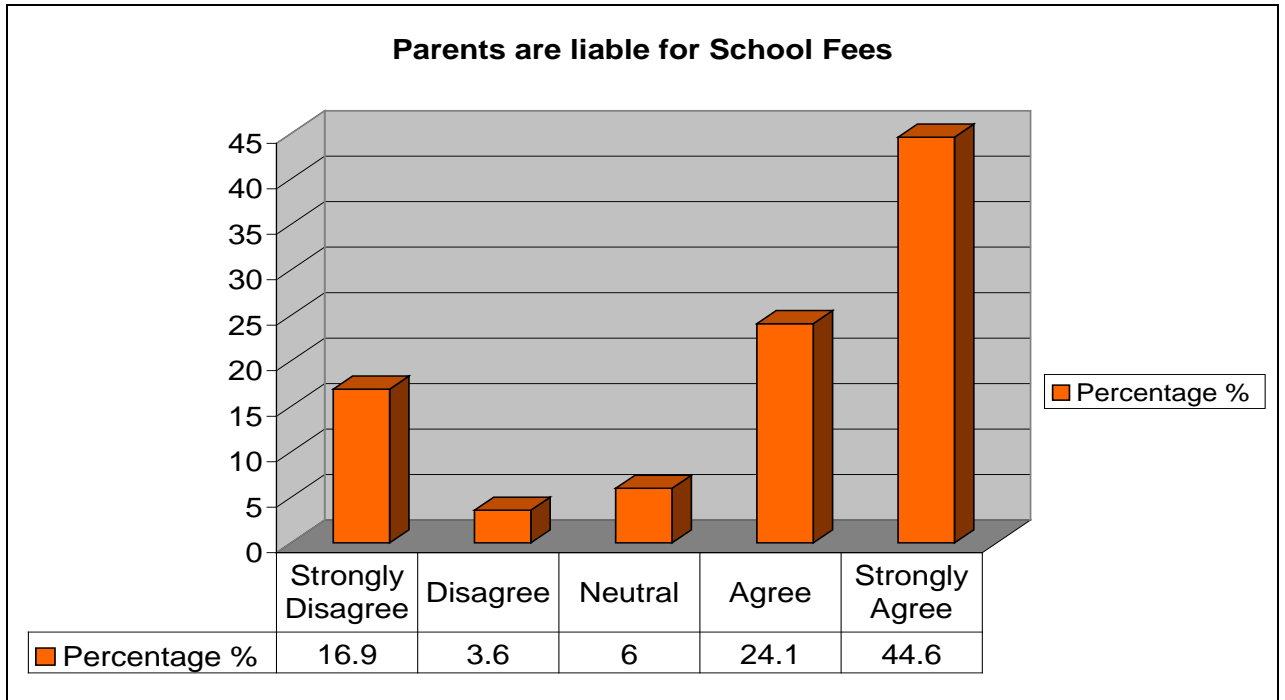
**Figure 4.7 Residence of the learners**



Sixty five percent of the learners enrolled at the schools used in the survey reside within the vicinity of the school and walk to and from the school. Thirty three percent of the learners reside away from the school and use public transport to and from the school. The missing data refers to the two percent of respondents who did not answer this question.

#### 4.3.4 SECTION C: SCHOOL FEES

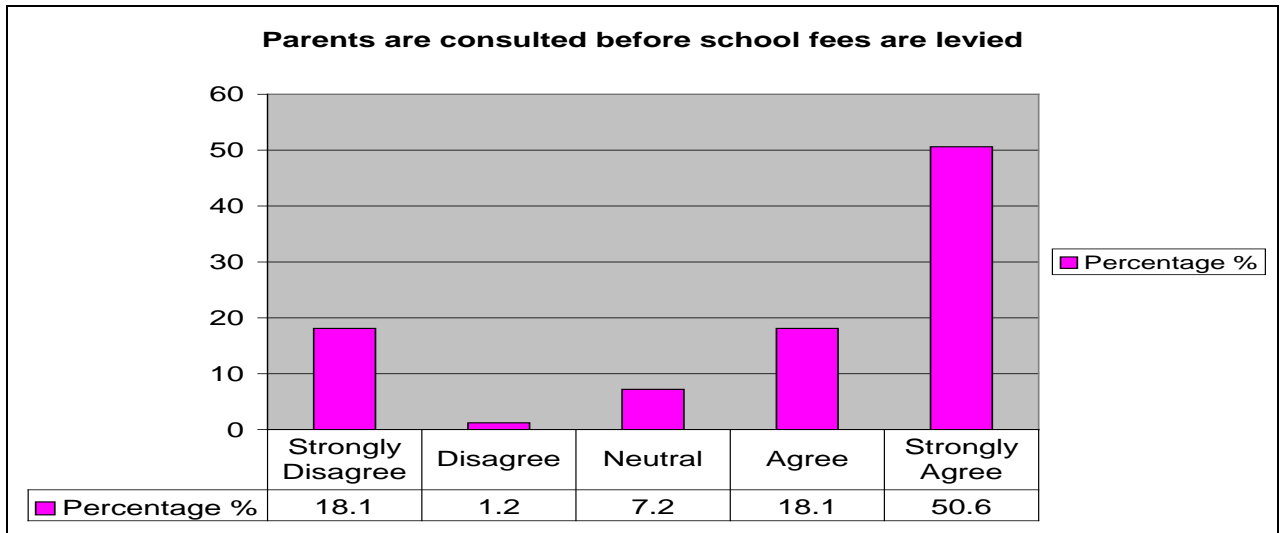
**Figure 4.8 School fees are charged at the school as a resolution to do so has been adopted by majority of parents**



Missing = 4.8%

A large proportion of the respondents (44.6% + 24.1% = 68.7%) have indicated that school fees are charged at their schools as a resolution to do so has been adopted by a majority of parents. Approximately four percent of the respondents chose not to respond to this statement. About 20% (16.9% + 3.6%) of respondents have provided a negative response to the statement, possibly implying that these may be from no fee schools. School fees are probably not charged, at these public schools, because they form part of the “poorest of the poor schools” and have been declared as no fee schools by the department of education. Recommendations pertaining to the charging of school fees are discussed in the next chapter.

**Figure 4.9** Parents of learners at the school are consulted annually before school fees are levied.



With reference to the total sample, sixty nine percent (50.6% + 18.1%) of the respondents were certain that parents of learners at their respective schools were consulted annually before school fees were levied. Nineteen percent (18.1% + 1.2%) of respondents indicated that parents were not consulted annually prior to school fees being levied. The possible reason for the non-consultation of parents could be that the members of the SGB at these ordinary public schools are oblivious to this requirement that is stipulated in SASA. The non-consultation of parents pertaining to the levying of school fees is in contradiction with SASA and recommendations pertaining to this aspect are presented in the next chapter.

**Table 4.2 Parents of learners at the school are informed of the equitable criteria and procedures for exemption from paying school fees.**

<i>Parents are informed of criteria for exemption from paying school fees</i>	<i>Frequencies</i>	<i>Percentage</i>
<b>Strongly disagree</b>	<b>13</b>	<b>15.7</b>
<b>Disagree</b>	<b>0</b>	<b>0</b>
<b>Neutral</b>	<b>8</b>	<b>9.6</b>
<b>Agree</b>	<b>15</b>	<b>18.1</b>
<b>Strongly agree</b>	<b>43</b>	<b>51.8</b>
<b>TOTAL</b>	<b>79</b>	<b>95.2</b>

Missing: 4

Table 4.2 provides the overall views of the total sample, relating to whether parents are informed of the equitable criteria and procedures for the total, partial or conditional exemption to pay school fees. Sixty nine percent (51.8% + 18.1%) of respondents were certain that parents are informed of the equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay school fees, and 15.7 percent of respondents indicated that the parents were not informed of these criteria and procedures. The parents are probably not informed of these criteria because the SGB has failed to keep them informed. The missing data refers to the approximately four percent of the respondents who chose not respond to this statement.

**Table 4.3 Parents of learners at the school are liable for the payment of school fees.**

<i>Parents are liable for the payment of school fees</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	13	15.7
Disagree	5	6
Neutral	6	7.2
Agree	11	13.3
Strongly Agree	44	53
<b>Total</b>	<b>79</b>	<b>95.2</b>

Missing: 4

Sixty six percent (53% + 13.3%) of respondents indicated that parents of learners at the school were liable for the payment of school fees. Twenty one percent (15.7% + 6%) of respondents disagreed with this statement possibly indicating that these may be from no fee schools (i.e. forming part of the ordinary public schools that have been declared poorest of the poor schools by the department of education) and parents are therefore not charged school fees. Some respondents (about 4%) chose not to respond to this statement. Recommendations pertaining to the payment of school fees are made in chapter five.

**Table 4.4 School fees are determined after a careful analysis of the operational requirements of the school**

<i>School fees are determined after a careful analysis of the operational requirements</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	13	15.7
Disagree	2	2.4
Neutral	5	6
Agree	17	20.5
Strongly Agree	42	50.6
<b>Total</b>	79	95.2

Missing: 4

The majority of the respondents (50.6% + 20.5% = 71.1%) indicated that school fees were carefully determined after a careful analysis of the operational requirements of the school. Four respondents did not answer this question. About eighteen percent (15.7% + 2.4%) of respondents were of the view that operational requirements are not carefully examined prior to school fees being determined. This negative response could be attributed to lack of insight, of members of SGBs, in financial management.

**Table 4.5 Rules and procedures for handling school fees, post dated cheques etc. are clearly outlined in the school’s financial policy.**

<i>Rules and Procedures for handling school fees, post dated cheques etc. are outlined in the school’s financial policy</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	9	10.8
Disagree	2	2.4
Neutral	8	9.6
Agree	29	34.9
Strongly Agree	31	37.3
<b>Total</b>	79	95.2

Missing: 4

Table 4.5 indicates a highly positive response to the statement that rules and procedures for handling school fees; post dated cheques etc. are clearly outlined in the schools’ financial policy. Seventy two percent (37.3% 34.9+ %) of respondents provided a positive response and thirteen percent (10.8% + 2.4%) responded negatively, implying that, rules and procedures for handling school fees, post dated cheques etc. are not clearly outlined in the financial policy of these schools. Mestry (2004: 126) has found that there are many principals and SGB members, who lack the necessary financial knowledge and skills, are placed under tremendous pressure, because they are unable to work out practical solutions to problems. Mestry has further reported that “in many instances principals and school governing bodies have been subjected to forensic audits by the department of education due to the mismanagement of funds through misappropriation, fraud, theft and improper control of financial records. Many of these “instances” can be minimized if procedures are outlined in the schools’ financial policy and decisions are guided by policy.



**Table 4.6** Most parents school fee accounts are up to date.

<i>Most parents school fee accounts are up to date</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	21	25.3
Disagree	23	27.7
Neutral	17	20.5
Agree	12	14.5
Strongly Agree	6	7.2
<b>Total</b>	79	95.2

Missing: 4

Table 4.6 shows a varied response. Twenty one percent (7.2% + 14.5%) of respondents have shown that most parents' school fee accounts are up to date. Fifty three percent (25.3% + 27.7%) of respondents have shown that most parents' school fee accounts were not up to date. This high percentage indicates that there are many parents who are probably experiencing financial difficulties, and possibly don't see the payment of school fees as one of their top priorities. About four of respondents chose not to respond to this statement.

**Table 4.7** Parents are offered incentives for the full payment of school fees by a stipulated date

<i>Parents are offered incentives</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	24	28.9
Disagree	7	8.4
Neutral	9	10.8
Agree	20	24.1
Strongly Agree	19	22.9
<b>Total</b>	79	95.2

Missing: 4

The responses indicate that in about forty seven percent (22.9% + 24.1%) of the schools in this research survey, parents were offered incentives for the full payment of school fees by a

stipulated date. Thirty seven percent (28.9% + 8.4%) of respondents provided a negative response, implying that at these schools parents were not offered incentives for the full payment of school fees by a stipulated date. About ten percent (10.8%) of respondents (most likely from ordinary public schools) have provided a neutral response possibly indicating that these may be no fee schools. Approximately four percent of respondents did not respond to this statement.

**Table 4.8 Parents whose school fee accounts are outstanding are handed over to debt collectors after three months**

<i>Parents whose school fee accounts are outstanding are handed over to debt collectors</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	29	34.9
Disagree	12	14.5
Neutral	12	14.5
Agree	7	8.4
Strongly Agree	19	22.9
<b>Total</b>	79	95.2

Missing: 4

Table 4.8 shows that thirty one percent (22.9% + 8.4%) of respondents provided a positive response, implying that parents whose school fee accounts are outstanding were handed over to debt collectors after three months. As schools are dependent on the income from school fees to function optimally, it becomes necessary for schools to take drastic action and refer outstanding accounts to debt collectors. Forty nine percent (34.9% + 14.5%) have revealed that parents whose school fee accounts were outstanding were not handed over to debt collectors after three months. These schools probably hand over outstanding accounts at a later stage (end of the school financial year) or have other means of enforcing payment of school fees. Approximately four percent of respondents did not provide a response to this statement, whereas fourteen percent of respondents provided a neutral response possibly implying that they may not be collecting school fees at these schools.

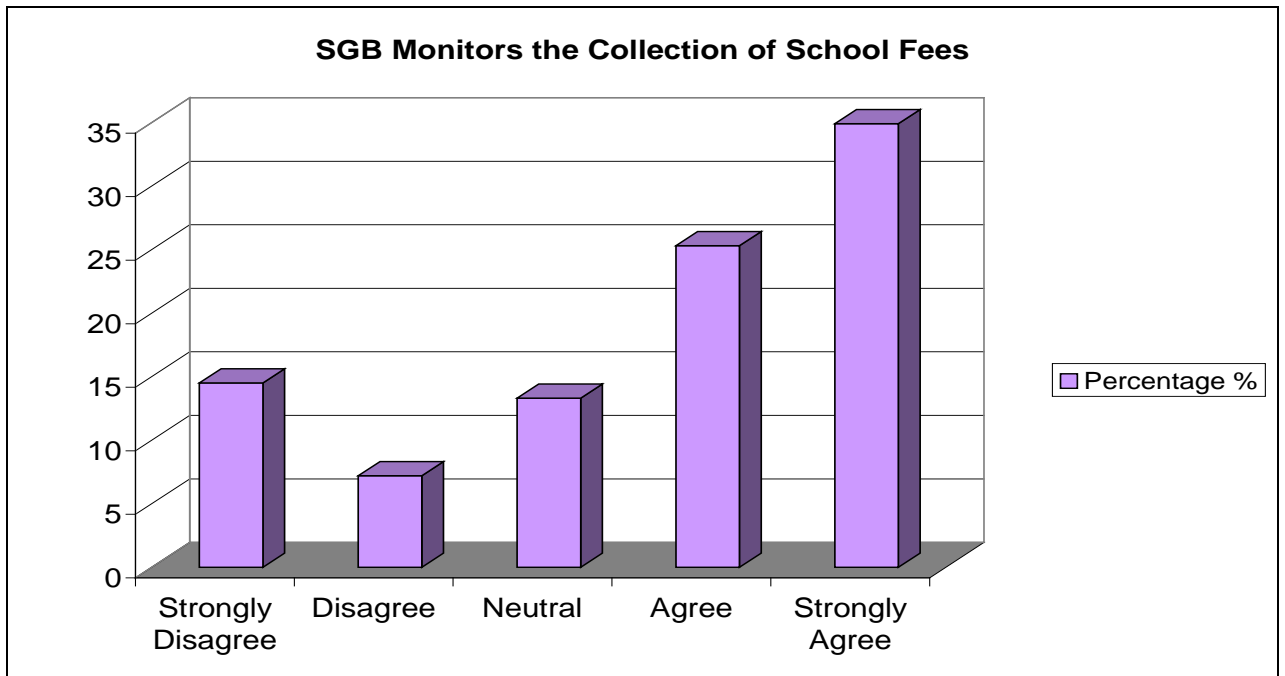
**Table 4.9** School fees that are outstanding for more than a year are written off.

<i>School fees that are outstanding for more than a year are written off</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	21	25.3
Disagree	17	20.5
Neutral	21	25.3
Agree	11	13.3
Strongly Agree	9	10.8
<b>Total</b>	79	95.2

Missing: 4

Table 4.9 reveals that only twenty four percent (10.8% + 13.3%) of respondents have indicated that school fees that are outstanding for more than a year, at their respective schools are written off. Forty five percent (25.3% + 20.5%) of respondents disagreed with the statement. This indicates that school fees that are outstanding for more than a year, at these institutions are not written off, and are thus carried forward. A few respondents (4%) did not provide a response to this statement.

**Figure 4.10 The SGB monitors the collection of school fees closely**



The responses show that in about 60% (34.9% + 25.3%) of the schools in this research survey, the collection of school fees is closely monitored by the SGB. Thirteen percent of respondents provided a neutral response. These responses are most likely from “no fee” schools. Twenty two percent (14.5% + 7.2%) of respondents have revealed that the SGB does not monitor the collection of school fees closely, at their respective schools. These findings affirm the Ministerial Review Committee’s report (2004: 104), which cited that “SGBs do not regularly and consistently manage the challenge of fund raising and monitoring school fees.” In the recommendations in the following chapter this issue will receive further attention.

#### 4.3.5 Section D: Budgetary Planning

**Table 4.10 The SGB prepares a budget annually showing the estimated income and expenditure of the school for the following year**

SGB prepares a budget showing estimated income and expenditure	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	0	0
Disagree	1	1.2
Neutral	6	7.2
Agree	26	31.3
Strongly Agree	50	60.2
<b>Total</b>	83	100

The high positive responses (91%) imply that in most schools the SGB prepares a budget annually showing the estimated income and expenditure of the school for the following year. However, one percent of respondents disagreed with this statement and seven percent have provided a neutral response. These responses are most likely from ordinary public schools. These responses indicated that there are some schools where budgets are not prepared by SGBs.

**Table 4.11 The school budget is drawn up annually in consultation with all stakeholders**

<i>School budget drawn up in consultation</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	5	6
Disagree	4	4.8
Neutral	11	13.3
Agree	21	25.3
Strongly Agree	42	50.6
<b>Total</b>	83	100

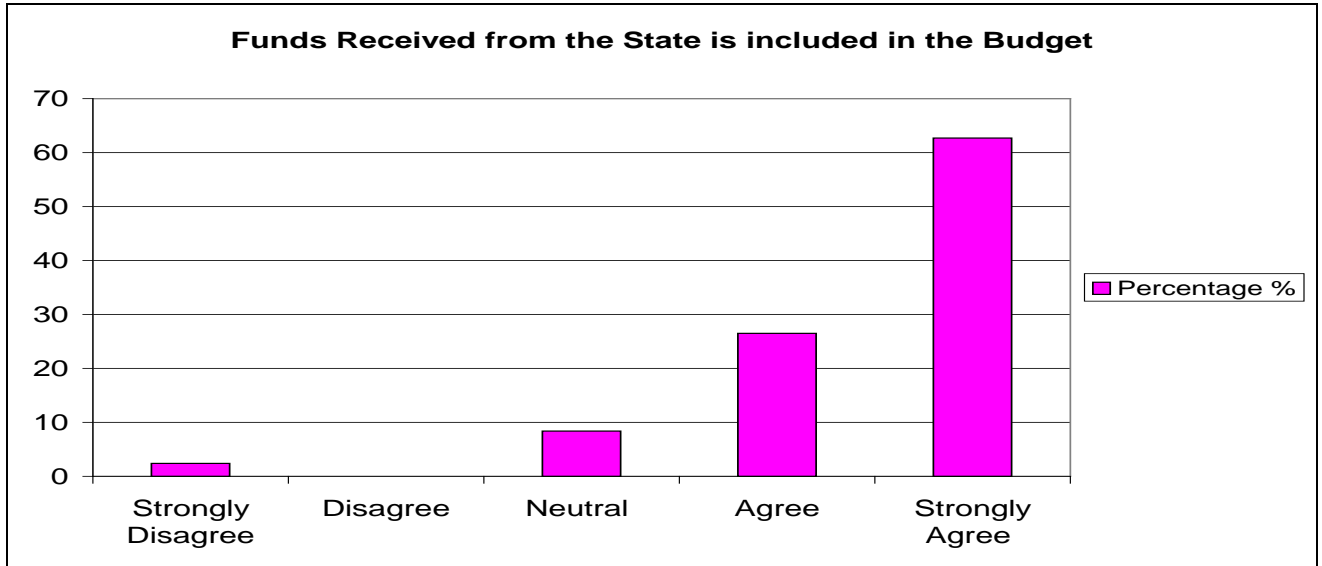
The majority of the respondents (50.6% + 25.3% = 75.9%) provided a positive response, showing that the school budget is drawn annually in consultation with all stakeholders. This indicates that most schools do in fact, consult all stakeholders in the budgetary planning process. However, the table also shows that there are 10.8% of respondents who did not agree with this statement. This indicates that there are schools where the budget is drawn up without the involvement of all stakeholders. This links to the findings made by Bush (2006:13), where it was noted that “there is ambiguity that surrounds the budgeting process” The 10.8% negative response is most likely to have come from ordinary public schools located in the rural areas, where parents are not so keen to become thoroughly involved in their children’s education.

**Table 4.12 The budgeting system that is used by the school is easy to follow**

<i>Budgeting system used is easy to follow</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	2	2.4
Disagree	1	1.2
Neutral	11	13.3
Agree	23	27.7
Strongly Agree	46	55.4
<b>Total</b>	83	100

Table 4.12 indicates that eighty three percent (55.4% + 27.7%) of respondents have found that the budgeting system used by the school is easy to follow. Only three percent (2.4% + 1.2%) of respondents indicated that the budgeting system used at their respective schools was not easy to follow. This may be due to the low levels of education of respondents in the sample.

**Figure 4.11 Funding received from the state is included in the budget**



A large proportion of respondents (62.7% + 26.5% = 89.2%) have indicated that funds received from the state are included in the budget. Eight percent (8.4%) of respondents provided a neutral response to the statement. A small percentage (2.4%) of respondents strongly disagreed with this statement, indicating that funds received from the state are not included in the budget. These findings are in congruence with the findings made by Bush (2006:13) which revealed that “principals often do not know what proportion of notional fee income will actually be received and this makes it difficult to construct an appropriate budget.”

**Table 4.13 The money raised through the various fund raising events/ activities during the year is included in the budget**

<i>Money raised through fund raising activities is included in the budget</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	7	8.4
Disagree	7	8.4
Neutral	11	13.3
Agree	19	22.9
Strongly Agree	39	47
<b>Total</b>	83	100

Sixty nine percent (47% + 22.9%) of respondents provided a positive response, indicating that money raised through the various fund raising events/ activities during the year is included in the budget. Thirteen percent have provided a neutral response. Sixteen percent (8.45 + 8.4%) have indicated that money raised via the various fund raising events/ activities are not included in the budget. These responses could most likely come from ordinary public schools and could be indicative of a lack of knowledge concerning good financial management practices. Good financial management practices are discussed in further detail in chapter five.

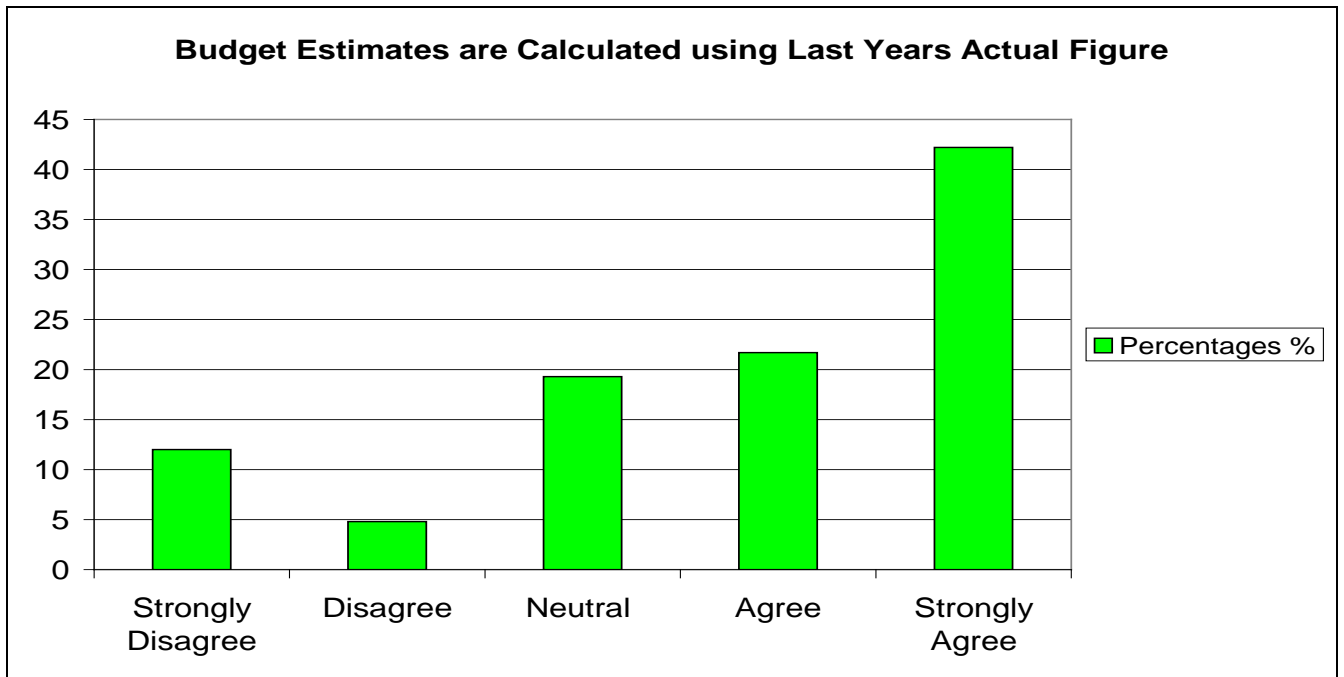
**Table 4.14 The annual budget is broken down into time periods, e.g. per school term**

<i>Budget is broken down into time periods</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	13	15.7
Disagree	11	13.3
Neutral	21	25.3
Agree	17	20.5
Strongly Agree	21	25.3
<b>Total</b>	83	100

The majority of schools do break the annual budget into time periods. This is evident in table 4.14 which indicates that forty five percent (25% + 20%) of the respondents agreed with the statement that the annual budget is broken down into time periods. Twenty eight percent (15% + 13%) of respondents have indicated that the annual budget is not broken down into time periods, at their respective schools.



**Figure 4.12** The budget estimates are calculated using the previous year's actual figure



The responses reflected in the above graph (Figure 4.12) reveal that 42 percent of respondents strongly agree and 21 percent agree that the budget estimates are calculated using the previous year's actual figure. This indicates that, at the majority of the schools (63%) in this research study, budget estimates are calculated using the previous year's actual figure. Sixteen percent (12% + 4%) of respondents disagreed with this statement, indicating that they may be using alternative methods to calculate budget estimates. Schools should actually use the previous year's actual figure as a guide to calculate budget estimates, as this would make the estimate realistic.

**Table 4.15** The budget estimates are calculated using the previous year’s actual plus a % increase

<i>Budget estimates are calculated using last years actual plus a % increase</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	7	8.4
Disagree	2	2.4
Neutral	21	25.3
Agree	23	27.7
Strongly Agree	30	36.1
<b>Total</b>	83	100

The majority of respondents (36.1% + 27.7% = 63.8%), have shown that budget estimates are calculated using the previous year’s actual plus a percentage increase at their respective schools. About ten percent (8.4% + 2.4%) of respondents have provided a negative response, implying that they may be using alternate methods to calculate budget estimates. Using the previous year’s actual figure and adding a percentage increase may make the calculation of budget estimates easier and simpler, but may not necessarily be the best thing to do in such important calculations.

**Table 4.16** The budget estimates are calculated using the previous year's budget plus a % increase (incremental budgeting)

<i>Budget estimates are calculated using the previous year's budget plus a % increase</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	17	20.5
Disagree	2	2.4
Neutral	27	32.5
Agree	20	24.1
Strongly Agree	17	20.5
<b>Total</b>	83	100

Forty four percent (20.5% + 24.1%) of respondents have indicated that the schools budget estimates are calculated using the previous years' budget plus a percentage increase. Although forty four percent of respondents have indicated what is practised at their respective schools, using the previous year's budget and adding a percentage increase may not provide a true reflection of the current financial situation in the school, as there are various factors that may influence the budget estimates. Twenty two percent (20.5% + 2.4%) of respondents provided a negative response, signifying that other methods of calculating budget estimates may be employed at these schools.

**Table 4.17 The budget estimates are calculated using a completely new estimate (zero based budgeting)**

<i>Budget estimates are calculated using a completely new estimate</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	23	27.7
Disagree	7	8.4
Neutral	33	39.8
Agree	13	15.7
Strongly Agree	7	8.4
<b>Total</b>	83	100

Only twenty four percent (15.7% + 8.4%) of respondents have shown that zero based budgeting is used at the schools they serve. Thirty six percent (27.7% + 8.4%) of respondents have provided a negative response , implying that zero based budgeting is not used at these schools or that alternate methods of calculating budget estimates are used at these institutions. The small percentage of positive responses received indicates that many schools are unaware of the advantages of using zero based budgeting (as discussed in chapter two). The disadvantages of using zero based budgeting are minor in comparison to the benefits schools can derive from the use of such a system. This is discussed in further detail in the next chapter.

**Table 4.18 Only financial measures are used in drawing up the budget estimates**

<i>Only Financial measures are used in drawing up the budget estimates</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	3	3.6
Disagree	6	7.2
Neutral	19	22.9
Agree	30	36.1
Strongly Agree	25	30.1
<b>Total</b>	83	100

Sixty six percent (30.1% + 36.1%) of the schools use only financial measures to draw up the budget estimates. Ten percent (3.6% + 7.2%) of respondents have revealed that other measures, such as non financial measures, e.g. the poverty level of the community, the number of children from an orphanage/ children’s home (the caregivers of these children are exempt from the payment of school fees) that attend the school etc. are also taken into consideration in drawing up the budget estimates.

**Table 4.19 Actual expenditures are compared with the budget estimates at the end of each year**

<i>Actual expenditures are compared with the budget estimates</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	7	8.4
Disagree	1	1.2
Neutral	13	15.7
Agree	28	33.7
Strongly Agree	34	41
<b>Total</b>	83	100

Majority of the respondents (41% + 33.7% = 74.7%) have indicated that actual expenditures are compared with the budget estimates at the end of each year while fifteen percent of respondents have provided a neutral response to this statement. Small percentages (9%) of respondents have provided a negative response to this important financial monitoring measure. This indicates that actual expenditures are not compared with the budget estimates at some schools. This is most likely to be at ordinary public schools in the rural areas, where many SGB members lack the necessary financial knowledge or expertise to undertake such a task.

**Table 4.20 The school has a good cost saving mechanism in place**

<i>School has a good cost saving mechanism</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	2	2.4
Disagree	8	9.6
Neutral	20	24
Agree	26	31.3
Strongly Agree	27	32.5
<b>Total</b>	83	100

Sixty three percent (32.5% + 31.3%) of respondents have provided a positive response, indicating that, at most ordinary public schools at which they serve, a good cost saving mechanism in place. These schools have procurement policies that ensure cost saving. They may also have a list of parents and other community members who volunteer their services, thereby saving costs for the school. Twelve percent (2.4% + 9.6%) of respondents have shown that a good cost saving mechanism is lacking in some schools. This is most likely, to be the case, at ordinary public schools, where SGB members lack the necessary financial management knowledge and skills to put a cost saving mechanism in place.

**Table 4.21 The school has an effective expense monitoring mechanism in place**

<i>School has an effective expense monitoring mechanism</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	3	3.6
Disagree	8	9.6
Neutral	16	19.2
Agree	22	26.5
Strongly Agree	34	40.9
<b>Total</b>	83	100

The majority of the institutions surveyed (40.9% + 26.5% =67.4%) have an effective expense monitoring mechanism in place. However, effective expense monitoring mechanisms are lacking in about thirteen percent (3.6% + 9.6%) of schools surveyed.

**Table 4.22 Budget is strictly adhered to and an effective monitoring mechanism is in place**

<i>Budget is strictly adhered to and a monitoring mechanism is in place</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	2	2.4
Disagree	7	8.4
Neutral	17	20.4
Agree	39	46.9
Strongly Agree	18	21.6
<b>Total</b>	83	100

A major proportion of respondents (21.6% + 46.9% = 68.5%) have indicated that the budget is strictly adhered to and that an effective monitoring mechanism is in place. A small proportion of respondents (2.4% + 8.4% = 10.8%) have shown that the budget is not strictly adhered to and that an effective monitoring mechanism is non existent.

#### 4.3.6 SECTION E FINANCIAL PLANNING

**Table 4. 23 The SGB manages the finances of the school**

<i>SGB manages the finances</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	2	2.4
Disagree	3	3.6
Neutral	3	3.6
Agree	35	42.2
Strongly Agree	37	44.6
<b>Total</b>	80	96.4

Missing: 3

The finances of the school are managed by the SGB, at most of the schools surveyed. This is evident from the positive response provided by eighty six percent (44.6% + 42.2%) of respondents, There is, however, a small percentage (6%) of ordinary public schools were this is, indeed, not the case. A possible reason for this could be that members of the SGB at these schools are oblivious of their responsibilities. A small percentage (3%) of respondents did not provide a response to this statement.

**Table 4.24 A duly elected finance committee exists and is effective**

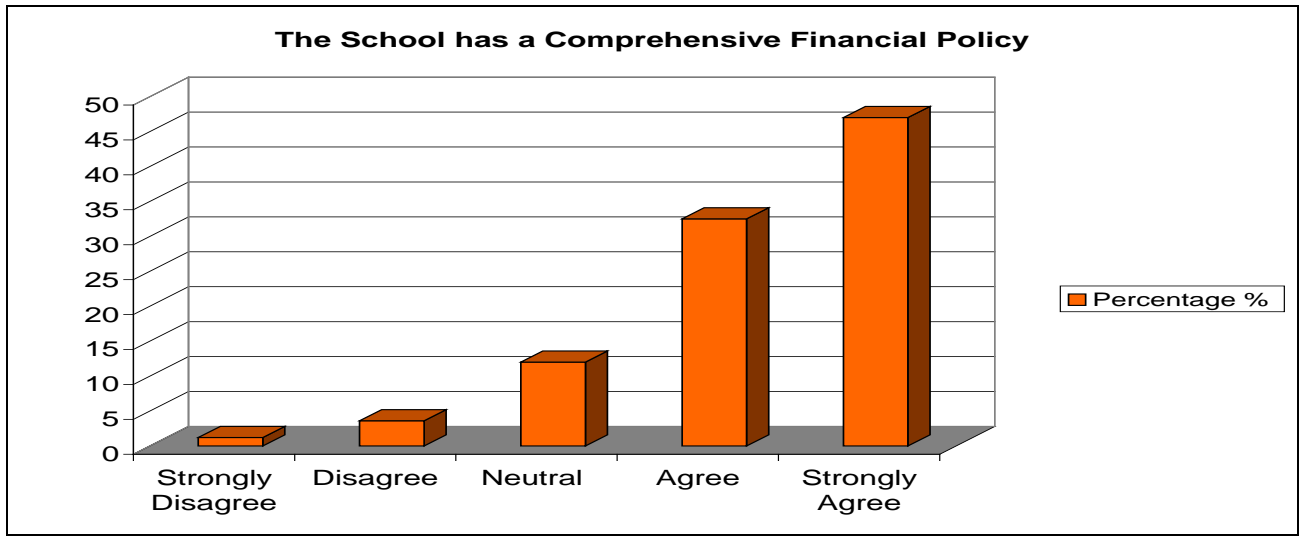
<i>A duly elected finance committee exists and is effective</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	9	10.8
Disagree	3	3.6
Neutral	9	10.8
Agree	23	27.7
Strongly Agree	36	43.4
<b>Total</b>	80	96.4

Missing : 3



At the majority (43.4% + 27.7% = 71.1%) of the schools in this survey there is a duly elected finance committee which is effective. Fourteen percent (10.8% + 3.6%) of the respondents have shown that a duly elected finance committee is non-existent at some schools. A few respondents (3%) did not provide a response to this statement.

**Figure 4.13 The school has a comprehensive financial policy**



Missing: 3

Majority (47% + 32.5% =79.5%) of schools in the sample have a comprehensive financial policy. Small percentages (4%) of respondents have indicated that a comprehensive financial policy is lacking at some schools. Three percent of respondents did not respond to this statement.

**Table 4.25 The financial policy was drawn up in consultation with all stakeholders**

<i>Financial policy drawn in consultation</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	8	9.6
Disagree	5	6
Neutral	10	12
Agree	25	30
Strongly Agree	32	38.6
<b>Total</b>	80	96.4

Missing: 3

The majority of the schools in this survey have consulted all stakeholders whilst drawing up the financial policy. Fifteen percent (9.6% + 6%) of the respondents in this survey have indicated that the financial policy may have been drawn up without the involvement of all stakeholders. A few (3%) respondents did not provide a response to this statement.

**Table 4.26 The school's financial policy provides clear direction on the use of funds and resources**

<i>Financial policy provides clear direction</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	3	3.6
Disagree	2	2.4
Neutral	5	6
Agree	38	45.8
Strongly Agree	32	38.6
<b>Total</b>	80	96.4

Missing: 3

Table 4.26 indicates that eighty four percent (38.6% + 45.8%) of the respondents have found that the school's financial policy provides clear direction on the use of funds and resources. Only six percent of respondents have shown that the school's financial policy does not

adequately provide clear direction on the use of funds and resources. Some respondents (3%) chose not to respond to this statement.

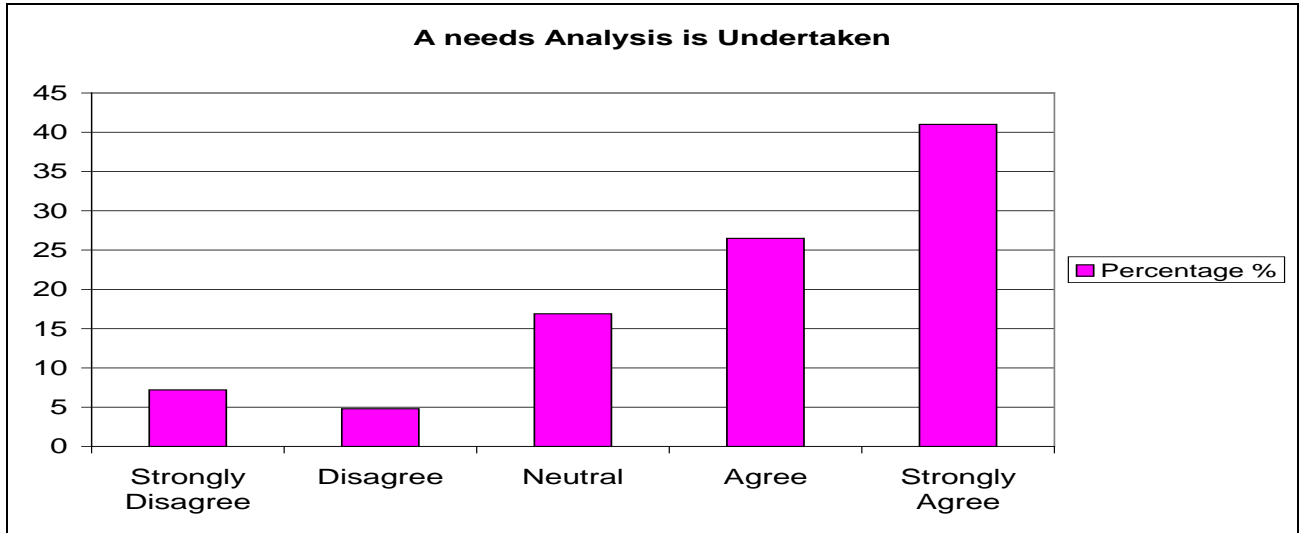
**Table 4.27 All decisions pertaining to finances of the school are made in accordance with the financial policy**

<i>Decisions pertaining to finances are made in terms of policy</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	3	3.6
Disagree	3	3.6
Neutral	7	8.4
Agree	30	36.1
Strongly Agree	37	44.6
<b>Total</b>	80	96.4

Missing: 3

The responses (44.6% + 36.1% = 80.7%) reveal that at the majority of the schools surveyed all decisions pertaining to the finances of the school are made in accordance with the financial policy. A small percentage (3.6% + 3.6% = 7%) of respondents have shown that, at some schools, all decisions pertaining to finances of the school are not necessarily made in accordance with the financial policy. A small number (3%) of respondents chose not to respond to this statement.

**Figure 4.14 A needs analysis is undertaken before resources are purchased for the school**



Missing: 3

A major proportion (41% + 26.5% = 67.5%) of respondents have indicated that a needs analysis is undertaken before resources are purchased for the school. The twelve percent negative response received, suggests, that a needs analysis is not undertaken before resources are purchased at some of the schools in this research survey. Three percent of respondents did not provide a response to this statement.

**Table 4.28 The school has only one bank account and all funds received by the school are deposited in this account**

<i>The school has only one bank account</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	4	4.8
Disagree	1	1.2
Neutral	4	4.8
Agree	17	20.5
Strongly Agree	54	65.1
<b>Total</b>	80	96.4

Missing: 3

Majority of the schools, in this study, have only one bank account and all funds received by the school are deposited in this account. This is evident from the very high positive response (65.1% + 20.5% = 85.6%) received. Six percent of the respondents provided a negative response, suggesting that there are schools that have more than one bank account and that all funds received by these schools are not necessarily deposited in the same account. Schools may have more than one bank account, provided that the school has sought and has been granted permission to hold more than one account by the department of education. A small percentage (3%) of respondents chose not to respond to this statement.

**Table 4.29 The school's investment account has been approved by the GDE**

<i>School's investment account approved</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	19	22.9
Disagree	3	3.6
Neutral	22	26.5
Agree	5	6
Strongly Agree	31	37.3
<b>Total</b>	80	96.4

Missing: 3

Table 4.29 indicates a varied response. Only forty three percent (37.3% + 6%) of respondents have indicated that the school's investment account has been approved by the GDE. Twenty six percent (22.9% + 3.6%) of respondents disagreed with the statement, implying that some schools may have investment accounts that have not been approved by the GDE. These, most likely, could be short term investments, as public schools are non-profit making organisations. A few (3%) respondents did not provide a response to this statement.

**Table 4.30 The finance officer at the school keeps R1000 or less as petty cash**

<i>Finance officer keeps R1000 or less as petty cash</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	12	14.5
Disagree	6	7.2
Neutral	10	12
Agree	18	21.7
Strongly Agree	34	41
<b>Total</b>	80	96.4

Missing: 3

At most schools surveyed the finance officer at the school keeps one thousand rand or less as petty cash. This is evident from the sixty two percent (41% + 21.7%) positive response received. Twenty one percent (14.5% + 7.2%) of respondents provided a negative response, suggesting that the finance officer at these schools may be keeping more than one thousand rand as petty cash. Some respondents (3%) did not provide a response to this statement.

**Table 4.31 The imprest system of petty cash is in place**

<i>Imprest system is used</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	17	20.5
Disagree	3	3.6
Neutral	22	26.5
Agree	17	20.5
Strongly Agree	21	25.3
<b>Total</b>	80	96.4

Missing: 3

The responses indicate that in about forty five percent (25.3% + 20.5%) of the schools surveyed, the imprest system is used to monitor the use of petty cash. However, this system is not used to monitor the use of petty cash at all schools. This is evident from the twenty four percent (20.5% + 3.6%) negative response received. A response was not received from approximately three percent of the respondents.

**Table 4.32 Strict monitoring and control is exercised during fund raising events at the school**

<i>Strict monitoring and control is exercised during fund raising</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	4	4.8
Disagree	2	2.4
Neutral	15	18.1
Agree	26	31.3
Strongly Agree	33	39.8
<b>Total</b>	80	96.4

Missing: 3

A major proportion of the respondents (39.8% + 31.3%) have indicated that strict monitoring and control is exercised during fund raising events at the school. The negative response received from seven percent of respondents implies that strict monitoring and control does not necessarily take place during fund raising events at all schools. A small number (3%) of respondents chose not to respond to this statement.

**Table 4.33 Audited financial statements are provided to the GDE annually**

<i>Audited financial statements are provided to the GDE</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	0	0
Disagree	0	0
Neutral	8	9.6
Agree	15	18.1
Strongly Agree	57	68.7
<b>Total</b>	80	96.4

Missing: 3



Majority of the respondents (68.7% + 18.1% = 86.8%) indicated that audited financial statements are provided to the GDE annually. This reveals a high degree of compliance to GDE policy. Only a few (3%) respondents did not respond to this statement.

**Table 4.34 Financial irregularities are attended to in terms of policy**

<i>Financial irregularities are attended to in terms of policy</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	1	1.2
Disagree	1	1.2
Neutral	10	12
Agree	24	28.9
Strongly Agree	44	53
<b>Total</b>	80	96.4

Missing: 3

Table 4.34 reveals that at most of the schools surveyed (53% + 28.9%), financial irregularities are attended to in terms of policy. Two percent of respondents have indicated that this, however, is not the case at all schools. Three percent of respondents did not provide a response to this statement.

**Table 4.35 The school has a strategic financial plan and abides by it**

<i>The school has a strategic financial plan</i>	<i>Frequencies</i>	<i>Percentage %</i>
Strongly disagree	9	10.8
Disagree	3	3.6
Neutral	12	14.5
Agree	27	32.5
Strongly Agree	29	34.9
<b>Total</b>	80	96.4

Missing: 3

The majority ( $34.9\% + 32.5\% = 67.4\%$ ) of the respondents agree that the school has a strategic plan and abides by it. Fourteen percent ( $10.8\% + 3.6\%$ ) of respondents reveal that some schools do not have a strategic plan and can therefore not abide by it. The lack of a strategic plan implies that the school has undertaken very little or no financial resource planning for the future. Three percent of respondents chose not to respond to this statement.

In addition to the above analysis, the study progressed by examining correlations and by providing reliability analysis and validity analysis.

#### **4.4 CORRELATIONS**

The Pearson product-moment correlation coefficient was used to determine the level of association between the variables mentioned above. The range of possible value is from -1.00 for a perfect negative correlation to +1.00 for a perfect positive correlation (Malhotra, 2004). The following rule of thumb proposed by Huck, Cormier and Bounds (1974) were used in examining the level of association between the internal service quality and internal customer satisfaction.

- 0 to + 0.25 (or -0.25) = little or no relationship
- + 0.26 (-0.26) to + 0.60 (or -0.60) indicates a moderate relationship
- above + 0.60 (or -0.60 and above) indicates a strong relationship

The sections which follow examine the following relationships:

- Qualifications (A5) and Section D (the budgetary planning process) of SGB members.
- Experience (A3) and Section D (the budgetary planning process) of SGB members.
- Qualifications (A5) and experience (A3) of SGB members

In examining such relationships it was necessary to formulate and test the hypothesis on whether a strong positive or negative relationship exists among the qualifications, experience categories of SGB members and their understanding of the budgetary planning process of public primary schools.

Experience categories were classified as SGB members having one to 5 years, six to ten years, eleven to fifteen years, sixteen to twenty years and more than twenty years of experience within the public primary education milieu and the understanding of the budgetary planning process were by measured by including the 17 item scale of the

budgetary planning process (refer to section D of the questionnaire). Qualification (A5) categories were classified as SGB members having a matriculation, post matriculation diploma, degree, honours degree, master's degree or a doctorate.

The following hypotheses were proposed:

*H<sub>1</sub>: A negative relationship exists between experience (of SGB members) and an understanding of the budgetary planning process.*

*H<sub>2</sub>: A negative relationship exists between qualifications (of SGB members) and the understanding of the budgetary planning process.*

*H<sub>3</sub>: A negative relationship exists between experience (of SGB members) and their level of qualification.*

The results are reported in table 4.36. The first hypothesis is not rejected. With the exception of D5 (The money raised through the various fund raising events/activities during the year is included in the budget) where  $r = 0.22$  at a  $0.05$  level of significance the results indicate that experience is uncorrelated with the understanding of the budgetary planning process. The second hypothesis is also not rejected as the results reflect that qualifications are uncorrelated with the budgetary planning process. The third hypothesis is not rejected as experience (A3) positively correlated with an SGB level of qualification (A5) at  $p = 0.01$  level of significance.

Table 4.36

Correlations – qualifications, experience and budgetary planning

	Qual	Exp	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	D11	D12	D13	D14	D15	D16	D17
Qual	1.000	.466**	.016	.092	.130	.105	.225*	.050	-.023	-.011	-.073	-.120	-.061	.014	.057	-.004	.037	.010	-.085
Exp	.466**	1.000	-.015	.175	.060	.071	.112	.104	.104	.040	.053	.069	.004	.102	.018	.040	.083	-.079	-.120
D1	.016	-.015	1.000	.543**	.562**	.509**	.333**	.330**	.554**	.370**	.154	.016	.344**	.617**	.539**	.656**	.543**	.580**	.567**
D2	.092	.175	.543**	1.000	.543**	.212	.259*	.560**	.615**	.556**	.259*	.340**	.366**	.680**	.372**	.466**	.385**	.616**	.626**
D3	.130	.060	.562**	.543**	1.000	.519**	.285**	.359**	.436**	.407**	.059	.150	.284**	.533**	.490**	.519**	.398**	.326**	.424**
D4	.105	.071	.509**	.212	.519**	1.000	.146	.142	.242*	.365**	.121	-.134	.286**	.244*	.323**	.279*	.103	.200	.152
D5	.225*	.112	.333**	.259*	.285**	.146	1.000	.288**	.180	.175	.425**	.248*	.121	.267*	.319**	.263*	.380**	.280*	.295**
D6	.050	.104	.330**	.560**	.359**	.142	.288**	1.000	.579**	.272*	.277*	.193	.381**	.518**	.409**	.404**	.427**	.360**	.474**
D7	-.023	.104	.554**	.615**	.436**	.242*	.180	.579**	1.000	.455**	.216*	.318**	.266*	.671**	.497**	.578**	.394**	.532**	.578**
D8	-.011	.040	.370**	.556**	.407**	.365**	.175	.272*	.455**	1.000	.077	.144	.106	.375**	.237*	.340**	.192	.272*	.379**
D9	-.073	.053	.154	.259*	.059	.121	.425**	.277*	.216*	.077	1.000	.432**	.296**	.230*	.135	.081	.176	.207	.175
D10	-.120	.069	.016	.340**	.150	-.134	.248*	.193	.318**	.144	.432**	1.000	.112	.272*	.083	.191	.259*	.221*	.298**
D11	-.061	.004	.344**	.366**	.284**	.286**	.121	.381**	.266*	.106	.296**	.112	1.000	.484**	.271*	.317**	.292**	.296**	.238*
D12	.014	.102	.617**	.680**	.533**	.244*	.267*	.518**	.671**	.375**	.230*	.272*	.484**	1.000	.546**	.610**	.509**	.684**	.644**
D13	.057	.018	.539**	.372**	.490**	.323**	.319**	.409**	.497**	.237*	.135	.083	.271*	.546**	1.000	.808**	.654**	.484**	.521**
D14	-.004	.040	.656**	.466**	.519**	.279*	.263*	.404**	.578**	.340**	.081	.191	.317**	.610**	.808**	1.000	.761**	.544**	.602**
D15	.037	.083	.543**	.385**	.398**	.103	.380**	.427**	.394**	.192	.176	.259*	.292**	.509**	.654**	.761**	1.000	.370**	.432**
D16	.010	-.079	.580**	.616**	.326**	.200	.280*	.360**	.532**	.272*	.207	.221*	.296**	.684**	.484**	.544**	.370**	1.000	.840**
D17	-.085	-.120	.567**	.626**	.424**	.152	.295**	.474**	.578**	.379**	.175	.298**	.238*	.644**	.521**	.602**	.432**	.840**	1.000

\*\* Correlations is significant at the 0.01 level (2-tailed)

\* Correlations is significant at the 0.05 level (2-tailed)

## 4.5 RELIABILITY ANALYSIS

In order to assess the reliability of the measurement the internal consistency reliability was computed for sections C, D and E. These sections pertain to levying of school fees, the budgetary planning process and the financial management aspects of schools respectively. The computation of coefficient alpha (Cronbach  $\alpha$ ) was computed for each of the scales (Page & Meyer, 2003:292). On examination of the “item-to-total correlation and “alpha if deleted column” from the reliability output tables none of the items required deletion. The tables reflecting “item-to-total correlations” for the various sections are placed in annexure C, D, and E. The result for the reliability analysis is reported on Table 4.37.

Table 4.37 Reliability - Cronbach alpha coefficients

Sections	No of items	Cronbach $\alpha$
Section C – school fees scale	11	0.932
Section D – budgetary planning scale	17	0.908
Section E – financial management scale	15	0.908

The reliability for all three scales was considered adequate as the Cronbach  $\alpha$  values were above the recommended acceptable levels i.e. above 0.70 (Nunnally & Bernstein, 1994:265).

## 4.6 VALIDITY ANALYSIS

### 4.6.1 Content validity

To ensure that the questionnaire satisfies content validity, a mixed methodology research process was followed. The following steps were undertaken to ensure content validity of the research instrument:

- Various sources of evidence were consulted from literature in order to develop an appropriate measuring instrument
- Content validity was also established by pre-testing the questionnaire among academics and educators. In addition a pilot test of the questionnaire was run among twenty respondents. Changes were made to the questionnaire in terms of question format, phrasing and content.

#### **4.6.2 Construct validity**

The construct validity of a questionnaire refers to the extent it measures the theoretical dimensions. If there is evidence of construct validity, the questionnaire then measures what it supposed to measure. Evidence of reliability confirms the construct validity of the measuring instrument (Bosch, Boshoff & Louw, 2003). In the study, the scale items in section C, D and E reflected acceptable levels of reliability of the research instrument. Hence, construct validity of the scale can be confirmed.

#### **4.7 SUMMARY**

This chapter provided a detailed discussion of all data collected via the questionnaire. A detailed discussion and analysis is provided after each graph and table. In addition this chapter examined correlations and provided reliability analysis and validity analysis. The researcher is also satisfied that the questionnaire and the good response rate are sufficient to validate this research study and can therefore be relied upon.

The final chapter will focus on recommendations emanating from the study.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

Financial management in public primary schools and the research design have been the focus of the previous chapters. Data was obtained from principals and members of SGBs, through the use of a structured questionnaire. The questionnaire was used to illicit responses on the status of financial management in twenty five public primary schools in the Ekurhuleni South District. An analysis of the responses was also undertaken and reported on in chapter four.

The literature study examined, amongst others, relevant issues in public primary schools, the concept of budgeting, functions of a budget, the budget process, the advantages of a budget system, approaches to budgeting, financial policy and requirements for effective financial control. The research findings of this study were identified and discussed by descriptive and statistical methods.

This chapter provides a general overview of the study by placing the main and secondary aims into perspective. Arising out of the empirical study, recommendations regarding financial management are made. Contributions of the study, limitations and implications for further research are outlined.

## **5.2 ACHIEVEMENT OF THE AIMS OF THE RESEARCH**

The main aim of the study was stated as follows (refer to section 1.4 of chapter 1)

### **5.2.1 The main aim**

- To determine how principals and members of SGBs implement financial policy at public primary schools.

In order to achieve the main aim of the study, the following secondary aims were developed:

### **5.2.2 Secondary aims**

- To examine how principals and members of SGBs make decisions about the budgeting process within public primary schools.
- To establish the procedures followed in school fee setting within public primary schools.
- To determine how principals and members of SGBs undertake financial resource planning within public primary schools.

In order to achieve the above aims, an empirical research study was conducted by means of a questionnaire sent to twenty five public primary schools in the Ekurhuleni South District, of the Gauteng Department of Education.

The first secondary aim was addressed in Section D of the questionnaire, which was designed to examine how principals and members of SGBs make decisions about the budgeting process within public primary schools. The following are some of the conclusions that are drawn from the responses received: at many of schools the school budget is drawn up annually in consultation with all stakeholders, at most schools funding received from the state is included in the budget, at the majority of schools budget estimates are calculated using last years actual figure, only financial measures are used in drawing up the budget estimates, most schools have good cost saving and



expense monitoring mechanisms in place and at many schools the school budget is presented annually to parents for approval at a SGB meeting.

The secondary aim pertaining to the procedures that are followed in the setting of school fees within public primary schools was addressed in section C of the questionnaire. From the analysis of the responses to the questions in section C, the following are some of the conclusions that can be drawn: at most schools parents of learners are informed of legislation regarding exemption from paying school fees, school fees are carefully determined after a careful analysis of the operational requirements of the school and that parents are consulted annually before school fees are levied.

Finally, Section E of the questionnaire addressed the last secondary aim, relating to financial resource planning. The following are some of the conclusions that are drawn from the analysis of the responses: many schools have comprehensive financial policies that have been drawn up in consultation with all stakeholders, at most schools the schools' financial policy provides clear direction on the use of funds and resources, all decisions pertaining to the finances of the school are made in accordance with the financial policy, a needs analysis is undertaken before resources are purchased for the school, audited financial statements are provided to the GDE annually and schools have strategic financial plans and abide by it.

### **5.3 RECOMMENDATIONS/GUIDELINES FOR PRINCIPALS AND MEMBERS OF SGBs TO MANAGE SCHOOL FUNDS EFFECTIVELY AND EFFICIENTLY**

In the light of the descriptive and statistical analysis undertaken in chapter 4 and the objectives of the study the following recommendations/guidelines are suggested.

- 5.3.1 While the majority of the respondents were in agreement that school fees are charged based on a resolution and adopted by them, the fact that 20% (refer to figure 4.8) of the respondents provided negative responses to the statement

is a cause for concern. In addition, whilst the majority of the parents of learners indicated that they are consulted annually (refer to figure 4.9) before school fees are levied, a moderate percentage of respondents (nineteen percent) disagreed on the issue of the consultation process. Hence, school principals and members of government bodies need to communicate such resolutions and consultation processes to parents of children. For example, signed letters communicating such decisions need to be insisted upon and collected via the learners from parents. This will ensure that the dissemination of pertinent information reaches the parents of children.

5.3.2 Table 4.6 shows that fifty three percent of respondents have revealed that most parents' school fee accounts were not paid up to date. This high percentage indicates that there are many parents who are experiencing financial difficulties, and are therefore finding it difficult to meet their financial obligation to the school. Schools need this income on a regular basis in order to function effectively. Schools therefore, need to take steps to address this issue, such as “educating” their parents on procedures they need to follow should they find themselves in financial difficulty, for example, request a meeting with the SGB to discuss different options for payment, holding an information sharing session to inform parents of the criteria and procedures for the application for exemption from the payment of school fees. This pro-active approach will not only benefit the school but also the parents and the school community.

5.3.3 Many schools (forty nine percent, as indicated in Table 4.8), have indicated that parents whose school fee accounts were outstanding after three months were not handed over to debt collectors. Thus it can be deduced that these schools allow the problem of outstanding school fees to perpetuate without early intervention. As schools are dependent on the income from school fees to function optimally, it is recommended that members of the SGB intervene in such situations, by setting up meetings with the parents concerned and

discussing ways and means of ensuring that these parents meet their financial obligation on a monthly basis or enlisting the voluntary service of a debt counsellor to advise parents on consolidating debt and making small payments.

5.3.4 Forty five percent of schools in this survey revealed that school fees that are outstanding for more than a year are carried forward into the following year (refer to table 4.9). Similar findings have been made by McLennan (2006:12), where it has been noted that “fees were rarely set higher than one hundred rands and almost never paid” as well as by Bisschoff and Sayed (1999:310-315) who have also reported that principals have found that the “payment and collection of outstanding school fees posed a problem”. Outstanding school fees is a huge portion of a school’s income that is not received within the allocated time period. As public schools are nonprofit making organisations and budgets are planned for a fiscal year, one is obliged to question how do these schools function effectively without receiving this portion of its projected income. In such situations, schools should endeavour to use the services of debt recovery agencies to try to get parents to pay the outstanding school fees. This will ensure that adequate cash funds are available to ensure the ongoing operations and financial stability of the school.

5.3.5 Offering incentives is a good means to stimulate payment. In approximately forty seven percent of the schools surveyed parents utilize the incentives offered for the full payment of school fees by a stipulated date (refer to table 4.7). In order to improve the rate of payment of school fees, it is recommended that schools that do not currently offer incentives, for the full payment of school fees, consider different incentives, for example, offering ten percent discount on the total school fees payable for the year with the provision that the school fees are paid in full before the seventh of February, and factor this into the school budget in the future.

- 5.3.6 Forty five percent of the schools (refer to table 4.14) have found that, breaking the annual budget down into time periods, is effective. Twenty eight percent of respondents have indicated that the annual budget is not broken down into control periods. It is recommended that the annual budget is broken down into time periods as this would help to monitor actual expenditure against the intended expenditure and it will ensure that expenditures are properly authorized and subject to audit controls. Furthermore breaking down the annual budget into time periods, creates the opportunity for continuous financial control, through which adaptations and corrective actions can be effected in good time so that set goals may be reached.
- 5.3.7 Table 4.17 indicates that only twenty four percent of schools are using zero based budgeting and Table 4.16 shows that forty four percent schools are using incremental budgeting. Although both these approaches have advantages and disadvantages (as outlined in chapter two), Husain (2003:15) advises that “educational institutions should prepare their budgets on the basis of their main objectives and policies.” The author further reiterates that organizations prepare budgets in order to ensure an efficient allocation of funds in order to accomplish their objectives as economically as possible.
- 5.3.8 Twenty six percent of respondents have indicated that the school’s investment account has not been approved by the GDE (refer to Table 4.29). This indicates a deviation from GDE policy. Although schools are non-profit making organisations, the effective and efficient management of its’ finances and financial accountability should be aligned with profit making organisations. To ensure accountability and compliance to GDE policy it is recommended that SGBs of these schools, firstly, seek the approval of parents for the maintenance of an investment account at the annual general meeting and secondly apply annually to the MEC for education for permission to invest surplus money in a second bank account.

5.3.9 Strategic plans identify strategies for future activities and operations, covering at least five years. The school budget and the strategic plan should be closely linked. Table 4.35 indicates that fourteen percent of schools surveyed do not have a strategic plan. The lack of a strategic plan implies that the school has undertaken very little or no financial resource planning for the future. A strategic plan helps management to ensure that all attention is not focussed on the short term, as budgets are generally seen as one-year period plans. Strategic plans encourage managers to develop an overall direction for the school, foresee problems, and develop future policies and projects, for example, building a swimming pool for the school or extending the computer laboratory. Hence it is recommended that all schools do financial resource planning for the future and develop effective strategic plans, that will ensure overall school improvement.

5.3.10 Figure 4.10 indicates that twenty two percent of respondents have revealed that the SGB does not monitor the collection of school fees closely at their respective schools. These findings affirm the Ministerial Review Committee's report (2004: 104), which cited that "SGBs do not regularly and consistently manage the challenge of fund raising and monitoring school fees." Mestry (2006:35) outlines the following three guidelines for principals and members of school governing bodies to manage the school finances more effectively and efficiently:

*5.3.10.1 Drafting and implementing the school's financial policy.* The formulation of rules and regulations for handling the money/assets of the school in the financial policy is necessary. The policy should clearly state the procedures for handling school fees, donations, post dated cheques, authorisation for cheque payments, signatories to the bank account, bank overdrafts, trust accounts, documentation, recording transactions, and every aspect related to the school's finances. A clear set of rules must be drawn up when collecting school fees and this must be communicated to the parents, for

example, no educator will be allowed to collect monies from learners. Only the finance officer is responsible for collecting school fees from parents or learners. A receipt must be issued for monies received and all monies received must be deposited the same day if the circumstances allow for such action.

*5.3.10.2 Training school governing bodies in financial management.*

Training in financial management is fundamental in preparing and equipping school managers with financial skills. Every member of the SGB must receive training. Where provincial departments are unable to provide the training to every member because of cost implications, schools should form partnerships with tertiary institutions or other service providers that offer training in financial management. The training should enable the SGB to be responsible and accountable for funds that have been received for the attainment of specific school objectives. It will also equip them to make a contribution towards the improvement of the overall quality of teaching and learning at the school.

*5.3.10.3 Committees and sub-committees of the school governing body.*

According to section 30 of the SASA, the SGB may form committees and sub-committees. School governing bodies may delegate various financial functions to committees especially set up to manage aspects of the school's finances. They may also delegate these functions to individuals who have the necessary expertise, specialised knowledge or skills in school's finances. It is essential, however, that the finance committee should coordinate the activities of the various sub-committees. Good communication structures are also essential. Feedback from the SGB to the finance committee and various sub-committees and backwards is critical for the effective management of the school's finances.

- 5.3.11 The finance committee of the SGB has a pivotal role to play in managing the finances of the school. Mestry (2006: 36) therefore recommends that, where members of the SGB have little or no knowledge regarding financial matters and procedures, they should solicit the services of an expert with sound financial knowledge from the community, or co-opt someone with the necessary knowledge and expertise from outside the parent community. Where schools cannot co-opt members with the necessary financial knowledge and skills to assist in managing the funds of the school, the department of education should provide the necessary support to the SGBs of these schools.
- 5.3.12 Mestry (2006: 36) further reiterates that it is vital for the finance committee to conduct regular meetings to discuss financial matters. Decisions relating to financial matters taken by the finance committee must always be ratified by the SGB, as this body is accountable for the school funds even though most of the financial functions may be delegated to the finance committee.
- 5.3.13 Furthermore financial reports should be produced monthly for the SGB and the format and content of these reports should enable the members of the SGB to make informed and timely decisions. To ensure sound financial management, schools are advised to have budgets that have been approved by the department of education, and to ensure that these budgets are monitored monthly by the finance committee of the SGB.
- 5.3.14 In addition to the above recommendations, a very practical and useful recommendation regarding financial management in schools has been made by the Ministry of Education in New Zealand. The handbook, (Financial Information For Schools) published by the Ministry of Education in New Zealand (2007:06) suggests the establishment of a team of approximately six financial advisers per district who are able to provide guidance, advice and support to schools. This financial advisory service should be available to all

schools and the following are examples of the type of services that should be provided by the team:

- Assisting principals and SGBs when the schools face financial problems
- Assisting schools to develop financial policies and finance systems
- Guidance on the preparation of school budgets
- Provision of “best practice” examples
- Providing technical accounting advice to schools that require it
- Facilitating financial management workshops
- Producing training material for schools
- Producing self review material for schools
- Facilitating contact between schools and their auditors and accounting service providers

The financial advisers should be available by phone and email and should visit schools to discuss any problems schools are experiencing. Instituting this team of financial advisors per district will alleviate many of the financial problems experienced by schools, as this will ensure that schools can get the necessary financial guidance and assistance as and when required.

#### **5.4 CONTRIBUTIONS OF THE STUDY**

As SGBs have the responsibility of implementing financial policy and of preparing the school’s budget, the SGBs must take every step necessary to ensure that the school budget is prepared on the basis of the school’s main objectives and policies. This will ensure an efficient allocation of funds to accomplish the main objectives of the school as economically as possible.

As schools are community organisations and need the financial support of parents to function effectively, it is imperative that parents be kept informed of processes pertaining to school fees and of resolutions passed at parents’ meetings. As some parents are unable



to attend all such meetings, school principals and SGB members must endeavour to ensure the dissemination of such pertinent information to parents' as soon as possible. The need for early intervention, by SGBs, concerning outstanding school fees cannot be over emphasized.

Finally to improve financial management and accountability at public schools the Department of Education should consider the establishment of a team of financial advisers per district to advice and support schools on various financial matters.

## **5.5 LIMITATIONS OF THE STUDY**

This study has the following limitation: The study was limited to twenty five public primary schools in the Ekurhuleni South District of the Gauteng Department of Education. The results therefore cannot be generalised to other regions, districts or provinces. Another limitation of the study was the small sample size. Larger sample sizes including other districts may enhance the understanding of the extent of implementation of proper financial management and measures within public schools. It should be noted that these limitations do not nullify the conclusions emerged from the study.

## **5.6 SUGGESTIONS FOR FURTHER RESEARCH**

Researchers within the financial management domain may examine priorities that are implemented and the monitoring of available funds from various sources. The relationship with academic performance of learners and resource availability in terms of funding may also provide 'rich' experiences for future research.

In addition, research should be extended into a study to other districts in order to obtain a comprehensive understanding of the application of financial policy and management in public schools. A study of public and private schools financial management and policies could also provide meaningful comparisons in future studies. These results may provide

various strengths and weaknesses with regard to financial management and budgeting within different contexts.

## **5.7 CONCLUDING REMARKS**

Among the important aspects in improving financial management of public schools are activities such as annual budget planning, delineating the roles of various committees with budget responsibilities, setting criteria for budget allocation, and regular monitoring of the budget.

Although this study focussed on public primary schools in the Ekurhuleni South District of the Gauteng Department of Education, the principles for sound financial management portrayed in this study may be applicable to all schools.

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Persal No. 11020288

Mrs. B. Naidoo

P.O. Box 2723

Alberton

1450

22 October 2007

The District Director

Mr. M. Nkonyane

Fuchs Building

Old Vereeniging Road

Alrode

Dear Sir

**Request: Permission to Conduct Research**

I am currently employed by the GDE and in the process of completing the M.Ed. degree in educational management through UNISA.

I hereby seek permission to conduct research at schools in the Ekurhuleni South District via a questionnaire. Principals/ chairpersons of SGBs will be required to complete the questionnaire based on financial management at their schools. All information obtained from the schools will be held in strict confidence and the participants in this survey will remain anonymous.

Thanking you for your kind consideration of the above.

---

Mrs. B. Naidoo

The Principal and Members of the SGB

Dear Sir / Madam

**Request to Participate in Research Study**

I am currently conducting research on Financial Management in selected public primary schools in Gauteng ( Ekurhuleni South District). In this dissertation I aim to determine how principals and SGBs implement financial policy at schools, examine how principals and SGBs make decisions about budgeting, fee setting and financial resources allocated by the state and make recommendations on the budgeting process.

I hereby seek your participation in this research study. Your participation will entail completing a questionnaire on the financial management practices at your school. The questionnaire is anonymous and all information obtained from the school will be held in strict confidence. Names of participants and names of schools will not be disclosed. However, an analysis of the responses to the questionnaire will be done and used in my dissertation.

It will be greatly appreciated if the principal, chairperson of the SGB and the treasurer of the SGB (or three members of the schools' financial committee) could each complete a copy of the attached questionnaire.

Your participation in this research study is greatly appreciated.

Kind Regards

Bharathi Naidoo

<b>FINANCIAL MANAGEMENT IN SELECTED PUBLIC PRIMARY SCHOOLS</b>
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<b>QUESTIONNAIRE</b>
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The response to this questionnaire and all information obtained from the school will be held in strict confidence. Please do not write the name of the school on this questionnaire.

<b><u>SECTION A: BIOGRAPHICAL DETAILS</u></b>
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*Please complete the following by placing a tick in the appropriate column.*

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2	<p><b>Please indicate your current position held at the school.</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Secretary of the SGB</td> <td style="width: 20%;"></td> </tr> <tr> <td>2. Treasurer of the SGB</td> <td></td> </tr> <tr> <td>3. Chairperson of the SGB</td> <td></td> </tr> <tr> <td>4. Principal</td> <td></td> </tr> </table>	1. Secretary of the SGB		2. Treasurer of the SGB		3. Chairperson of the SGB		4. Principal		<table border="1" style="width: 100%; height: 20px;"> <tr> <td></td> </tr> </table> 7			
1. Secretary of the SGB													
2. Treasurer of the SGB													
3. Chairperson of the SGB													
4. Principal													
3	<p><b>Into which of the following experience-categories does your involvement (years served) with public primary education fall?</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. 1 to 5 years</td> <td style="width: 20%;"></td> </tr> <tr> <td>2. 6 to 10 years</td> <td></td> </tr> <tr> <td>3. 11 to 15</td> <td></td> </tr> <tr> <td>4. 16 to 20</td> <td></td> </tr> <tr> <td>5. More than 20 years</td> <td></td> </tr> </table>	1. 1 to 5 years		2. 6 to 10 years		3. 11 to 15		4. 16 to 20		5. More than 20 years		<table border="1" style="width: 100%; height: 20px;"> <tr> <td></td> </tr> </table> 8	
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4. 16 to 20													
5. More than 20 years													

4	<p><b>My understanding of financial management is:</b></p> <table border="1"> <tr> <td data-bbox="300 336 787 373">1. Limited</td> <td data-bbox="787 336 860 373"></td> </tr> <tr> <td data-bbox="300 373 787 411">2. Fair / Acceptable</td> <td data-bbox="787 373 860 411"></td> </tr> <tr> <td data-bbox="300 411 787 449">3. Good</td> <td data-bbox="787 411 860 449"></td> </tr> <tr> <td data-bbox="300 449 787 487">4. Excellent</td> <td data-bbox="787 449 860 487"></td> </tr> </table>	1. Limited		2. Fair / Acceptable		3. Good		4. Excellent		<table border="1"> <tr> <td data-bbox="1193 357 1380 399"></td> </tr> <tr> <td data-bbox="1274 399 1299 430">9</td> </tr> </table>		9				
1. Limited																
2. Fair / Acceptable																
3. Good																
4. Excellent																
9																
5	<p><b>Please indicate your highest qualifications, eg Matric / Post Matric Qualification</b></p> <table border="1"> <tr> <td data-bbox="300 672 860 709">1. Matric</td> <td data-bbox="860 672 958 709"></td> </tr> <tr> <td data-bbox="300 709 860 747">2. Post matric diploma</td> <td data-bbox="860 709 958 747"></td> </tr> <tr> <td data-bbox="300 747 860 785">3. Degree</td> <td data-bbox="860 747 958 785"></td> </tr> <tr> <td data-bbox="300 785 860 823">4. Honours degree</td> <td data-bbox="860 785 958 823"></td> </tr> <tr> <td data-bbox="300 823 860 861">5. Masters degree</td> <td data-bbox="860 823 958 861"></td> </tr> <tr> <td data-bbox="300 861 860 898">6. Doctorate</td> <td data-bbox="860 861 958 898"></td> </tr> </table>	1. Matric		2. Post matric diploma		3. Degree		4. Honours degree		5. Masters degree		6. Doctorate		<table border="1"> <tr> <td data-bbox="1193 724 1380 766"></td> </tr> <tr> <td data-bbox="1291 766 1339 808">10</td> </tr> </table>		10
1. Matric																
2. Post matric diploma																
3. Degree																
4. Honours degree																
5. Masters degree																
6. Doctorate																
10																

**SECTION B: SCHOOL DETAILS**

6	<p><b>Please state the number of learners enrolled at the school</b></p> <table border="1"> <tr> <td data-bbox="706 1197 763 1239"></td> <td data-bbox="763 1197 820 1239"></td> <td data-bbox="820 1197 876 1239"></td> <td data-bbox="876 1197 933 1239"></td> </tr> </table>					<table border="1"> <tr> <td data-bbox="1193 1165 1242 1207"></td> <td data-bbox="1242 1165 1291 1207"></td> <td data-bbox="1291 1165 1339 1207"></td> <td data-bbox="1339 1165 1380 1207"></td> </tr> <tr> <td colspan="4" data-bbox="1291 1207 1339 1239">14</td> </tr> </table>					14			
14														
7	<p><b>Please state the number of educators deployed at the school (including those that are employed by the SGB)</b></p> <table border="1"> <tr> <td data-bbox="755 1459 812 1501"></td> <td data-bbox="812 1459 868 1501"></td> <td data-bbox="868 1459 925 1501"></td> </tr> </table>				<table border="1"> <tr> <td data-bbox="1193 1407 1250 1449"></td> <td data-bbox="1250 1407 1307 1449"></td> <td data-bbox="1307 1407 1380 1449"></td> </tr> <tr> <td colspan="3" data-bbox="1291 1449 1339 1480">16</td> </tr> </table>				16					
16														
8	<p><b>The school is situated in</b></p> <p><i>Please mark the appropriate column with a tick</i></p> <table border="1"> <tr> <td data-bbox="300 1711 787 1749">1. An urban area, city centre</td> <td data-bbox="787 1711 860 1749"></td> </tr> <tr> <td data-bbox="300 1749 787 1787">2. An urban area, suburb</td> <td data-bbox="787 1749 860 1787"></td> </tr> <tr> <td data-bbox="300 1787 787 1824">3. A rural area</td> <td data-bbox="787 1787 860 1824"></td> </tr> <tr> <td data-bbox="300 1824 787 1862">4. A township</td> <td data-bbox="787 1824 860 1862"></td> </tr> </table>	1. An urban area, city centre		2. An urban area, suburb		3. A rural area		4. A township		<table border="1"> <tr> <td data-bbox="1193 1701 1380 1743"></td> </tr> <tr> <td data-bbox="1291 1743 1339 1774">18</td> </tr> </table>		18		
1. An urban area, city centre														
2. An urban area, suburb														
3. A rural area														
4. A township														
18														

9	<p><b>Is the school a former Model C institution?</b></p> <p><i>Please mark the appropriate column with a tick</i></p> <table border="1"> <tr> <td>1. Yes</td> <td></td> </tr> <tr> <td>2. No</td> <td></td> </tr> </table>	1. Yes		2. No		<table border="1"> <tr> <td></td> </tr> </table> <p>19</p>	
1. Yes							
2. No							
10	<p><b>Majority of the learners enrolled at the school reside</b></p> <p><i>Please mark the appropriate column with a tick</i></p> <table border="1"> <tr> <td>1. within the vicinity of the school and walk to and from the school</td> <td></td> </tr> <tr> <td>2. away from the school and use public transport to and from the school</td> <td></td> </tr> </table>	1. within the vicinity of the school and walk to and from the school		2. away from the school and use public transport to and from the school		<table border="1"> <tr> <td></td> </tr> </table> <p>20</p>	
1. within the vicinity of the school and walk to and from the school							
2. away from the school and use public transport to and from the school							

**SECTIONS C, D AND E**

Next to each statement, please circle the number that best expresses the extent to which you agree or disagree with the statement. There is no right or wrong answer. Please circle only one number for each statement.

**Please use the following scale / key to guide your decision.**

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree

**SECTION C : SCHOOL FEES**

11	01	In terms of section 39 (1) of the SASA, school fees are charged at the school as a resolution to do so has been adopted by a majority of parents.	1	2	3	4	5	
	02	In terms of section 39 (1) of the SASA, parents of learners at the school are consulted annually before school fees are levied	1	2	3	4	5	
	03	In terms of section 39 (2b) of the SASA, parents of learners at this school are informed of the equitable criteria and procedures for the total, partial or conditional exemption of parents who are unable to pay school fees.	1	2	3	4	5	
	04	Parents of learners at the school are liable for the payment of school fees	1	2	3	4	5	
	05	School fees are carefully determined after a careful analysis of the operational requirements of the school	1	2	3	4	5	
	06	The rules and procedures for handling school fees, post dated cheques etc. are clearly outlined in the school's financial policy	1	2	3	4	5	
	07	Most parents school fee accounts are up to date	1	2	3	4	5	

	08	Parents are offered incentives for the full payment of school fees by a stipulated date	1	2	3	4	5		
	09	Parents whose school fee accounts are outstanding are handed over to debt collectors after three months	1	2	3	4	5		
	10	School fees that are outstanding for more than a year are written off	1	2	3	4	5		
	11	The SGB monitors the collection of school fees closely	1	2	3	4	5		

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**SECTION D: BUDGETARY PLANNING**

12	01	In terms of section 38 of the SASA the SGB prepares a budget annually which shows the estimated income and expenditure of the school for the following year.	1	2	3	4	5	
	02	The school budget is drawn up annually in consultation with all stakeholders	1	2	3	4	5	
	03	The budgeting system that is used by the school is easy to follow	1	2	3	4	5	
	04	Funds received from the state is included in the budget	1	2	3	4	5	
	05	The money raised through the various fund raising events/ activities during the year is included in the budget.	1	2	3	4	5	
	06	The annual budget is broken down into time periods, eg. per school term	1	2	3	4	5	
		<b>The budget estimates are calculated using : (07-10)</b>						
	07	Last years actual figure	1	2	3	4	5	
	08	Last years actual plus a % increase	1	2	3	4	5	
	09	Last years budget plus a % increase (incremental budgeting)	1	2	3	4	5	
	10	A completely new estimate (zero based budgeting)	1	2	3	4	5	
	11	Only financial measures are used in drawing up the budget estimates	1	2	3	4	5	
12	Actual expenditures are compared with the budget estimates at the end of each year	1	2	3	4	5		

13	The school has a good cost saving mechanism in place	1	2	3	4	5	
14	The school has an effective expense monitoring mechanism in place	1	2	3	4	5	
15	Budget is strictly adhered to and an effective monitoring mechanism is in place	1	2	3	4	5	
16	In terms of section 38 (2) of the SASA, the school budget is presented annually to a general meeting of parents for consideration and approval by a majority of parents present and voting.	1	2	3	4	5	
17	In terms of section 38 (3) of the SASA, parents are informed that the budget is available for inspection at the school at least 14 days prior to the general meeting of parents.	1	2	3	4	5	
							48



**SECTION E: FINANCIAL MANAGEMENT**

13	01	The SGB manages the finances of the school	1	2	3	4	5	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	02	A duly elected finance committee exists and is effective	1	2	3	4	5	
	03	The school has a comprehensive financial policy	1	2	3	4	5	
	04	The financial policy was drawn up in consultation with all stakeholders	1	2	3	4	5	
	05	The school's financial policy provides clear direction on the use of funds and resources	1	2	3	4	5	
	06	All decisions pertaining to the finances of the school are made in accordance with the financial policy	1	2	3	4	5	
	07	A needs analysis is undertaken before resources are purchased for the school	1	2	3	4	5	
	08	The school has only one bank account and all funds received by the school are deposited in this account	1	2	3	4	5	
	09	The school's investment account has been approved by the GDE	1	2	3	4	5	
	10	The finance officer at the school keeps R1000 or less as petty cash	1	2	3	4	5	
	11	The imprest system is used to monitor the use of petty cash	1	2	3	4	5	
	12	Strict monitoring and control is exercised during fund raising events at the school	1	2	3	4	5	
	13	Audited financial statements are provided to the GDE annually	1	2	3	4	5	
	14	Financial irregularities are attended to in terms of policy	1	2	3	4	5	
	15	The school has a strategic financial plan and abides by it	1	2	3	4	5	

**THANK YOU FOR YOUR TIME AND VALUABLE INPUT. YOUR INPUTS WILL MAKE A VALUABLE CONTRIBUTION IN ENHANCING FINANCIAL MANAGEMENT IN PUBLIC PRIMARY SCHOOLS**

**Item Total Correlations – Section C Item-Total Statistics  
Annexure D**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
C1	33.94	125.316	.784	.795	.923
C2	33.87	122.574	.851	.889	.919
C3	33.78	124.863	.823	.852	.921
C4	33.87	122.932	.839	.805	.920
C5	33.81	122.053	.908	.884	.917
C6	33.84	131.396	.716	.612	.926
C7	35.25	133.961	.639	.559	.929
C8	34.70	126.265	.702	.721	.927
C9	35.05	128.920	.613	.646	.931
C10	35.11	144.000	.259	.320	.943
C11	34.11	127.179	.765	.666	.924

**ITEM TOTAL CORRELATIONS – SECTION D**

**ANNEXURE E**

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
D1	61.07	139.775	.699	.727	.896
D2	61.48	130.301	.743	.728	.891
D3	61.25	137.703	.601	.612	.897
D4	61.11	144.098	.335	.571	.903
D5	61.66	137.251	.413	.385	.903
D6	62.31	130.754	.596	.574	.897
D7	61.81	127.889	.708	.667	.892
D8	61.77	137.398	.452	.494	.901
D9	62.36	139.038	.331	.429	.906
D10	62.89	140.195	.327	.476	.906
D11	61.76	139.770	.427	.390	.901
D12	61.60	129.169	.786	.723	.890
D13	61.76	134.380	.647	.721	.895
D14	61.66	131.348	.719	.825	.892
D15	61.81	136.792	.614	.704	.896
D16	61.31	132.754	.677	.809	.894
D17	61.63	128.359	.722	.798	.892

**ITEM-TOTAL-CORRELATIONS – SECTION E**

**ANNEXURE F**

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
E1	55.86	105.791	.720	.656	.879
E2	56.21	102.726	.578	.627	.883
E3	55.89	104.810	.769	.766	.878
E4	56.29	98.992	.748	.838	.875
E5	55.96	102.872	.849	.876	.875
E6	55.95	102.630	.797	.850	.876
E7	56.21	99.764	.766	.766	.875
E8	55.69	114.623	.195	.212	.897
E9	56.81	109.800	.228	.241	.904
E10	56.44	107.869	.326	.506	.897
E11	56.86	105.437	.416	.611	.892
E12	56.11	103.823	.679	.705	.879
E13	55.52	112.328	.507	.480	.887
E14	55.78	108.075	.633	.684	.883
E15	56.34	99.594	.727	.824	.876

