FINANCIAL MANAGEMENT IN SOUTH AFRICAN PUBLIC SCHOOLS: PERSPECTIVES FROM PRINCIPALS

Gawie Schlebusch1, Matsolo Mokhampanyane2

1Central University of Technology, Welkom, South Africa; gschlebu@cut.ac.za
2Central University of Technology, Welkom, South Africa; mmokhamp@cut.ac.za

Abstract. Compliance to the law and policies that govern public schools in South Africa is fundamental in ensuring effective and efficient use of school funds. Compliance can mitigate the role confusion between the respective duties of the school principal as the manager of the school and the School Governing Body (SGB). This aim of the study was to identify the gap on compliance from the principals’ point of view. The qualitative design with phenomenological approach was used, and data was collected by means of semi-structured interviews with purposefully sampled principals. The literature and findings reveal that many SGB chairpersons are still profoundly reliant on principals regarding financial decisions and management at schools. This indicates the perpetuation of role confusion where school principals regard themselves as accountable for school funds. Even though financial management challenges in public schools have been researched before, the study found that such challenges still occur and hamper effective financial management by both the principals and SGBs.

INTRODUCTION

There are several legal documents that can be referred to when dealing with school funds. In this article, the authors focus on the Constitution of the Republic of South Africa (Act No. 108 of 1996) (1996a) and South African Schools Act (SASA) (Act No. 84 of 1996) (1996b). The Constitution is the highest law of South Africa; any law or conduct which is against it is invalid. Obligations enacted by the Constitution must be fulfilled (RSA
Constitution. The allocation of funds in public schools in the South African education sector has been informed by various sections of the Constitution, inter alia, the rights to education and equal enjoyment of rights. Like any other law in South Africa, SASA is aligned with the Constitution. The Constitution and SASA have opened the door for most of the children who were disadvantaged by apartheid to access basic education (Mistry, 2017). Mpilo (2016) states that SASA was promulgated to change and drive the new education system in South Africa and came into effect in January 1997. The objective of the act is to provide a uniform system for the administration, governance, and funding of public schools. Mohapi, Chombo, and Nur Hamid (2021) suggest that SASA was authorized by legislation as the initial effort to engage communities in school governance, serving both as a means to involve communities and as a framework for school management.

It is important to note initially that principals serve as members of both the finance committees and School Governing Bodies (SGBs) in their respective schools. Section 21 schools, as defined in the South African Schools Act (SASA), specifically fall under Section 21 of this legislation. Sections 21(1) (a) to (e) outline the authority of the SGB to apply to the provincial head of department for various purposes, such as preserving and enhancing school property, determining extracurricular activities, purchasing textbooks, and procuring services for the school. Upon approval of such applications, the mentioned actions are decentralised to the school level. The decentralisation of powers to Section 21 schools aims to enhance the quality of education, focusing not only on physical resources like classrooms and textbooks but also on instructional methodologies. In the realm of education, decentralisation is anticipated to streamline school management, including resource mobilisation and allocation. This study concentrates on Section 21 public schools. Section 34 of SASA mandates the state to fund public schools adequately from public revenue to ensure equitable education provision and address historical inequalities. Ngobeni (2015) emphasises Section 38, which directs SGBs to prepare annual budgets in accordance with instructions from the provincial Member of the Executive Council (MEC) for education, detailing projected income and expenses.

Mmako (2018) asserts that Section 15 of SASA grants public schools legal standing, empowering SGBs, predominantly composed of elected parent representatives, to make decisions and manage school funds responsibly. SGBs are entrusted with prioritising the school's interests in financial
matters. All public schools receive funding based on the National Norms and Standards for School Funding (NNSSF). Baloyi (2015) explains that the NNSSF considers factors such as the local poverty rate, unemployment levels, and community education levels to determine funding allocations, aiming for fairness and equity.

Ogbonnaya and Awuah (2019) describe the School Quintile System, where schools are categorised into five quintiles based on their socio-economic status, with Quintile 1 being the poorest and Quintile 5 the wealthiest. Quintiles 1 to 3 are non-fee-paying schools receiving more government funding per learner compared to Quintiles 4 and 5, which are fee-paying schools. There is an implicit expectation that schools within the same quintile across provinces should have similar socioeconomic statuses and standards (Ogbonnaya & Awuah, 2019). Furthermore, Section 34 of SASA reiterates the state’s responsibility to fund public schools using public revenue. Van Deventer and Kruger (2016) note that schools receive funding from both private and public sources, with private funding including parental fees and fundraising proceeds, while public funding is based on the school's poverty level. School finances must be managed meticulously to align with the approved annual budget, ensuring funds are utilised effectively for their designated purposes.

Section 34 of SASA stipulates that it is the responsibility of the state to fund public schools from public revenue. Van Deventer and Kruger (2016) indicate that schools are funded through individual funding or public funding. Individual funding includes school fees paid by parents, whereas public funding occurs when the state provides funding to a school taking the poverty level of the school into consideration. Beyonyi (2022) points out that schools obtain finance from three main sources, which are government funding, school fees, and organised fundraising campaigns by the school.

The financial contribution of the government public schools is allocated based on the fees charged by the school and the total budgetary position of a provincial department of education. Mmako (2018) states that the government’s intent of equity in educational provisioning supports the NNSSF prescriptions which transformed schools into quintiles determined by the national Minister of Basic Education. Through SASA, the government has an obligation to fund schools from the public revenue on an equitable basis to ensure that quality education is possible. Manamela (2014) points out that the SGB relies on the following sources of income –
school fees paid by parents, sponsorships and donations by community groups and businesses. The government funds allocated to schools are insufficient to cover all the needs of the schools and it is imperative for SGBs to supplement such government funding.

Schools are permitted to solicit investors in terms of SASA (Section 36) that stipulates that SGBs of public schools must take all reasonable measures within their means to supplement the resources supplied by the state to improve the quality of education. School fees can thus be charged by Quintile 4 and 5 schools in addition to the state funding received. It must be mentioned that the state contribution to the latter two quintiles is much less than the allocation to Quintile 1-3 schools. Sub-section 4(a) orders that SGBs may, with the approval of the MEC, lease, convert or alter immovable property of the school to provide for school activities or to supplement the school funds. SGBs may allow any person to conduct any business on school property to supplement school funds but may not allow any activity on school property that is hazardous or disruptive to the teaching and learning process.

Mmako (2018) indicates that funding from the state and through school-fees often needs to be supplemented by means of fundraising at schools. The SGB is supported by SASA to derive such means to supplement the funds that are allocated by the state to meet the school needs. Buys et al. (2020) state that the organisation of fundraising projects is an important aspect of supplementing school finances. The school should have a fundraising policy that provide guidelines on the various aspects of fundraising events. The policy should also provide clear instructions to ensure that all the money raised, as well as any donations received, is accounted for and processed through the financial records of the school. The policy should also provide a system that manages the fundraising projects at a school to prevent fundraising exhaustion of the community that supports the school.

Van Deventer and Kruger (2016) note that financial difficulties are being experienced in education in South Africa. Schools are expected to deliver quality teaching and learning while the annual budget provided is not enough. This places a huge responsibility on principals and SGBs to manage funds with extra care and accountability. According to Ngobeni (2015), SASA calls for SGBs to be more frugal and answerable in their management of schools' finances, which are one of their most challenging responsibilities, since for many SGBs financial management is an area in
which they have little or no training. In such cases, they regularly rely on the principal to guide them to make financial decisions (Sebidi, 2023).

Rangongo (2016) finds that financial committees at many schools are dysfunctional. The financial committee is a sub-committee of the SGB tasked to deal with the financial aspects of the school and report directly to the SGB. Principals are members of both the financial committee and the SGB. The schools have approved operational budgets, but there is not always compliance in accordance with the prescripts of SASA. Ngobeni (2015) states that the shocking reality in many schools is that budgets are poorly compiled, or they do not exist, and in instances where budgets do exist, variance reports are never generated, and bank reconciliation statements are rarely compiled.

Thenga (2012) states that in some instances, the working relations between school principals and SGBs are not good. Lack of training of SGBs and the lack of synergy between the principal and SGB can have negative results on the management of school funds. Mpilo (2016) agrees, writing that the partnership is successful when SGB members are literate. The literacy levels of SGB members determine the extent to which they can perform their duties as prescribed by SASA. The formulation of policies, which requires a reasonable literacy level, is the responsibility of the SGB (of which the principal is a member). The partnership is not successful because the SGB members, especially in rural areas, do not have a prominent level of education and struggle with policy implementation. Such SGBs have difficulty in understanding their main purpose, which is to uphold the financial interests of their schools. They lack the necessary financial knowledge and skills, such as drafting and monitoring budgets and financial statements. As a result, many principals and SGBs admit their anxiety and pressure in managing school finances.

Aina and Bipath (2020) indicate that effective communication and collaboration among pertinent stakeholders in school financial management should foster clear decision-making. The problem therefore is that insufficient financial understanding, inadequate consultation, and a lack of transparency when stakeholders review their school's financial responsibilities can result in poor decision-making, hindering the school from fulfilling its primary goal of delivering quality education. The objectives of this study are to: (a) determine the financial responsibilities assigned to Section 21 principals; (b) identify the challenges faced by principals, in collaboration with SGBs, in the financial management of
Section 21 schools; and (c) explore potential optimal financial practices accessible to principals and SGBs of Section 21 schools.

METHOD

Tenny et al. (2022) state that qualitative research offers a distinct advantage in its ability to explain the intricacies of human behaviour, which may present challenges in quantification. Phenomena such as experiences, attitudes, and behaviours can be difficult to precisely quantify, whereas qualitative methods allow participants to express, in their own words, the nuances of their thoughts, emotions, and experiences during specific times or events of interest. In this study, a qualitative design is employed to investigate participants' perspectives and the significance they attribute to financial management in their schools. The study adopts a phenomenological approach to elucidate the lived experiences of participants. Phenomenology involves setting aside preconceptions and gathering data on how individuals interpret a particular experience or situation (Tomaszewski et al., 2020). Through this approach, the authors seek to delve into participants' actual experiences to gain insights into their perceptions of those experiences.

In qualitative research, a purposeful small sample is often utilised to enhance depth rather than breadth of comprehension (Palinkas et al., 2015). This approach involves selecting participants expected to provide pertinent and valuable insights, thus optimising the use of limited research resources (Palinkas et al., 2015). The rationale for using a purposive strategy rest on the premise that participants may possess unique opinions on the concepts and topics of a particular study, necessitating their inclusion in the sample. Purposive sampling was used to gather detailed information from participants pertaining the phenomenon under study. The sample comprised of five principals of Section 21 public secondary schools in the Lejweleputswa education district in the Free State province of South Africa. The semi-structured interview is a qualitative data gathering method wherein the researcher poses a sequence of pre-established yet open-ended questions to the participants (Wishkoski, 2020). Semi-structured interviews were utilised to collect comprehensive data from participants. This method enabled the authors to employ predetermined questions while retaining the flexibility to delve deeper for clarification as necessary.

Thematic analysis serves as a qualitative research technique utilised by researchers to methodically arrange and examine the collected data. This
method entails identifying overarching themes capable of encapsulating the narrative qualitative data by thorough reading and re-reading of transcribed data. Employing a rigorous approach to thematic analysis can yield insightful and reliable findings (Nowell et al., 2017). The process of data analysis involved a systematic approach encompassing coding, categorisation, and interpretation to offer insights into a singular phenomenon under investigation. Thematic analysis was utilised, wherein the data gathered from in-depth interviews were carefully reviewed to discern patterns and identify pertinent themes. He method describes the steps taken during the research.

RESULTS AND DISCUSSION
The following themes emerged through data analysis and are reported on:

**Theme 1: Principals’ financial responsibility**
All principals claimed that their responsibility was to act as accounting officers, representing the Member of Executive Council for Education (MEC). Principal D: “My financial responsibility of the school is to be there as the eye of the provincial head of finances which is HOD.” They said that there should be accountability for money spent from the school account. Evidentiary documents must be available regarding how the school funds were used. Principal E: “My financial responsibility as the principal I am an accounting officer. Every cent that leaves the school coffers and comes to school coffers I must account for it. And there must be paper trail of every money that comes and leaves the school coffers.” Principal C said: “I am signatory. I check that if we have budgeted for x amount, we do not exceed the budgeted amount. I ensure that we use the allocation that we got, for instance the department give us that certain amount forty nine percent is for recurrent costs electricity and so forth. And fifty percent is for stationery and textbooks and one percent is for maintenance like when the windowpane are broken and so forth. So, mine is to check that the amount that was given of textbooks and stationaries has been used accordingly.”

One of the interviewed principals noted that school funding was received from the government. The principals should use the money for what it was intended and that accountability for the usage of school funds should be applied. Principal D: “Remember these are the funds that are allocated by the government, before I talk about the department of education. And as a result, I must make sure that the funds are utilised for what they have been budgeted for. The funds of the school are not misused, and there is accountability in as far as the funds are utilised.”
**Theme 2: Financial training for principals**

Most principals said they had not received any financial management training, although the department of education did offer management workshops from time to time to them and the entire SGB financial management. Principal A stated: “I do not have any formal training, but the department has organised something. The department have organised training for finance committee and the SGB. After the training session we set down and reflected to see that they have understood.” The principals stated that they also learned from colleagues and principals who had more knowledge of finances. The Economic and Management Sciences (EMS) and accounting educators were consulted on certain aspects of finances. Principal B commented: “Unfortunately, I haven’t received any, but fortunately when I was still doing my leadership and management, I also did it through Central University of Technology (CUT). There was also a module on finances, so basically, I am drawing all my knowledge from that and the other its reference to other colleagues. I am not working in a vacuum, if there is something that really sort of complicates everything for me, then I consult with my colleagues, yes, we have had some workshops but not specifically for principals, we have had workshops conducted by the department of education.”

All interviewed principals did not have extensive training regarding financial management. “No, we did in-service training that are being held by the finance committees of the district. Not necessary a real course where one will be taken to.” Principal B shared this view: “...when I was appointed as the principal, the orientation session that they do for us, they also put it as part of our training so that we should be able to run the finances. When new appointments are made for SGB, like now recently, we have the new SGB, department will call the entire SGB, and I am part of SGB, and training will be done.”

**Theme 3: Challenges in financial management**

All interviewed principals complained seriously about the delay in the budget allocation from the Department of Basic Education (DBE). They said that the DBE deposited money very late into the school account. This led to deviations from the budget, as budgeted funds for a specific line item would have to be used to cover another line item on the budget. Principal C: “The allocation from the department, it takes long. They don’t deliver on time, they don’t allocate money as they are supposed to. And again because we also get to receive the allocation for NSNP, that is the
feeding scheme, sometimes the department will delay in transferring the money into the school account, so you have to make arrangements with the service providers, and now that we have Covid we were supposed to hire the screeners and the cleaners, we only got their stipends a month after they have already started working, so we have to pay from other allocations. And only got their allocation after, so that makes it having to juggle the funds from this item to that item.”

Another aspect mentioned by two principals was that of long-term contracts that had been signed by their predecessors. One mentioned a contract for surveillance cameras, and another mentioned a photocopier machine. They both believed that the SGB had not been properly advised when those contracts had been taken out. The schools were still committed to those contracts and, according to the principals, the contracts were exhausting the school budget. “There are some contracts that I feel that SGB was not advised correctly, and they are burdening the budget of the school, so the most difficult thing is, our parents, remember our parents are not really that informed. And then I felt, I have got a feeling that some of us as principals are taking advantage of that, and then later it catches with whoever is going to come into that space.”

Principals experienced the challenge of educators demanding a party or needing money for activities such as sports that had not been budgeted for – in some such cases, if the principal could not come up with the money, then it was considered that it must be because he was stealing school funds. Although a principal laughed about this kind of situation, the researcher picked up the seriousness of his concern about the inconsideration of educators regarding implementation of the budget. Principal A: “With teachers you are working with quite difficult people. They only see it, they deem it fit at that point in time, but they do not budget for that, so ‘ba batla party nou” (they want to party now). Educators when they need money for different activities e.g sports in particular and you call and inform them that there’s no money for that and was not budgeted for or you have gone way above your budget then the money that is here it is for re-current costs, they don’t take it well. Ultimately you will be labelled squandering the school money as a result of that because it is you who look into the school coffers, and you could see how little school have and how you distributed this money to. They will be labelling you.”

Only one principal mentioned the absence of a finance officer at her school, which increased her workload, as she had to engage in financial
aspects as well. “We do not have a financial clerk. So, it is a problem. The person who is responsible, does not have finances, it means I am overloaded. I must check even the capturing in the system if it is correct or what because the person has little knowledge, he is not an expert in finances. So is difficult sometimes to charge him if there is something wrong that happened.” Some principals were concerned about the reluctance of parents to participate in school financial matters such as fundraising. Principal C stated: “When we expect that parents will help us with funds raising, unfortunately in the background of our community, they do not help as expected. We find that we have budgeted for certain things and as a result we are unable to make them.”

Theme 4: Principals’ working relationship with SGBs
All principals said they had a very sound working relationship with their SGB. They also mentioned that their SGBs assisted with fundraising for the schools and meetings were held as planned. Principal E alluded that: “Fortunately, with my SGB we are working smooth, and I get to account to them every month, what I did with the funds, and up to this far I haven’t had any real challenge. They are cooperative, they are assisting, they are even, my SGB is even going out to look for sponsorships.” Another principal said they were fully transparent regarding money deposited into the school account. Discussion was held during the finance committee meetings, then once in three months they met with the SGB and gave them full reports of income and expenditure. They had a very sound relationship when it came to school’s finances primarily because of their transparency. Principal B asserted: “We have a very sound responsibility and relationship in terms of responsibility because we are transparent when there’s money deposited into school account. We discuss during the finance committee then once in three months as we meet with the SGB we give them the reports of the income and expenditure, so we’ve got a very sound relationship when it comes to schools’ finances because of transparency.”

Principal D said there had been improvements by the end of the term with her SGB. At the beginning of their term as SGB, there had been flaws, but improvement was seen by the end. She mentioned that, had it been up to her, she would have retained that SGB. “So far there is an improvement as compared to what used to happen initially. I was even talking to my former chairperson, they are supposed to make handing over next week to a new chairperson. I said you know when I look at the former SGB members have grown, if I had a choice I will recommend that the very same SGB members be given an opportunity, because there were flaws initially, but
because of the lessons learned with time now, they are better, they are able to be better advisers as well as myself as the principal. I have seen growth, but it comes with time.”

**Theme 5: Best practices in financial management**

Most principals identified cost minimising strategies that they had used as successful practice. One principal said that he had come up with the idea of common transport when educators travelled to workshops at the same destination. “Ya, number one is uh..., the issue of transportation, I felt that initially there were, the school was exhausting funds in allocating teachers for transportation, to go to workshops, if there was a workshop, every teacher will be allocated funds to attend that workshop. So, what I did, I then said, no, if you are going, if you are all going at the same place, use the common transport use the same transport, it sorts of reduced the expenditure.” He further mentioned that he changed suppliers if he found a cheaper one. “If say for instance, you are servicing us and you are, giving, let’s say you are giving us gas and your prices are cheaper and then if I find a better service provider I sort of then, back to change to the cheaper service provider.”

Another principal said that fundraising was one of her significant achievements at school. Parents were becoming actively involved in making sure that the school had funds. “I think fundraising is key. I have noted that since I have arrived here it has improved a lot. The parents are taking initiative see to it that they do help, but what I also find important is that the parents they want you to account for the money. If you do not account as schools how you utilise the funds, they won’t be keen.” Principal A indicated that he insisted on accountability as a good practice. He involved all the stakeholders at the school in the finances of the school. “Accountability for every cent being taken out, approval of every transaction that is being made and approval before any decision can be made.”

The findings lead to the following discussion. The principals understand the legal status of their schools as pointed out in Section 21 of SASA which states that the SGB may apply to the head of department to be allocated funds for functions such as maintaining and improving the school property, purchasing textbooks and paying for services to the school. The parents are the governors of the schools that need to be advised and always assisted. The principals believe that the parents are not interested
in the education of their children and that they do not contribute sufficiently to the budgeting process.

Principals receive directives in documents from the Department of Basic Education that guide them on how to compile the school budget. Before the budget is formulated the needs are ascertained from all stakeholders, including heads of departments at school, teachers, learners, and parents. The budget is then drafted by the Finance Committee (subsidiary committee of the SGB), approved by the SGB and submitted by the SGB to the parents present at the annual general parents’ meeting for adoption by 50% + 1 of the parents present.

It could be concluded that the financial responsibility of the school principal was to account for school finances from a management perspective. The procedure mandated by SASA to draw up the budget was followed at all schools involved in this study. Section 38 of SASA stipulates that before a budget is approved by the governing body, it must be presented to a general meeting of parents convened on at least 30 days’ notice, for deliberation and approval by most parents present and voting. The notice must also inform the parents that the budget will be available for examination at the school at least 14 days before the meeting. This process is normally managed by the principal as a member of the SGB.

Insufficient financial management training of principals seemed predominantly the case at all participating schools. The principals also did not engage in such training privately. The lack of training negatively affects the financial management process from the principals’ perspective. The study revealed that financial management challenges are evident at schools and that SGBs (including some principals) are not always able to successfully address such challenges. These challenges ranged from the delay in the deposit of allocated funds to schools by the provincial Department of Basic Education, to parents who are unwilling to assist with fundraising activities, to educators who seemed inconsiderate in their budget requests.

There generally seemed to be a good relationship between SGBs and principals. As only parents with children in a school can serve on the SGB, a continuing challenge is that SGBs are elected for a three-year cycle, and after such a cycle, a good working relationship must commence all over again with the newly elected members of the SGB.
CONCLUSION
In conclusion, this study has shed light on the financial responsibilities of Section 21 principals, revealing the intricate web of duties they are entrusted with. Furthermore, the challenges encountered by principals, working alongside SGBs, in managing the finances of Section 21 schools have been delineated, highlighting areas requiring attention and improvement. Moving forward, it is imperative to explore and implement optimal financial practices that can enhance the efficacy and transparency of financial management in Section 21 schools. By addressing these findings and recommendations, stakeholders can work towards fostering a more robust financial framework, ultimately benefiting the educational ecosystem, and ensuring the sensible utilisation of resources for the betterment of all involved.

BIBLIOGRAPHY
Manamela, K. (2014). Investigation into the financial problems of school governing bodies in Mogoshi circuit, Capricorn district, Limpopo province of South Africa. [Dissertation, University of Limpopo].


