

**CAPACITY BUILDING FOR EFFECTIVE SCHOOL FINANCIAL MANAGEMENT: ENSURING VALUE  
FOR MONEY**

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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(15 November 2018)

## DECLARATION

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## ABSTRACT

Schools today are entrusted with the duty of managing their funds in such a way that the educational outcomes of the primary beneficiaries of these funds are maximised. This places more responsibility on the school governing bodies as the legal custodians of these funds, at local level, which need to be used economically, effectively and efficiently. To achieve this, school governing bodies need capacity in the form of appropriate skills and knowledge needed to connect school funding to educational outcomes. This study focuses on how capacity building for school governing body can contribute to value for money in school financial management. It sought to examine possible impediments to effective financial management, which result from the existing gaps in the current capacity building programmes and the financial management frameworks and procedures relating to school financial management. A qualitative research methodology involving in-depth interviews with members of governing bodies and Circuit officials was followed to examine the problem and possible improvement strategies. Themes that emerged from the data include, comprehensiveness, duration and frequency of the training programme, competency of training facilitators, monitoring, assessment and evaluation and other follow-up modalities, presentation style of the training facilitators, internal records and audited financial statements, the involvement of senior officials in school financial management, and the effectiveness of financial management. Findings suggested that, training of SGBs in financial management is inadequate, training facilitators lack requisite skills, the duration of the training for SGBs is short, the training programme is not provided frequently, the training programme's presentation style is ineffective, mismatch between internal records and audited financial statements, lack of support and monitoring by circuit officials in the schools' financial management, questionable conduct of external auditors, and ineffective cluster approach by SGBs.

**Keywords:** financial accountability, capacity building, empowerment, value for money

## CHAPTER 1

### BACKGROUND AND INTRODUCTION TO THE STUDY

#### 1.1 INTRODUCTION

The South African government in fulfilling its Constitutional obligation of guaranteeing the right of learners to education and redressing past inequalities in education provisioning, funds schools from public revenue (RSA, 1996a). These funds have to be taken care of at school level to ensure that they are utilised cost-effectively. For this reason, the State has delegated decision-making power to school-level custodians as School Governing Bodies (SGBs). These custodians are legally entrusted with the responsibility of managing the funds effectively. The importance of effective financial management cannot be overemphasised in this regard. It ensures value for money to the funders, proper purchasing and tendering, preparation and submission of the school's annual budget for approval, trustworthy finance committees and principals who always act *intra vires* regarding their schools' funds, preparations of financial statements according to prescribed standards, timely submission of financial statements to auditors and presentation of same to relevant stakeholders, unqualified (clean) auditors' reports that always satisfy all stakeholders; and financial accountability of the finance committee to the SGB, parents and the Head of Department (HoD).

Effective financial management is attainable where the SGB's finance committee is adequately equipped with financial management skills. Prior to its assumption of this challenging financial management responsibility, the SGB has to undergo training offered in terms of Section 19 (1) (a) of the South African Schools Act (SASA) (RSA,1996b). Capacity building is therefore indispensable for effective financial management in schools.

#### 1.2 STATEMENT OF THE PROBLEM

The State in South Africa annually allocates large sums of money to schools. The SGBS are legally required to use this money and to account for its use in accordance with the provision of the school laws (RSA, 1996b). Despite the powers given to the SGBs over the allocated

funding, the SGBs appear to be incapable of carrying out this responsibility (Mbatsane, 2006). Mestry (2004) argues that large amounts of money allocated to schools in the country are misappropriated by the entrusted custodians and in some instances such misappropriation occurs through sheer violation of prescribed procedures. Continuous financial management training workshops for SGBs are held, yet the challenges seem to take the upper hand as forensic audit for schools' financial records is a common occurrence in South Africa.

### **1.3 AIM OF THE STUDY**

Stated against the background of the problem statement presented above, the aim of this study was to examine how capacity building for school governing body can contribute to value for money in school financial management.

Arising from the main aim, the following were the objectives of the study:

- to study the extent to which the school governing body carries out its legislative mandate of managing school finances;
- to understand the attitudes of members of the school governing body towards current financial management training offered to them; and
- to develop possible capacity-building strategies for improving the school governing body's performance in school financial management.

### **1.4 RESEARCH QUESTIONS**

In order to achieve its aim as stated above, this study sought answers to the main question: How can capacity-building for the school governing body contribute to value for money in school financial management?

From the main research question stated above, the following sub-questions were raised to guide the study:

- To what extent does the school governing body carry out its legislative mandate of managing school finances?
- What are the attitudes of members of the school governing body towards current financial management training offered to them?
- What possible capacity-building strategies can be developed for improving the school governing body's performance in school financial management?

## **1.5 PRELIMINARY LITERATURE REVIEW**

The study sought to probe the capacity of the SGB in terms of executing its legislative mandate of managing school finances. The study focussed on how the SGBs are empowered to execute their financial management responsibility, the scope of financial responsibilities they have to cover and the adequacy of the current capacity building programmes as matched against the nature of their responsibilities.

### **1.5.1 Constitutional and legislative imperatives underpinning the involvement of the SGBS in school funding**

#### **1.5.1.1 Constitutional imperatives underpinning the involvement of the SGBs in public school funding.**

Section 195 (1) of Chapter 10 of the Constitution of the Republic of South Africa (RSA, 1996a) sets out the basic values and principles governing public administration. Those basic values and principles include *inter alia*, the following:

**1.5.1.1.1 *Promotion and maintenance of high a standard of professional ethics:*** People executing public administration are expected to act in good faith within the confines of morality. In an attempt to enforce professional ethics and standards, professional bodies have been established where public administrators are compelled to subscribe as members. Any contravention of or non-compliance with prescripts of such bodies have consequences to contravening members. In terms of Section 16 (2) of the South African Schools Act, a governing body stands in a position of trust towards the school. The school governing body should act *bona fide* by maintaining good standards of conduct and moral behaviour. Conflict of interest surfaces frequently in SGB corruption cases. Heystek (2006: 274) maintains that being a member of the SGB means an individual accepts the trust vested in them, which means the member must act in good faith and with due diligence towards the school. The National Associations of School Governing Bodies is one such professional body that seeks to enforce the promotion and maintenance of high standards and professional ethics of SGBs country-wide.

The lack of knowledge on the part of the SGB leads to numerous accounts of contravention of professional ethics. The SGB's unethical conduct includes among others, the signing of blank

cheques with the pretext of saving the principal's time and costs incurred every time purchases have to be made. According to Corruption Watch's Schools Campaign Report (Kagiso Trust, 2014), 5% of school finance corruption cases reported to the NGO showed that SGB members were being asked to sign blank cheques, with 98% of these implicating the school principals and most reports indicate that funds drawn with blank cheques are not accounted for; i.e., there are no invoices.

#### **1.5.1.1.2 *Promotion of principles of efficiency, economy and effectiveness in the use of resources***

In the school financial context efficient use of resources refers to the extent to which a school applies limited financial resources to attain their maximum utility by stakeholders. The principle of efficiency refers to the extent to which a school is able to translate the minimum financial resources allocated from the Department (inputs) into maximum results (Botha, Challens, Du Plessis, Marishane, Miller, Steyn & Wolhouter, 2013). In the same breath using less input to attain maximum output *of inferior quality* does not translate to efficiency. Procurement policies and procedures are always in place for those who are financially accountable to attain efficiency in the use of public funds.

The researcher is of the view that stakeholder satisfaction derives from the quality of goods or services these stakeholders get. Botha *et al* (2013) define economy as the relationship between the quality of improvement attained in the school and the amount of money the school spends to achieve that improvement. On the basis of this claim, a conclusion can be drawn that economy and efficiency are two sides of the same coin with quality as the common factor.

The researcher assumes that the school budget is a guiding tool to promote effectiveness. For example, the SGB can use less money to acquire maximum quality goods which are not budgeted for. In this case the SGB is efficient, but not effective, because what they acquire is not a priority as per the budget regardless of how significant it is. In support of this statement, Botha *et al* (2013) state that effectiveness refers to the relationship between what a school intends to achieve through the allocated funding and what it actually achieves. Effectiveness can thus be proved by matching the budgeted items with the acquired items, while efficiency could be measured by matching the items' budgeted amounts against the actual amounts paid for those items. However, the economy is determined by the nature of the quality of items sought.

#### **1.5.1.1.3 *Development-oriented nature of public administration***

In terms of Section 19 (1) (a) and (b) of the South African Act (RSA, 1996b) the Head of Department must establish a programme to provide introductory training for newly elected governing bodies to enable them to perform their functions and provide continuing training to governing bodies to promote the effective performance of their functions or to enable them to assume additional functions. The belief is that through such a programme the SGB will be able to meet the level of competency necessary to perform its duties. In terms of Section 24(4) of SASA if a governing body fails to perform any of its functions, the Head of Department must build the necessary capacity within the period of their appointment to ensure that the governing body performs its functions.

#### **1.5.1.1.4 *Fair, impartial and equitable service provision***

In terms of Section 34 (1) of SASA (RSA, 1996b) 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 education provision. The established National Norms and Standards for School Funding (NNSSF) (South Africa, 1998), the school funding policy aims at narrowing the previously existing gap between the rich and the poor school communities across the country (Marishane, 2013a: 225). The state then uses quintiles as a criterion on how the funding of schools should be carried out. The state also enacted the establishment of SGBs to ensure tailor-made financial decisions to suit individual schools. In the same breath the SGB should be able to maintain an impartial stance and also avoid conflict of interest at all cost to ensure fairness and equity in the provision of its services. It will thus be fulfilling its position of trust in terms of Section 16(2) of SASA.

#### **1.5.1.1.5 *Public participation in policy making and response to people's needs***

School Governing Bodies (SGBs) keep constant communication with parents through letters, parents' evenings and general meetings. That is where feedback is given and inputs from parents are heard and incorporated in strategic planning. In terms of Section 30 (b) of the South African Schools Act (RSA, 1996b) the SGB may appoint persons who are not members of the governing body to their committees on grounds of expertise. The premise is that these persons with various expertise in various SGB committees will ensure efficacy, which translates to the overall effectiveness of the school. The SGB itself is a representative body with parents'

representatives constituting the majority (RSA, 2010: 06) which is a further indication of public participation. The state's attempt to ensure participative management and support for the core values of democracy saw the Education Ministry declaring shared decision-making authority of public schools among parents, teachers and learners in Education White Paper 1 (RSA, 1996c). This announcement gave effect to the birth of the School Governing Bodies (SGBs) representing all three stakeholders mentioned. According to Section 16 (1) of the South African Schools Act, the governance of every public school is vested in its governing body.

#### **1.5.1.1.6 *Accountable public administration***

In terms of Chapter 4, Section 35 of SASA 84 of 1996 (RSA, 1996b), it is the state's responsibility to fund schools from public revenue. In funding public schools, the state demands a full account of how these funds are spent by the beneficiaries. In terms of Section 15 of SASA, every public school is a juristic person, with legal capacity to perform its functions. Schools as juristic persons need natural persons to act on their behalf in this regard. The school governing body (SGB) is therefore vested with the governance of a public school (sec 16 (1) of SASA). SASA states clearly about vesting the SGB with school governance, and by implication accountable and financially liable for school assets.

#### **1.5.1.1.7 *Fostering transparency through public access to timely and accurate information***

Transparency must be fostered by providing the public with timely, accessible and accurate information. Promotion of Access to Information Act of 2000 (RSA, 2000) promotes transparency by giving effect to the Constitutional right of access to any information held by the state, and information held by any other person that is required for the exercise or protection of any rights (RSA, 1996a). The right to education is no exception in this regard thus SASA made provisions for exercising transparency in schools. In terms of Section 34 (2) of SASA (RSA, 1996b) the State must, on an annual basis, provide sufficient information to public schools regarding the funding referred to in Subsection (1) to enable public schools to prepare their budgets for the next financial year. Subject to Section 38 (1) and (2) of SASA (RSA, 1996b), the SGB must prepare an annual budget and present it to a general meeting of parents for consideration and approval by majority of parents and voting. The SGB is obliged to give to different stakeholders, frequent feedback to keep them abreast with the school's latest developments.

## **1.5.2 Rationale for SGB involvement in financial management**

Schools have varied needs; hence there is no generic mode of supply of resources that could equitably meet those needs. A vast diversity of needs exists between urban and rural schools. While the priority of an urban school, for example, could be tablets for learners, rural school may prioritise chalkboards. Individual schools in urban or rural areas also have different needs. Only stakeholders within each school know what is at the top of the school's priority list. The state therefore deemed it proper to decentralise management of resources with the premise that people who are closer to the school are better informed about the its problems and the needs than the State. Giving the school governing body decision-making authority over the management of resources will enable them to match the resources to the goals they set (Marishane & Botha, 2004). Resources in this context include school finances. For the reason that the SGB is granted decision making authority over management of these resources, the stakeholders seek financial accountability from it.

### **1.5.2.1 Financial accountability**

Funds allocated to schools are to be accounted for by the SGBs on behalf of the schools as juristic persons. In addition, the SGB should be in a position to give a financial accountability of how these funds are spent. Schools as public entities handling public funds are obliged to comply with all provisions of the SASA 84 of 1996 (RSA, 1996b) relating to financial management. Furthermore, the SGB as an entrusted body is assigned the responsibility of ensuring that all revenue, expenditure, assets and liabilities of the school are managed efficiently and effectively. Financial accountability therefore lies with the SGB through its Finance Committee. The state introduced capacity building training to ensure that its funds are properly accounted for by the people it empowers to handle at school level, subject to Section 19 of SASA (RSA, 1996b).

Accountability of the SGB in financial management means giving account to the school finance stakeholders of how the money allocated to the school has been spent (Botha et al, 2013). Financial accountability entails reporting to stakeholders in terms of how funds have been expended in relation to the mandate given to the school's accounting officer. This implies the implementation of financial accountability elements; namely, financial planning, controlling,

monitoring and reporting (Ngubane, 2009). The prescriptions of the South African Schools Act clearly locate financial accountability on school governing bodies and, as such, make financial accountability a legal requirement (Xaba & Ngubane, 2010). For the reason that public funds are at stake, it becomes a matter of public interests to know how it is spent. Transparency in the form of presentation of financial reports and statements are compulsory phenomena to interested parties.

Pondering on the demanding nature of these financial responsibilities, the sole match would be a strong corporate financial knowledge and experience. The Australian and United Kingdom school governors' selection procedures are hence more relevant because at least one governor should possess a strong financial knowledge background (Hamilton, 2013) in contrast to South Africa where people qualify by virtue of being parents with or without necessary skills. Empowerment of governors in Australia and United Kingdom augurs well for skills possessed by school governors (Hamilton, 2013). The researcher thinks that introductory training would only serve to adjust their skills from the high corporate level to the school level, which the researcher regards as *downward adjustment*. In contrast, South Africa would apply an *upward adjustment* considering a high illiteracy levels especially in remote rural areas and the high specialized skills needed for financial accountability.

### **1.5.2.2 Empowerment of the School Governing Body**

Botha *et al* (2013) argue that empowerment involves having access to money, planning for its use and spending it. The interplay of efficiency, economy and effectiveness is indispensable for the efficacy of empowerment. The capability of the SGB in terms of skills and knowledge predicts the success or failure of empowerment. The general norm is that people with particular merits are empowered with the necessary authority. For example, a chartered accountant would be empowered to audit financial statements for clients and so is a medical doctor to operate patients. Similarly, the authority vested in the SGB is blended with duties and responsibilities that cannot be executed with common knowledge. For this reason, the researcher perceives skills and knowledge to be the basic prerequisite for empowerment. This suggests that for the SGBs to be empowered they need to show possession of relevant skills required. Governors empowered on the basis of knowledge and skills they possess are less likely to encounter serious challenges in carrying out their responsibilities. In Australia and United Kingdom,

governors are empowered on the basis of knowledge and experience acquired in the corporate world, (Hamilton, 2013) hence, their adjustment to financial management at such lower levels as schools may have trivial challenges to them.

### **1.5.3 The scope covered by the SGB's role in financial management**

#### **1.5.3.1. Financial responsibilities of SGBs according to Chapter 4 of SASA (RSA, 1996b)**

SASA stipulates several responsibilities that the SGB must carry out. These responsibilities include buying textbooks and other educational materials, supplementing funds supplied by the state, preparing and submitting a budget to parents for approval. In addition, the SGB must keep financial records of the school, record of funds received and spent and records of school assets. Furthermore, the SGB must open and maintain a bank account for the school, ensure that school fees are collected according to decision made by stakeholders and also draw and submit audited annual financial statements.

Similar to the South African context, the Australian school councils must comply with the *Education and Training Reform Act 2006* (Hamilton, 2013) by ensuring that schools expend all moneys received for proper purposes, keep records explaining their financial operations and position and follow financial processes and procedures that are effective, regularly audited and designed and managed to reduce risks with a separation of duties. The scope of responsibilities of school governors in terms of South African Schools Act of 1996 (RSA, 1996b), Australia's Education and Training Reform Act of 2006 (Hamilton, 2013) and Section 12 of the UK's Governor' handbook (Department for Education, 2014) are almost similar. The question would then be "Why the similar systems but varied results?" If the same responsibilities are equally executed then the effectiveness and efficiency of these bodies are logically expected to be equal "*ceteris paribus*."

Focusing on the *modus operandi* of input acquisition in the South African context (Section 29 (1) of SASA), a governing body must, from amongst its members, elect office-bearers, who must include at least a chairperson, a treasurer and a secretary. The Act does not prescribe minimum skills and experience of such office-bearers to match the enormity of their responsibilities. The only criterion is that office-bearers from the parent component should be having children attending in the school. The willingness of parents to serve, regardless of skill and experience, qualifies them to be part of the SGB and become office-bearers. Xaba and

Ngubane (2010: 147) substantiate that in some schools, the school budget is drawn by the principal and the School Management Team (SMT) because the SGB is alleged to be financially illiterate.

In Australia, in contrast to the South African way of appointing members to a governing board, or advising on persons for appointment as members to a board, the Minister and the members must endeavour to ensure that the members include persons with knowledge of, or experience in areas such as management, finance, commerce or business, law, corporate governance, adult, community and further education and the community or any industry served by the adult education institution (Education and Training Reform Act 2006). These criteria of selecting high quality inputs put in that excellent process is bound to yield the best outputs.

Almost similar to Australia, the governors ensure that they have at least one governor with specific skills and experience of financial matters. When appointing a chair and vice chair from the existing members of the board they ensure that only skilful chair and vice chair are appointed. They also appoint a high quality professional clerk whose duties include advising the governing body on their fiduciary duties. It is essential for the chair to ensure all board members are crystal clear about the difference between governance and management (Hamilton, 2013:12).

The willingness of the members of the governing bodies to freely serve in schools does not recuse them from being held accountable for their effectiveness. If existing members lacks the required skill the board can appoint skilful chair externally. All governors are expected to actively contribute relevant skills and experience, participating constructively in meetings and playing their part in the work of any committees. In their selection process, they leave no room for well-intentioned board member like in South Africa. This is emphasised by the adage, *“There is no place for well-meaning amateurs who only have the interests of the children at heart on today’s school boards”* (Stuart, 2012: Online). Board members are also very much focused on high-level financial management, among others (Hamilton, 2013).

Similar to the South African context where the majority of the school board members are drawn from the parent population, Australia and UK consider those with requisite range of skills. The pool from which they draw school board members is characterised by literate to highly literate parent population, which is vastly in contrast with that of South Africa, which has a high percentage of illiteracy profoundly in the remote rural parts of the country. These scholars substantiate that these abilities required by governors are determined, among other things, by

educational background, especially literacy level, of governors (Heystek, 2006:478) and the skills deficit in this regard is most acutely observed in schools in disadvantaged and rural areas (Nelushi, 2006).

### **1.5.3.2 Legal implications for poor financial management by the SGBs.**

Since the concept of *public School Governing Body* is relatively new in South Africa, much has, thus far, been written on their functions while few studies have been conducted on the liabilities which stem from such functions. Studies have identified a number of reasons which would account for these bodies' failure to conduct their functions successfully. Reasons provided for the latter include a lack of understanding regarding the extent of powers, responsibilities and liabilities whilst being unsure - notwithstanding especially Section 60 of the Schools Act – of which support the State will provide.

Despite court intervention, Deem *et al.* (Ngidi 2004:260) argue that there are not enough mechanisms in place to make governors accountable to those whose interests they represent. Beckman (2006) therefore claims that the state liability may arise from the acts or omissions of people under the provision of SASA.

### **1.5.3.3 Value for money**

Value for money can be understood as a set of principles that are collectively applied to assess whether the intended outcome is worth the amount of money allocated to a school (Botha *et al*, 2013). In terms of Section 38 of SASA the SGB prepares the budget and submit to parents for approval. All items listed in the budget with budgeted figures are priorities for a particular financial year and should as such be purchased for them to be used. In addition to that, listed items purchased should fall within budgeted figures. Listed items purchased at costs above budgeted figures renders the SGB inefficient. Any unlisted item purchased during the financial year and breach of procurement procedure renders the SGB ineffective. Any compromise on the quality of listed items purchased renders the SGB uneconomical. This then suggests that the SGB that is efficient, economical and effective will always ensure value for money to its stakeholders. The researcher believes that sticking strictly to the budget; the SGB could be assured that they are cost-effective in their spending. Bisschoff and Mestry (2008:4) maintain that the budget seeks to achieve value for money as it subject to regular, effective monitoring

and reflects the schools prioritised educational objectives. The researcher thinks that budgets drawn for formality purpose of submission to departmental officers on request, are not realistic and for this reason creation of room for unplanned expenditure which lands the school in unforeseen deficits is essential. What this suggests is that the SGB should have the competency of drafting a realistic budget that will guarantee them value for money. With the current state of affairs in our schools, the SGBs need a rigorous training to equip them with skills to attain the required level of competency, considering the majority of the parent component's poor educational background. Marishane (2013a:225) argues that efficient management of school funds includes the ability to develop budgets that focus directly on the core function of teaching and learning within a broader framework of long-term school development planning. It therefore suggests that drafting the budget alone is not enough. Relating the budget to the school development plan will, thus, ensure value for money.

Cammack (2007) argues that building capacity through financial management is a key to achieving a more effective organisation. This then leads to an improved programme of activities. With strong financial management, the group or organisation becomes more able to control its own affairs. Without such management, the school's future is often uncertain: it may be impossible to predict when money will be short and, crucially, it may become impossible to fund programmes. These researchers point to capacity building as an indispensable tool to attain effectiveness and efficiency in financial management.

#### **1.5.3.4 Clean governance**

To ensure clean governance, the SGB must, in terms of SASA Section 43(1) appoint a person registered as an accountant and auditor in terms of the Public Accountants and Auditors Act 80 of 1991 (RSA: 1996) to audit the school's records and financial statements. The state expects from the persons entrusted with financial management of public schools, procedural fairness that would culminate in a clean or unqualified auditors' report. Through effective financial management, the state is assured clean governance through clean auditors' report. That serves as a proof that money is utilised economically and in accordance with prescribed procedures, legal frameworks and policies.

#### **1.5.4 Capacity building for the SGB**

Knowledge, skills and values are the basis for empowerment in almost all sectors. Similarly, for the SGB to be entrusted with public funds, it must first display possession of relevant governance skills. Allocated financial functions are a clear indication that the SGB is empowered. The power given to the schools is however balanced against the accountability expected from these schools by the State (Marishane, 2013b). Accountability can be attained through proper training of those empowered. Due to variances in the skills level of the school governors, the state provides capacity building in the form of training for SGBs so that their empowerment is balanced against good accountability.

##### **1.5.4.1 Importance of capacity building to school governors**

Capacity-building for governing bodies is needed since large numbers of members will be performing their roles for the first time (RSA, 1996c). Considering the demanding nature of the financial responsibility placed on the shoulders of the SGBs whose financial skill level is debatable, financial capacity building that equals the challenge is indispensable in terms of being frugal with school allocations. It is evident that numerous extensive skills and experiences are needed to match the challenge. Numerous studies corroborate this indicating that most school governance functions prescribed by the South African Schools Act (RSA, 1996b) are specialist and complex in nature, require specialist skills to execute and there is generally, a dearth of such skills in the SGBs (Xaba, 2011; Xaba & Ngubane, 2010; Chaka, 2008; Duma, 2013).

Capacity building improves the ability of the SGB office-bearers to fulfil their obligations, among others, to ensure financial accountability. Mbatsane (2006) notes the existence of a fair understanding of the meaning of financial accountability among SGB members. The SGBs surveyed in her study understood the obligation placed upon them in terms of resources under their stewardship. However, there is often a difference between understanding one's obligation and having the capacity to fulfil them. With relevant capacity building programmes governors get capacitated to make informed decisions for the benefit of their learners. Proper capacity building could curb or lessen financial discrepancies in schools in that budgets will be drawn and strictly adhered to. Mestry (2006) argues that there is indeed a lack of capacity for school

governors, especially lay governors to play an active role in, for example, school budgeting. Mestry furthermore argues that there are reports that principals and SGBs have been subjected to forensic audits by the Department of Education due to the mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records. Illiteracy, lack of experience and training of lay school governors have been cited as the reasons for poor financial management and accountability at school.

Capacity building ensures equitable education provisioning in that schools across the country will be well-resourced in terms of human capital through trainings the SGBs attend. Well-resourced SGBs will then translate to frugality in the use of physical resources, financial resources included. Economical use of financial resources will enable schools to acquire more assets cost-effectively contributing to betterment of the learners' education. Clarke (2008) perceives effective management of school funds to be a serious challenge to the SGBs. Such a challenge manifests itself in at least two ways. First, it occurs when the SGBs lack sufficient understanding of how and for what purpose money should be used. It is also evident when the SGBs lack creativity, flexibility and choice in spending money (Marishane, 2010). This poses enormous challenges for school governing bodies in so far as executing their school governance functions is concerned. Marishane (2013a: 235) emphasising the need for capacity building, argues that for schools to succeed in using school funds efficiently, effectively and economically to improve schools and to create conditions conducive for effective teaching and learning, the SGBs should have the needed capacity. Joubert (2004) emphasizes capacity building programmes as of considerable practical relevance. He argues that the amount of training the SGB receive relates to the competence in their duties. Capacity building programme that would fully eradicate financial illiteracy of the finance committees is indispensable in this regard. They need to be empowered to be fully knowledgeable in applying financial recordings and all internal control measures concerning receiving, handling and utilisation of funds as well as approved financial management procedures. Capacity building can minimise cases of financial mismanagement, fraud and theft in schools because all those in financial management would clearly know procedures, measures, and legal implications of their actions in handling school finances.

Financial accountability is one of the *specialist skills* needed to report on how public funds were utilized to enable the school to achieve its goals. The researcher thinks that competence in accounting skills cannot be acquired in a single once-off training but through continuous

repetition of training until the skill is mastered. One respondent in a study by Mncube, Harber and Du Plessis (2011:231) substantiates that once parents are elected on the SGBs, they are given the once-off training and they never get any on-going training. It is therefore clear that the Constitutional goal of a democratic and participative nation in its own social services turns into a myth. The adage, “Nothing about us, without us” yields no positive results if people voted in these public projects do not know what to do, disserving their constituencies.

#### **1.5.4.2 Current training modality for SGB members**

In terms of Section 19 of the South African Schools Act (RSA, 1996b) stipulates that the Head of Department (HoD) should provide introductory training for newly elected governing bodies to enable them to perform their functions. They should also be provided with continuous training to promote the effective performance of their functions or to enable them to assume additional functions. Training in financial school management should be practice-based. Sections such as the legal framework on school finances, funding of schools, training in the management of school fees, financial planning and budgeting, financial organization and control as well as school information systems should be covered.

The SGB capacity building training programme utilizes uniform mode of delivery to all public schools country-wide irrespective of variances in quintiles, socio-economic status of the population, language differences, skills and experience levels, to mention but a few. In a nutshell the training applies a blanket approach in a country characterised by diversity in many aspects. In the remote rural areas, literacy level is declared the lowest especially among parents. The achievement of these trainings’ objectives is thus suspect according to the researcher’s point of view.

The relevancy and adequacy of the current capacity building training subject to Section 19 (1) (a) and (b) of SASA (RSA, 1996b) is quite suspect. Attesting to this statement, Brown and Duku (2008) argue that numerous challenges in school governance continue despite training and capacity building of SGBs. In addition, Mncube, Harber and Du Plessis (2011) argue that the training is once-off hence insufficient. Furthermore Mahlangu (2008) claims that the training is haphazard hence does not develop skills while Lekalakala (2006) points to

presentation by inexperienced trainers and training that is below the scope of financial management.

## **1.6. DEFINITION OF CONCEPTS**

**1.6.1 Financial accountability** entails reporting to stakeholders in terms of how funds have been expended in relation to the mandate given to the school's accounting officer. This implies the implementation of financial accountability elements namely, financial planning, controlling, monitoring and reporting (Ngubane, 2009). Accountability includes democratic control over administration and the right to legal protection. It implies that SGBs can be called upon to explain their policy-decisions, evaluate the impact of new rules and decisions and take responsibility for their actions (De La Harpe *et al.* 2008:17-18).

**1.6.2 Capacity building** refers to a systematic strengthening of the capabilities of an organisation to perform its mission more effectively (Cammack, 2007). In the context of this study, it refers to training of the SGB for proper financial management.

**1.6.3 Empowerment** refers to the act of giving or delegation of power or authority to person or organisations to do something. Business dictionary defines it as a management practice of sharing information, rewards and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance. Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction

**1.6.4 Value for money** is a term generally used to describe an explicit commitment to ensuring the best results possible are obtained from the money spent. Value for money can be understood as a set of principles that are collectively applied to assess whether the intended outcome is worth the amount of money allocated to a school (Botha *et al.*, 2013). These principles include economy, effectiveness and efficiency.

## **1.7 RESEARCH DESIGN AND METHODOLOGY**

### **1.7.1 Research Design**

In order to determine the perceptions of various stakeholders regarding the issue of capacity-building's contribution to value for money in school financial management, a qualitative

research design was applied to gain insight, explore the depth, richness, and complexity inherent in the phenomenon. Qualitative research is primarily concerned with the view that individuals interacting with the social world construct reality. Qualitative researchers are interested in understanding the meaning people have constructed in making sense of the world and the experiences they have in it (Merriam, 1998:6). As the nature of this study relies on the views of the participants, the researcher will thus use a qualitative research design which is typically used to answer questions about the complex nature of a phenomenon, often with the purpose of describing and understanding the phenomenon from the participants' point of view (Leedy & Ormrod, 2001:101).

### **1.7.2 Research methodology**

The study aims to examine how capacity-building for SGBs can contribute to value for money in school financial management.

#### **1.7.2.1 Data collection strategies**

As Creswell (2009:179) puts emphasis on a site-based generation of qualitative research data, it is important to for the researcher to collect data at the site where participants engage in financial management, namely, the school site. For this purpose and for the achievement of the aim of this study, the researcher has decided to rely on qualitative data collection research strategies such as observations, in-depth interviews, and focus group interviews.

#### **1.7.2.2 Source of data, procedure and instrumentation**

Data was collected from the respondents by means of interviews and review of documents. For instrumentation in data collection, an interview schedule and an observation schedule were designed for use during fieldwork. These instruments were first piloted before use to ensure their effectiveness in advance. In addition, an audio-visual recorder and an audio recorder were used to record information gathered from both interviews and observations to keep important data on record. Interviews were conducted at the participants' convenience. During the interviews the participants were asked open-ended questions to share their perceptions on the effectiveness of the training they received and how it impacted on their financial management in their schools. Documents such as budgets, financial statements and auditors report were

collected and studied. An observational protocol was used for recording information while observing. In-depth individual interviews were carried out with the Circuit governance officers. Focus group interviews were carried out with the schools' Finance Committee members who included principals.

## **1.8 RESEARCH PARTICIPANTS**

The participants of this study comprise school finance committee members of both primary and secondary schools in the Mogalakwena District, Limpopo Province. This includes principals, SGB chairpersons, treasurers, and finance officers. In addition, circuit officers dealing with school finances formed part of the participants.

## **1.9 PARTICIPANTS' SELECTION STRATEGY AND SAMPLE SIZE**

A purposive sampling strategy was used in this research. The applied criteria applied in terms of the strategy are that the schools should occupy the same quintile level and be located in a rural setting. The selection of participants consisted of two (2) secondary schools SGBs and two (2) primary schools SGBs in the rural villages of the Mogalakwena Municipality. The participants were chosen from a specific target group whose opinions and ideas are of particular interest to this investigation. There were four (4) focus group interviews. Each focus group had five (5) members, bringing the total number of participants to twenty (20). There was also (1) an in-depth interview with the circuit officer responsible for school financing.

## **1.10 DATA ANALYSIS**

Qualitative content analysis was used to analyse the transcribed interviews and qualitative documents reviewed. Data was organised into smaller units in the form of main concepts, sentences and words, which involved a *verbatim* transcription of tape-recorded data and noting the tones of voices, emphases used, pauses and silences and unclear or indecipherable responses (Cohen, Manion & Morrison, 2000). Data was arranged in categories denoting how SGBs execute their roles and functions in schools and their perception of training offered to them.

## **1.11 CREDIBILITY AND TRUSTWORTHINESS**

The researcher followed both constructive and evaluative procedures to ensure the trustworthiness of the research and provide quality assurance. Qualitative researchers who frame their studies in an interpretive paradigm focus on trustworthiness as opposed to the conventional, positivistic criteria of internal and external validity, reliability, and objectivity (Lincoln & Guba, 1985). Credibility was ensured through triangulation where methods such as observation, focus groups and individual interviews, which form the major data collection strategies for much qualitative research (Shenton, 2004). Creswell, Ivankova and Pieterse (2010) state that it is generally accepted that engaging multiple methods of data collection such as observation, interviews and document analysis, led to trustworthiness.

## **1.12 ETHICAL CONSIDERATIONS**

Capron (1989) said that any kind of research should be guided by the principles of respect for people, beneficence, and justice. He considered that respect for people is the recognition of participants' rights, including the right to be informed about the study, the right to freely decide whether to participate in a study, and the right to withdraw at any time without penalty. It also means that participants exercise their rights as autonomous persons to voluntarily accept or refuse to participate in the study (Orb, Eisenhauer & Wynaden, 2000). Consent was negotiated with the all participants. The researcher developed an informed consent form for participants to sign before they engage in the research to acknowledge that their rights will be protected during data collection. All the identified participants signed the consent form as evidence of an agreement to participate in the research. Contents of the consent form included the declaration of anonymity of the research participants and confidentiality between the researcher and the participants. Permission to enter the research site was requested from the Circuit Manager and the respective school principals.

## **1.13 SIGNIFICANCE OF THE STUDY**

Inferences drawn from the discussion in this chapter authenticate the existence of a multidimensional financial management challenge in schools. The challenge manifests through, poorly skilled SGBs, off-target capacity building training for SGBs, poor adherence to finance policy and other financial management guidelines and poor recordings of financial information. These entire mismatches are considered possible attributes to the overwhelming

mismanagement of funds prevalent in schools. Realising overwhelming challenges faced by the Department of Education among others and the considerable number of cases involving mismanagement of funds in schools (Roane, 2013), the significance of this study lied in its attempt to clarify pertinent issues relating to:

- (i) Impediments to effective school financial management resulting from existing gaps in capacity-building programmes and in the financial management frameworks and procedures;
- (ii) Inconsistencies in the drafting and adherence to finance policies;
- (iii) Inconsistencies with recommended financial recording and reporting standards; and
- (iv) Possible strategies of improving the current capacity building programmes.

#### **1.14. CHAPTER DIVISION**

This study will be divided into the following chapters:

- Chapter 1: Background and introduction to the study
- Chapter 2: Ensuring value for money in schools
- Chapter 3: Research Design and Methodology
- Chapter 4: Presentation of data and analysis of findings
- Chapter 5: Conclusions and Recommendations

## CHAPTER 2

### ENSURING VALUE FOR MONEY IN SCHOOLS

#### 2.1 INTRODUCTION

In this chapter, the theoretical framework school based financial management is discussed. Financial roles and responsibilities of the School Governing Bodies (SGBs) as mandated by the MEC through SASA and other legal frameworks relating to schools are unpacked. The quality of the financial skills and expertise the SGBs bring on board to match the roles and responsibilities they are entrusted with are also evaluated for relevancy and efficiency. In addition, the chapter will also focus on the gap between the levels of competencies required for financial management in schools possessed by the SGBs and the actual skills and expertise they have. The chapter further focuses on measures put in place for the pre-mediated gap between expected skills and actual skills availed by SGBs for school financial management in the form of capacity building training for the SGBs. The current capacity building model for SGBs is closely put under scrutiny in this chapter in an attempt to measure its effectiveness, identify gaps and possible areas for improvements. Successful school based financial management models of developed countries such as the United Kingdom and Australia are put into perspective to examine good practices that are implemented by these countries.

The previous chapter has indicated how a huge amount of South Africa's Gross Domestic Income (GDI) is allocated to education (SARB, 2013) in its object to make education equitably accessible to all citizens. In its quest to ensure equitable provisioning of education, the State had to decentralise some of its responsibilities to bodies at institutions level to effectively and efficiently govern those institutions. The chapter also indicates how SGBs are empowered to act on behalf of schools as legal entities (RSA, 1996b) on the premise that they have the necessary skills and expertise. Their fiduciary duties involve being custodians of funds allocated to their schools for which they must fully account to all their stakeholders, namely, the state, learners, parents and business. It has, however, been found that the responsibilities allocated to SGBs are enormous and extensive (Marishane, 2010; Xaba, 2011). For this reason, studies (Maluleke, 2008; Mestry, 2006) have discovered that many SGBs find it difficult to cope with financial management, ascribing this to lack of capacity and experience. The

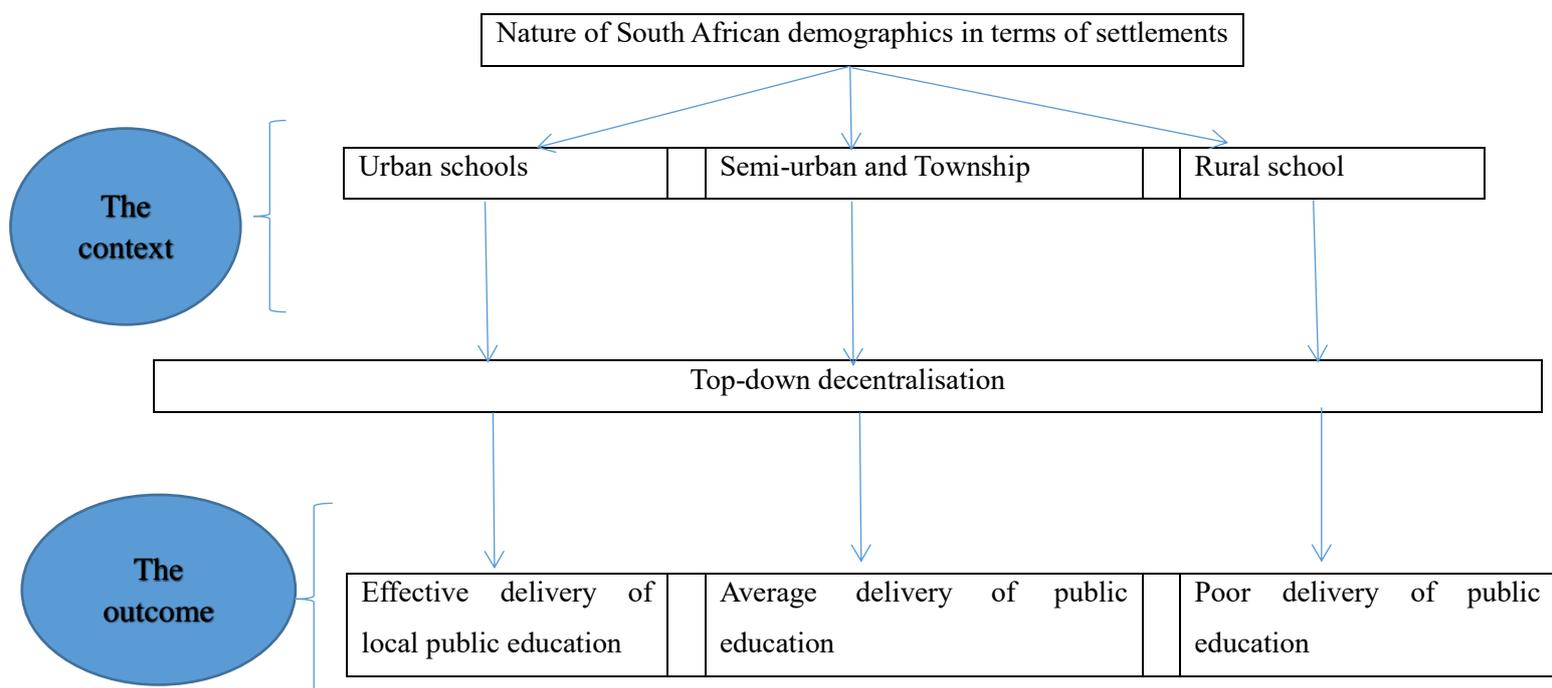
researcher believes that the normal practice is to ascertain the carrying capacity of the vehicle and loading it according to recommended carrying capacity for its efficiency. The practice in this regard is however skewed in that millions of rand are put in the custody of people with scant or no financial management knowledge. These people are then made to learn their roles while in the process of financial management. Capacity building workshops are provided to SGBs (Graaf, 2016) though considered inadequate (Xaba, 2010) and needs review to be on target. Concurring with Xaba (2010) the researcher considers the process to be characterised by two main flaws, first, the gap between the expected competencies of the SGBs and the actual competencies they possess, second, the expected outcomes of the capacity building training and the actual inadequate and off-target nature of the current capacity building training. Inconsistencies between objectives and outcomes of the capacity building programmes led to the insertion of Section 145C of SASA which provides for the school governing body association responsible for the further training of SGBs on governance issues they grapple with (RSA, 2012). This chapter, therefore, focuses on the ideal capacity building for SGBs which would probably match the enormity of the SGBs' responsibilities.

Decentralisation of power to school governing bodies in education is a relatively new concept globally. The main reason for decentralisation is to empower ordinary citizens and provide equitable infrastructure and social services like education to the people (Sharma, 2014). Decentralised governance structures such as SGBs for schools came into existence. In countries like South Africa, decentralisation is partly exercised as there are selected responsibilities which still remain with the government. The payment of teacher salaries and the erection of school buildings are beyond the SGBs competencies. The SGBs are however empowered through decentralisation to act on behalf of juristic persons being schools. SGBs are mandated to act in the best interest of the school thereby foregoing their own interests as fiduciaries (RSA, 1996b). As fiduciaries, they are jointly accountable to stakeholders and their constituencies. Powers cascaded to SGBs include among other, planning the school finances through budgeting, acquisition of school requisites by following proper procurement policies and guidelines, financing the school through fundraising and taking care of schools' assets (RSA, 1996b). The researcher considers allocation of these powers to the SGBs as premature looking at the demanding nature of these powers and the scant skills among SGBs. The saying that "judging a fish by its ability to climb a tree" holds true in this regard as accountability is compromised by the obscured by the poor financial knowledge of most SGB members involved in school financial management. Notwithstanding these responsibilities, the grounds for

holding SGBs legally liable for defaulting their responsibilities are not explicitly articulated in many school legislations, however, any act by SGBs that contains an element of an offence would be followed through criminal procedures and the SGB member duly prosecuted (RSA, 1996b). The researcher perceives the practice to also create a possible cloak behind which SGBs hide and commit flaws as they are generally presumed to be inadequately equipped for their roles.

Contrary to school based financial management in developed countries where the school governors are people versed in all governance responsibilities, South Africa has a complicated context of varied levels of financial management skills possessed by SGBs depicted by Figure 1 below. The figure depicts an uneven level of competency of SGBs from urban school, township school and rural schools which ranges from good, average and bad respectively.

**Figure 1: Decentralization Impact: The Context and the Outcome**



This figure depicts the ills of decentralisation in terms of varied education levels of governance structures like SGBs. Corroborating this statement, Bloch (2006) states that in one 2001 study, where 65% of children in model C (ex-white) schools saw appropriate scores at 6th grade level, the figure for ex-DET (black) schools was only 0,1%. Van Wyk (2004) further points out that

many SGBs, particularly in less advantaged areas, lacks necessary skills and expertise to execute their responsibilities. Sharma (2014) argues therefore that decentralized governance structure by itself is no guarantee of more effective or responsive government. In fact, successful decentralization outcomes require a set of conditions in absence of which decentralization may be no more responsive to community needs and desires than a centralized authority.

## **2.2 VALUE FOR MONEY AND ITS IMPLICATIONS FOR SCHOOL GOVERNING BODIES**

The researcher's conviction is that for any project to be a success, all the resources must be made readily available. In this regard, value for money is considered as the success and ultimate results of the school based financial management project. On the premise that good quality outputs are the results of good quality inputs, the researcher believe that quality assurance of the inputs and processes are key in order to attain value for money. The quality resources sought by this project are namely, the adequate number of SGB members, the adequate financial management skills and expertise by each SGB member involved in financial management, concise financial management policies, proper internal and external control measures and adequate funding for the school. The researcher hypothesizes that if one of these resources gets compromised in terms of quality and/or quantity, the end result will be adversely affected implying loss of value for money by education stakeholders and beneficiaries. It therefore means that poor financial management skills, poor funding or poorly drafted financial management policies has the potential to compromise value for money. Furthermore, compromising the quality of one resource could also affect the effectiveness of other resources, for instance, if the available financial management skills is poor, no matter how vast funding is, there is possible risk of losing funds through mismanagement on account of inexperienced officials.

Money is a scarce resource that should be spent judiciously, economically and efficiently. The funding that is allocated to schools should be spent in such a manner that the educational goals of the funders and the recipients of funding are reached. Emmi, Ozlem, Maja, Ilan and Florian (2011) consider the best utilization of resources and ongoing capacity building as long-standing ambitions of value for money for the improvement of existing systems. This implies that for the entire lifespan of the system, continuous strategies are to be developed for the betterment of the system. It, therefore, suggests that value for money is more of a journey than a destination

in that endless and tireless efforts are central to it. SGBs are to continually look for smarter ways to improve the school financial system. Agreeing with Emmi et al (2011), the researcher sees good utilization of resources in the schools' context as a positive link between inputs and outputs with minimal or no waste. Value for money relates to applying economies of scale in the acquisition of schools' resources that are linked to the education of learners. In addition, the resources so acquired should fulfil the purpose for which the money was allocated for, being to offer high level education to the learners. In that way, the more the school needs are satisfied with fewer inputs, the more probable the performance of learners as a result of the ability of the governors to acquire more quality facilities with the little they have. Jackson (2012) perceives value for money as a process of keeping equal focus between economy, efficiency and effectiveness. Value for money is, therefore, more evident in procurement where the quality of purchases should be specified, purchases should be made at best prices. Being cost effective, the process of making purchases and making sure that purchases to be made directly or indirectly contribute to the performance of school learners. Hence, schools in other countries benchmark their procurement against other well performing schools. Therefore, creating a healthy competition enhances value for money.

As a journey or process that needs continuous quality improvement, value for money also requires that the quality of the monitoring and evaluation system and financial reporting be continually improved (Emmi et al., 2011). This implies that the SGBs should be engaged in a continuous monitoring and evaluation of their financial management processes, including financial reporting – unlike the current evaluation of end results that cannot be corrected. Monitoring of the process helps identify early signs of deviations and implement corrective measures in time. Through monitoring and evaluation, lack of capacity of SGBs are detected early for further capacity building to be recommended. Continuous capacity building is also identified as an element of value for money (Emmi et al, 2011). Where the SGB lacks capacity or where there are changes in the financial management system, SGBs are to undergo capacity building to keep abreast with new changes.

### **2.3 CLEAN GOVERNANCE**

The researcher posits that clear financial management policies and guidelines and well skilled and knowledgeable SGBs in terms of financial management and financial management principles will ensure clean governance. He further avers that the test for clean governance could be ascertained through both internal monitoring and evaluation of financial management

activities and reporting and the external auditing of financial statements of the school. Clearly put, poor understanding of financial management policies by SGBs, underdeveloped and unratified finance policies, failure to adhere to recommended financial management principles are possible hindrances to the attainment of clean governance.

The South African Auditor General (AG) (2015) argues that the basics of clean governance include the introduction of basic accounting and daily control discipline, enforcing compliance with all relevant legislation, employing and retaining staff in accounting and financial management positions with the required level of technical competence and experience. Audited schools are declared to have achieved a clean report when their financial statements are unqualified with no reported findings. In line with the AG's view, Siddle (2014) emphasises that an unqualified audit opinion without finding attests to clean governance. The author further asserts that an unqualified audit report with finding may sometimes conceal scores of secrets. These secrets could only be revealed on a closer examination. This necessitates a robust and radical internal audit and controls as external auditors rely on financial information supplied by the client. The knowledge of internal control measures and quality assurance of internal processes by knowledgeable SGBs is therefore very crucial to manage such occurrences. To date a number of state organs loose multi-millions of rands annually in fruitless and irregular expenditure as a result of poor internal controls. The AG (2015) suggests, therefore, that a finance committee (FINCOM) should be versed in basic accounting and internal control discipline which appears to be inadequate. Furthermore, the FINCOM is expected to possess the ability to enforce compliance with relevant legislation. In addition, the selection of the FINCOM should be on merit in terms of required technical competence and experience. Notwithstanding the scarcity of the accounting skills there are common challenges relating to finding suitable external people to assist the FINCOM. On the other hand, corrupt elements are the most knowledgeable about the rules and how to twist their interpretation in their own favour (Vittal, 2012). Considering this statement, the question is whether school governors have the capacity to counter these unscrupulous deeds by corrupts elements in governance. In other words, it is important to establish whether internal and external controls in place are sufficient to ensure clean governance. What these matters suggest is that people involved in governance need to be more advanced in governance duties and this include those participating in school governance. This needs training of school governors to equip them with adequate skills needed for efficient auditing and control school finances. The researcher considers it an institutional

risk to have people with poor capacity or knowledge to make business external people with high business acumen.

School governors are to show honesty and uphold high levels of integrity to counter corruption and self-interest (Kumar Sharma & Raj 2011). However, with little or no experience in governance that objective is unattainable. Regarding their role, governors have a fiduciary duty to act in the best interest of the school and should use their powers and resources in the pursuit of widely-accepted school goals (Johnston, 2006; Nyaoro & Chatterjee, 2011). This will ensure clean governance, which is the ultimate goal of good governance. Clean audit without findings is an indicator of clean governance and achievement of value for money. If human capital input is acquired on merit, with use of well researched policies and procedures and properly planned activities, there can be consistency in achieving clean audit. Saddle (2014) warns against an increasing number of audit and control points in governance, especially internally, which could minimise qualified audit and unqualified audit with findings. He argues that these audit opinions harbour a host of unscrupulous transactions.

## **2.4 CAPACITY BUILDING FOR SCHOOL GOVERNING BODIES**

South Africa's largest expenditure on its annual budget is education. A large portion of this expenditure goes to the funding of schools where these SGBs are the main role players. The global paradigm shift of responsibilities from the State to the people as a result of decentralisation seemed to have been a pre-mature decision by countries like South Africa where the majority of the participants are not ready for the challenging responsibilities involved (Xaba, 2010). As a reactive approach, the State introduced the capacity training programme for the SGBs in terms of SASA (RSA, 1996b). The reason for the introduction of these capacity training is to equip the SGBs with adequate governance skills, including school financial management.

School governors are fiduciaries in terms of Section 20 (1) (a) of SASA as they are expected to act in the best interest of their school (RSA, 1996b). Standing in a position of trust and acting in the best interest of school as a fiduciary (RSA, 1996b) requires the incumbent to be deeply informed about sound decision making. Naidoo (2002) considers a fiduciary to be someone who has among others instinctive curiosity and a sceptical and an enquiring mind. Realising the scarcity of people with such competencies as these, most countries have introduced capacity training with intent to produce this quality of governors. Some countries capacitate their school

governors to be effective in governance. They have capacity training in place to capacitate them to be equal to the need of school financial responsibility. South Africa for instance has these trainings in terms of Section 19 of SASA (RSA, 1996b). The focal point of these trainings, among others, is to target finance and procurement in schools. While countries like South Africa value these training and make them compulsory (Joubert, 2008) other countries like UK, Australia and Kenya make attendance to this capacity training involuntary (Marondo, 2013, DfE, 2014a). The researcher's perception about South Africa's SGB capacity building being compulsory is that consideration was made of varied levels of literacy in the country's demographics where remote rural areas are mostly inhabitant by the least literate and illiterate. Considering the risk of putting the country's capital in the hands of incapable people, capacity building in terms of SASA was introduced (RSA, 1996b). On the other hand, countries like UK and Australia have high literacy levels of education hence elementary knowledge needed to manage school finance is in abundance. It is therefore the reason not to have compulsory capacity building for school governors however attendance to such training by governors is highly valued and recommended.

## **2.5 SCHOOL-BASED FINANCIAL MANAGEMENT IN SOUTH AFRICA**

School based financial management came to pass as a result of decentralisation of powers to people. The State had to cascade responsibilities including financial management of school funds to organisations such as the SGBs. The SGBs as school-based financial managers were therefore empowered as custodians of public funds to among others, procure goods and services for the schools, acquire funds to finance the schools' requirements, plan the schools' budget and be accountable to all the stakeholders. The SGBs are bound in terms of SASA to act in the best interest of the school (RSA, 1996b). Mestry (2010) substantiates that principals and SGBs are jointly responsible for the schools' finances thereby making them accountable to the parents and communities they serve.

Xaba (2011) regards school governance as a single most crucial factor in education. He acknowledges however that it is overwhelmed with a lot of challenges. Bisschoff and Mestry (2009) add that school-based financial management is the cornerstone of democratic South Africa. With the general migration of some responsibilities from the State to SGBs through decentralization, financial management of school also cascaded to the SGBs. Financial management as one of the SGBs' fiduciary duties is to be executed in the best interest of the school as a juristic person. The SGBs are expected to act bona fide in planning the finances

through budgeting, procurement and safe-guarding the school finances. Although finance is a specialized field Bisschoff and Mestry (2009) argue that school financial management is founded on basic accounting principles. They suggest that SGBs do not have to possess or acquire a comprehensive financial accounting knowledge. Contrary to Bisschoff and Mestry's (2009) perception on the depth of knowledge needed to manage school finances, the researcher thinks in-depth accounting knowledge is crucial considering the high business skills the responsibilities require in procurement with external stakeholders for instance, the risk of external knowledgeable stakeholders taking advantage of the poorly capacitated school finance officers in furthering their interest dishonestly has high probability. Considering possible deficits in the SGBs financial management posing potential risk of having the public capital mismanaged, SASA provides for the SGB to solicit skills externally from people with financial skills and expertise. In addition, SASA provides for assistance by the principals and Circuit officials responsible for school finances to struggling SGBs (RSA, 1996b). Furthermore, SASA provides for voluntary association representing governing bodies of public schools to assist SGBs grappling with their responsibilities in terms of Section 145A (a)(b) of SASA (RSA, 2012).

### **2.5.1 Constitutional and legislative imperatives**

In its quest to affirm the democratic values of human dignity, equality and freedom, respecting, protecting, promoting and fulfilling the rights of its people (RSA, 1996a), the state provides education on an equitable basis through national norms and standards for school funding. The national norms and standards for funding of schools is geared towards eliminating inequalities across the country in terms of school allocations by gauging poverty levels of school communities and determine monetary targets for per learner school allocation amount (RSA, 2004).

Equal access to quality education is a milestone the South African education has reached in that all rich and poor citizens are able to access education that is subsidised by the state. In an attempt to level the playing field, the state allocates funds to schools according to needs where schools in poor communities get bigger chunks than those in well-to-do communities, rating them in quintiles (RSA, 1996b). Hence, there are no-fee schools found in the poorest communities of the country. Addressing equity is however a dream deferred, considering mismanagement of funds due to lack of capacity of the SGBs (Mbatsane, 2006; Mestry, 2004). Equitable allocation of funds according to quintiles does not automatically turn to equitable

provisioning of education because of reported failures of the SGBs to plan, procure and report to stakeholders. One would expect the scope of the Public Service Commission as a watchdog of all public entities to be extended to schools for adherence to all democratic principles in terms of Section 195 of the Constitution (RSA, 1996a) and consequently attain equity. But this is not the case.

In terms of Section 28(2) of the Constitution, a child's interests are of paramount importance in every matter concerning a child. Thus, the state ensures that no child is left behind in terms of education by offering free basic education with the SGBs managing the expenditure for that education. There are, nevertheless, several cases where principals and business partners take advantage of poorly equipped SGBs to embezzle the school funds, thereby disadvantaging the child. Corruption Watch reported many cases of conflict of interest among principals and business partners on school tenders exploiting inexperienced and scantily skilled SGBs. These cases show that by and large, the SGBs skills do not match their responsibilities, despite attending compulsory capacity training workshops conducted by the state officials.

The State is currently making education progressively available and accessible in terms of Section 29 of the Constitution (RSA, 1996a) through National Norms and Standards for Funding where schools are funded according to needs.

Funds allocated as such are to be utilised accordingly to satisfy the needs as determined by SGBs. The Constitution therefore provides for procurement in terms of Section 217(RSA, 1996a) by every public entity including public schools. Procurement policies at school levels must be consistent with this Section of the Constitution to remain valid (RSA, 1996a) thereby ensuring proper use of state's money. To enforce proper procurement in state entities, the Constitution provides for the establishment of the Public Service Commission.

The Public Service Commission established in terms of Section 196 of the Constitution is intended to be a watchdog to all public entities as the state's quest to enforce democratic principles as per Section 195 of the Constitution (RSA, 1996a) as outlined in the previous chapter.

### **2.5.2. The South African Schools Act 84 of 1996**

Section 15 of this Act confers public school legal status, thereby empowering SGBs to act on behalf of their schools (Section 16). The SGBs' key fiduciary duties in the utilization of school funds involve finance and procurement (PTD, 2014). Entrusted with these funds, the SGB as

the trustee of the school as a legal person holds a fiduciary relationship with the school and therefore should act in the best interest of its beneficiary. The premise is that SGBs elected have the required competency to run the school in the best interest of its constituencies. When the competency of the SGB matched with responsibility is deemed insubstantial, expertise could be brought on board through external recruitment of people to serve in the finance committee (RSA, 1996b) lest it defeats the purpose. The responsibilities of the SGB discussed in the next paragraphs.

### **2.5.2.1 School funds**

Inferred from the discussion earlier in this chapter, education as a project required adequate funding to succeed. The state hence funds schools for that purpose with anticipation that SGBs acting in the best interest of the school will take good care of these funds. The SGB is commissioned to open a bank account for the school and manage it for all monies received by the school. The SGB is also mandated to open an additional account for surplus money at the HOD's approval (RSA, 1996b). School funds are to be expended according to the approved budget except funds donated for specific purposes by sponsors. Financial management is therefore crucial for effective utilization of school funds according to specific purposes they money is allocated for, i.e. norms and standards according to the annual budget and donations according to sponsors' directives to secure continued funding which ultimately assures sponsors, the state and parents value for money for their resources. Mestry and Bisschoff (2009) corroborate that financial management is fundamental for resource management by ensuring value for money through proper acquisition and allocation of resources. Appropriate acquisition and allocation of resources is however considered to be a challenge on the basis of the SGBs' lack of capacity to manage funds (Mngoma, 2009) which is attributed to lack of training (Thenga, 2012).

### **2.5.2.2. Procurement**

Preferential Procurement Policy Framework Act no. 5 of 2000

The researcher perceives policies and procedures aligned to the recommended national or international goals and standards as the basis for clean governance and assurance of value for

money in any organisation. He also postulates that organisations with procurement policies which are inconsistent with national and / or internationally recommended financial management standards are prone to poor governance, poor audit results and to deprive stakeholders and constituencies value for money. The intent for the promulgation of this framework is to provide principles to enforce implementation of proper procurement policies in the public sector to achieve and further constitutional goals of redress and empowerment of previously disadvantaged individuals, groups, races, and enterprises (RSA, 1996a; KZNDOE, 2006).

Procurement as basic element of financial management (Mestry & Bisschoff, 2009) requires the SGB to match the resources with the goals set (Marishane & Botha, 2004) outlined by the approved annual budget. Therefore Section 217(1) of the Constitution on procurement (RSA, 1996a) and Sections 20 and 21 of SASA to buy textbooks, educational material or equipment for the school (RSA, 1996b) should be subsumed in the schools Finance policy. Procurement provisions in the finance policy should stipulates guidelines to be followed in doing business with private business partners. While the act allows that in procurement, preference should be given to previously disadvantaged, it does however not make provision for legal recourse on private business that fronted the previously disadvantaged. It also does not provide legal recourse where the SGBs and the principals acted in self-interest prejudicing the school in the process of procurement. Ratification of procurement policies and finance policies are thus mandatory to ensure alignment to recommended standards and uniform basis upon which external audit is based.

### **2.5.2.3 Financial records and statements of a public school**

Similar to procurement, financial records and statements of the school should have controls subsumed in the finance policy. Certain provisions of the PFMA including the GAAP principles, auditing of financial statements should be considered in the drafting of the finance policy. SASA's provision of the keeping of financial record of funds received and spent by the school and its assets, liabilities and financial transactions and drawing up annual financial statements in accordance with the guidelines determined by the Member of the Executive Council in terms of Section 42 of the act (RSA, 1996b) should also be included in the finance policy and complied with. This Section is informed by the Constitutional provision on National Treasury and the Public Finance Management Act (PFMA) (RSA, 1996a)

#### **2.5.2.4 Audit and examination of financial records and statements**

In order to authenticate the results of the internal controls and quality assurance of processes, an external opinion is legally required to satisfy the state, constituencies and other stakeholders that funds are being utilised satisfactorily to ensure attainment of value for money. Public entities are thus legally compelled to have their records and financial statements audited in terms of Public Accountants and Auditors Act, 1991(KZNDOE, 2006). They are legally bound to have their financial statements audited at the end of every financial year. Schools are no exceptions in this regard. In terms of Section 43(1) of SASA, the SGB must appoint auditors to audit the records and financial statements of the school (RSA, 1996b). The act further indicates that if audit in terms of Subsection 1 above is not feasible, SGBs may appoint a person qualified to do duties of an accounting officer in terms of Section 60 of the Close Cooperation Act, approved by the MEC.

Accountability to stakeholders on school finances is enforced by Section 43 of SASA firstly to the head of Department and lastly to the parents or any other interested person 439(6). Deduced from all these procedures of accountability, the SGB is required to possess knowledge and expertise of the entire process as its primary responsibility (Hansraj, 2009) or supplement that with the expertise of people in the finance committee or solicit external assistance (RSA, 1996b) lest the process turns cumbersome and insurmountable to poor SGBs.

Inferences drawn from above discussions clarifies the legislative nexus between the sections of SASA and the PFMA.

#### **2.5.2.5 National Norms and Standards for School Funding of 2006, as amended.**

The national norms and standards for public school funding are underpinned by the Constitutional guarantee of equality and recognition of the right of redress (KZNDOE, 2006). The state's intent of equity in education provisioning underpins the National Norms and Standards for School Funding (NNSF) formulae which translated into quintiles determined by the Minister after consultation with the Council of Education Ministers and the Minister of Finance (RSA, 1996b). The notion of NNSF is underpinned by Section 29 of the Constitution which provides for the provision of basic education in an equitable way (RSA, 1996b). Mestry and Ndhlovu (2014) assert that equity is based on the thinking that the poorest school would be allocated more funds commensurate to their poverty ranking level. Different schools have

different needs; hence the needs of individual school would tailor-make its expenditure pattern within the confines of the Ministerial guidelines and controls. The table below depicts equitable distribution of funds according to poverty ranking levels of schools:

**Table 1: National Table of Targets for the school allocation (2014 – 2016)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
NQ1	R1 059	R1 116	R1 175
NQ2	R1 059	R1 116	R1 175
NQ3	R1 059	R1 116	R1 175
NQ4	R 530	R 559	R 588
NQ5	R 183	R 193	R 588
No fee threshold	R1 059	R1 116	R1 175

In terms of Section 39(7) of SASA public school in Quintile 1 – 3 are declared no fee schools. The majority of schools in this bracket are found in rural areas with Limpopo and Eastern Cape at 92% and 81.5%, respectively (RSA, 2015; Thwala, 2010). The notion that equitable distribution of resources would result in improved results for the disadvantages does however prove otherwise. The performance of schools in these provinces characterised by numerous no-fee schools is appalling compared to other provinces. This shows that equitable distribution of funds is not matched with equitable appropriation of the funds according to needs and plans, which may be attributed to the SGBs’ failure to match their work demand in terms of financial skills. Furthermore, equitable allocation of resources to school does not automatically translate into equitable provisioning of education. Levelling the playing field in terms of funding should be coupled with levelling of playing field in terms of custodians of those funds. The skills level of SGBs from Q1- Q5 schools should be equal for the governance marathon of SGBs to be fair. The way to gain parity of skills is to capacitate mostly those with scant skills especially in poor communities characterised by the less literate encountering governance problems.

#### **2.5.2.6 Finance Committee**

The financial management function of public school is executed by the SGB’s Finance Committee (FINCOM). People serving in this committee are presumably in possession of accounting and internal control knowledge and expertise (RSA, 1996b). As an indication of the

seriousness of the need for financial expertise in this committee, the SGB is mandated to solicit external expertise if not available internally notwithstanding subsequent SGB capacity building workshops carried out by the state. The specialised nature of the financial management function incumbent upon the FINCOM is outlined by Sections 37 – 44 of SASA and include among others, preparation of annual budget subject to approval of stakeholders, opening and maintaining one current account where a second account could be opened for investment of surplus funds, charging of fees and enforcement of payment if the school is not a no-fee school. The committee is further responsible for keeping financial records according to the MEC regulations, ensure that financial statements are externally audited and the presentation of auditors' report to stakeholders (RSA, 1996b). These responsibilities involve a number of processes that need continuous monitoring and evaluation at different check-points. The monthly recording of financial transactions requires perpetual monitoring and evaluation of correctness through monthly reconciliations which pre-assures accurate financial year-end results. The question however is the availability of this expertise in the SGBs, especially in poor community schools, to augment to skills the SGBs lack.

#### **2.5.2.7 School finance policy**

The effectiveness of the finance committee in financial management is dependent on the quality of the finance policy in place. Gurria (2010) argues that identifying attributes of a good operational financial system provides a strong base for the development of a sound financial policy. It should include any rules or principles imposed or directed on the institutions that require an action or restricting them to take actions. It is for that reason therefore that school finance policy is underpinned by, among others, the Constitution, SASA, PFMA, and other national and provincial prescripts. Attributes of a good-functional system underpinning a good financial policy includes budgeting, procurement, good financial record keeping and accountability to stakeholders. These attributes are further substantiated by in Clarke (2008), Mestry (2006) as minimum requirements of a good finance policy. These researchers identified cash management, internal controls, audit, procurement procedures and asset management as the basic features for a sound school finance policy.

#### **2.5.2.8 Budgeting**

It is also the responsibility of the SGB to prepare an annual budget of the school. The Finance Committee (FINCOM) of the SGB should draw a draft from inputs obtained from various

Departments. The draft budget should be prepared according to the MEC's directives and presented to parents for approval through voting in terms of Section 38 of SASA (RSA, 1996b). Once accepted by parents the budget becomes valid the FICOM should monitor implementation with deviations subject to SGB approval (WCED, 2000). Knowledge of the key budgetary points and understanding of programmes and functions is deemed crucial in the planning of the school budget for the purpose of determining allocation to be made in accordance with unique needs of different committees (Marishane and Botha, 2004). Furthermore, proper budgeting and adherence thereto ensures realisation of school needs (Makhubela, 2005). The SGB's FINCOM must therefore have the expertise to draft the school budget or solicit the expertise of external people (RSA, 1996b) to ensure compliance to MEC directives and proper accountability to stakeholders. While the State gave SGBs responsibility for budgeting (Mestry, 2006), Clark (2008) argues that drafting budget remains an enormous challenge to them. De Bruin's (2014) findings reveal that not only budget preparation is a challenge to SGBs, but budget implementation, budget control and monitoring as well, which she attributed to inadequate and poor training provided to the SGBs.

#### 2.5.2.9 Fundraising committee

Money as a scarce resource and as a result, NNSF money is always insufficient to cover all the schools' needs (Glegg, 1996) and therefore need to be supplemented. Statistics indicates that a number of learners exempted from paying school fees escalated from 0.4% in 2002 to 64% in 2014 (RSA, 2015) which provide clear evidence that the state's burden increases with time. A conception that state funds allocated to school are not always sufficient bore the notion of fundraising (Glegg, 1996, Singh, 2005). SGBs are therefore also empowered to supplement the state allocations in order to meet the needs of their respective schools. Fundraising committees could be established in terms of Section 30 of SASA, chaired by an SGB member composed of people with expertise (RSA, 1996b). It is therefore an inherent responsibility of the SGB to aid the government by creating other sources of income for the school.

Fundraising in terms of the Act may include leasing of the school's immovable property for legitimate businesses subject to approval of the MEC, and loans and overdraft negotiated with the approval of the MEC (RSA, 1996b).

It is therefore incumbent upon the SGB to come up with a fundraising strategy which clarifies what funding is needed; how much is targeted; where the funds will come from and what

activities need to happen to raise funds; when do they need to happen; and who will do them. It is clear that fundraising is a project and the SGB must acquire basic project management skills to succeed. The level of SGBs education or its fundraising committee will always be subjected to acid test. Some sponsors donate huge amounts of money to schools and continued financial support is based on proper accountability of SGBs to the sponsors.

### **2.5.3 Provincial regulations**

#### **2.5.3.1. KZN School Funding Norms Policy Implementation Manual for Public Schools.**

The provincial manual was drafted to assist officials in financial management to manage funds and report according to outlined format. The purpose is to pursue the schools' mandate pertaining to financial management according to SASA (KZNDOE, 2006). The manual covers a review of financial management legislation and the Directives for financial management which the Head of Department issued to school. In addition, the manual includes a comprehensive financial framework issued to the management at public school to guide and to ensure uniformity of management practice and accountability (KZNDOE, 2006)

### **2.6 LEGAL IMPLICATION FOR SCHOOL GOVERNING BODIES**

Despite the absence of crystalized implications for governing bodies' failure in financial management in other legal frameworks, failure to comply with the KZN Manual Directives and Financial Framework constitutes an offence which subjects principals to disciplinary procedures set out in the Employment of Educators Act (KZNDOE, 2006). The HoD may investigate the conduct of the SGD or individual within it, limit or withdraw the powers and functions of the SGB or that individual or recommend the disbanding of the SGB (KZNDOE, 2006, RSA, 1996a). Principals and SGBs are required run school finances within the confines of the financial policy and relevant legal framework to ensure that the school's finances attain value for money (Mestry, 2010).

### **2.7 IDEAL CAPACITY BUILDING MODALITY**

Inference deduced from these discussions indicates that the current capacity building modality for SGBs is ineffective and warrants a robust revamping. Its weaknesses among others include, its short-term nature, its "one size fits all" nature across uneven skills needs and literacy level

of the SGBs in the country, being under-funded, using incompetent trainers, no continued support for struggling SGBs, obscure the link between theory and practice and inadequate financial accounting skills contained in the programmes.

As an attempt to ensure consistency between policies and the expected praxis the Department of Basic Education has made it clear in the document, *Schooling 2025* and the accompanying document, Action Plan to 2014 (Department of Basic Education 2010a, b), that the major drive for this decade must be to enforce effective implementation of policies within strengthened institutions and procedures rather than developing new policies. It is however acknowledged that the policies are characterised by a number of grey areas where clarity is still needed which is evidenced by numerous amendments of SASA and other school legal frameworks. This therefore suggests that:

### **2.7.1 Capacity building should be contextualized**

Bartczak (2013) argues that one solution does not fit every problem, because each leader and organisation is unique, and circumstances are always changing, so capacity building has to be contextual. Capacity building need to be tailored to meet the unique characteristics and needs of individual institutions, because effective capacity building is influenced by variable characteristics such as the organisation's geography, life cycle stage, and revenue sources, among other factors. Maluleke (2008) further corroborates on the geographic variables influence on capacity building that the phenomenon of lack of capacity on the side of SGB members, particularly in rural schools, is posing serious challenges on the governance and management of schools. Further supporting this statement Bloch, Favis and Hargovan (2000) maintain that capacity building must be flexible to accommodate variety in terms of skills shortage and need and not rigidly structured.

Bartczak (2013) posits that taking an approach that is tailored to organisational needs, perpetual, and collective, capacity building organisations will be well positioned to provide capacity building support in ways that effectively. He further asserts that focus group with the incumbents to get a better understanding of their capacity needs is crucial. It will hence be easy to tailor-make the capacity building programme to the needs as a result of information collected from the SGBs and the principals about where their weak points in terms of governance skills are. Although this research was not done specifically on schools the researcher thinks, it is also relevant to school context.

### **2.7.2 Capacity building should be equitably provided**

Based on the gulf of skill differences and literacy levels between rich and poor communities in South Africa, training services provided to different SGBs should be considerate to the extent of the need. If the quintile models of funding were the best praxis to address equitable provisioning of education, a blanket approach nature of training provided defeats the purpose of quintiles as value for money is not fully achieved. The researcher's opinion is that SGBs that come on board with adequate prior experience in financial management will have less or no challenges in school financial management hence few days of capacity building might be enough to contextualize their experiences and skills to the school situation. Those with less or no prior experience on the other hand would need extensive capacity training duration with ample time for evaluation.

### **2.7.3 Capacity building should be need-driven**

Hence a "one size fits all" approach is often denounced for yielding unsatisfactory results. Freire (2005), De Beer and Swanepoel (2000) substantiate that many political and educational plans have failed because their authors designed them according to their own personal views of reality, never once taking into account (except as mere objects of their action) the woman/man-in-a-situation towards whom their programme was ostensibly directed. The premise is that skills needed by SGBs of schools in poor societies should be more extensive than skills needed by those in rich societies determined by the literacy levels of the parent component. The capacity building training should hence be tailored to existing individual SGB skills needs rather than a "blanket approach". Tsotetsi, Van Wyk and Lemmer (2008) support the need-driven nature of the SGB training arguing that such training sessions should be relevant, easy to assimilate and motivating to the targeted group. The researcher postulates that SGBs know which skills they lack and their training programme request should give priority to the identified skills. The premise is that a need-driven training will be responsive to emerging challenges as training request will be determined by the challenge at hand.

#### **2.7.4 Capacity-building should take time**

Capacity-building that takes time is more likely to be absorbed into the organisation's on-going work (Cammack 2005). Supporting Cammack, Bartczak (2013) argues that funders are blamed for not providing capacity-building funding with an appropriate time horizon. Tsotetsi and colleagues (2008) further argues that since learning is cumulative and skills need to be practised, enough time should be allocated to the training of SGB members. So there is a need for continuity. Capacity building is not usually effective as a short-term intervention (Bartczak, 2013). Some research findings reveal that one of the perceived failures of the current capacity building is that it is once-off while the content is too big to be mastered in one day (Mncube, Harber and Du Plessis, 2011).

According to McAlpline and Temple (2011), capacity building is a "patient work" that typically requires an investment of three to five years before meaningful improvements can be achieved. The researcher observes that if OCA 2014 failed in four year with financial management personnel acquired on merit (Powell et al, 2014), it will be a self-defeating prophesy to expect people some with low literacy level to achieve good governance within three years. Moreover, the accounting content rich nature of financial management records overshadows possibilities of effective school financial management in the long run except if literacy levels among adults improves significantly especially in rural settlements of the country. It therefore suggests that capacity building for SGBs should be longer than three years which also suggests that the SGB term of office be extended to more than three years so that the outcome of capacity building can be sustainable.

#### **2.7.5 Trainers to adopt a Cluster leader approach.**

The researcher opines that trainers be given a reasonable number of schools to train and constantly offer support to assist the SGBs to identify their training needs. The trainer would also be able to monitor and evaluate progress in terms of achievement of capacity training outcomes and plan intervention strategies when the need arises. Xaba and Nhlapo (2014) suggest that the cluster-based training could also serve as a support mechanism for local SGBs and serve as a trajectory for consolidating gains on a cooperative basis among the SGBs. The researcher however has different view with these researchers about principals with expertise to

be involved in these clusters looking at the enormous responsibilities of management and overseeing governance on their shoulders. The researcher posits that provincial and district officials responsible for training SGBs should adopt the cluster training approach.

The merits of this approach will include among others:

- Convenience in terms of venue where SGBs of numerous schools do not have to incur travelling expenses to the venue of the training workshop;
- The cluster trainer could allocate time to assigned schools in terms of the severity of skills scarcity and the extent of support needed;
- Closer control on the implementation of training policies and guidelines;
- Perpetual assessment of progress in terms of skills acquisition and continuous feedback; and
- Flexibility in the coverage of the capacity building topics through prioritising the needs identified as urgent.

#### **2.7.6 On-going monitoring, assessment and evaluation of skill acquisition process of the SGBs and in-service training.**

For every learning experience to be realised, monitoring of the process is key pro-active approach to ensure that there are no hindrances along the way. Assessment at each level of the learning experience is very important to ensure synergy of the whole learning experience at the end. Evaluation of the whole learning experience is crucial to tell whether the outcomes of the training programme are met or not and what intervention strategies are necessary. Areas not properly addressed by general capacity trainings workshops could be addressed by subsequently offering in-service training.

Chetambe *et al* (2013) perceive in-service training efficient in financial management training for schools. The implication is that on areas where problems are identified, SGBs would be expected to get additional training while in the process of governing their schools. According to Chetambe *et al* (2013), in-service training content of financial management should be adequately formulated to address the needs of secondary schools.

### **2.7.7 Adequate funding of training**

According to SASA, it is the responsibility of government, through the provincial education departments, to train SGB members (RSA, 1996b). Therefore, enough money should be appropriated for initial and ongoing training of SGB members (Tsotetsi, Van Wyk and Lemmer, 2008). Bartczak (2013) supports that many stories of partially completed capacity-building projects that ended up not meeting their original objectives due to the lack of funding to cover costs required to implement and maintain the work.

## **2.8 AUSTRALIAN SCHOOL FUNDING**

The Australian Constitution puts the responsibility for school education in the hands of the state and territory governments. These responsibilities include among others, regulation of education, administration of government schools, funding of government and non-government schools. The bigger chunk of their funding however goes to government schools and a smaller percentage to non-government schools through the National Specific Purpose Payment (National Schools SPP). Additional government funding to schools comes from the National Partnerships (NPS) and the Commonwealth Own-Purpose Expenses (COPEs) programme with COPEs funding being administered by the Department of Education, Employment and Workplace Relations (Harrington, 2013, Dowling, 2007).

In consideration of the differences in the expenditure at different education levels, Australian government uses the Average Government School Recurrent Costs (AGSRC) to equitably fund primary and secondary schools based on their varied costs. The AGSRC is the bases upon which the National Schools SPP is determined. The National Schools SPP for government schools was calculated at 10 percent of the AGSRC for per student recurrent funding. These funds are however not directly provided to schools. The Australian Treasury pays them to state and territory government treasuries. These treasuries would then distribute these monies to state and territory government education departments. These departments would then allocate these funds to schools based on the particular predetermined allocative mechanisms. Allocations are thus depicted in Table 2 below:

**Table 2. Average net recurrent income per student, by school sector, all funding sources, 2010 (\$)**

	<b>Government schools</b>	<b>Catholic schools</b>	<b>Independent schools</b>
Australian Government	1 668	6 229	4 933
State and territory government	9 200	2 057	1 865
Private sources	680	2 918	9 437
Fees, charges, parental contributions	427	2 383	8 468
Other private sources	253	535	969
Less deductions <sup>(a)</sup>	24	861	1 780
Net recurrent income	11 523	10 344	14 456

Source: Australian Curriculum, Assessment and Reporting Authority, 2010 national finance data for My School 2012, unpublished.

The Australian schools funding is also enforced by the Australian Education Act which attempts to reach equitable provisioning of education through varied funding models for different types of learners, different types of schools, different income levels of school parents and geographical areas where the schools are situated.

### **2.8.1 Australian Education Act No 67 of 1999**

This act further refines the Australian funding model for schools. In terms of the Australian Education Act, 67 of 1999, quartiles are used to fund particular categories students in schools (DET, 2013). According to the Australian funding model, there is no generic formula for a school. Schools are not categorised as quartile 1, 2 or 3 but students within one school are categorised according to quartiles using relevant formulae for their funding. Different formulae are used to differentiate the following categories of learners: Section 36 of Australian Education Act for students with disability, Section 37 for Aboriginal Torres Strait Islander, Section 38 for low socio-economic status student, and Section 39 for low English proficiency (DET, 2013).

This funding is based on the number of students in each category at a particular school. Apart from this funding model there is also funding of schools according to their location in terms of Section 40 of the Australian Education Act. Schools in a major city, in the inner regional city and in the outer regional city are funded according to different predetermined formulae.

There is also funding in terms of Section 41 of this Act, funding for remote school, and for very remote schools. The very remote schools get more funding than the remote schools. The researcher observes that this model addresses equity in terms of geographical area.

Furthermore, there is funding according to the size of the school where categories are namely, very small schools, small schools, medium-sized schools and large schools in terms of Section 43 of this Act (DET, 2013). The funding system is so structured to ensure that the quality of student education is not limited by where the student lives, the income of his or her family, the school he or she attends or his or her personal circumstances and by the school's location (DET, 2013). In a nutshell, funding in terms of this act is termed *Needs-based funding* which is granted according to formulae driven allocations for learners with disabilities, with special education needs, learners in remote and rural settlements and those to whom English is a second language (Levacic & Downes, 2004.; Pont., Figueroa., Zapata & Fraccola, S., 2013)

Deduced from the discussion on the Australian funding, it is evident that equitable funding is to a greater extent applied as compared to other countries where the school as a whole is categorised into a particular quintile and funded on such bases without looking into how many students in the school have disability, remoteness of the schools to facilities (access to the city) and size of the school.

### **2.8.2 Australian school governance**

Despite the absence of explicit education power in the Constitution, Australia has one of the best managed education systems in the world in terms of state funding and governance at school level. Total expenditure on schools from government sources was estimated at 81.1% which ranked Australia the fourth lowest of the 25 Organisation for Economic Cooperation and Development (OECD) countries for which data was available (Harrington, 2011). This depicts how competitive Australian education is in terms of financial management and the seriousness of the government on education matters.

The financial responsibilities of school governors include, among others budgeting and other financial planning, recording of financial information, preparation of financial records for reporting to stakeholders, payments of teachers' salaries, generation of other streams of income to finance their schools, and approve all material expenditures outside the budget and present audited financial statements to stakeholders (DfE, 2014).

### **2.8.3 The scope of Governors' role in schools' financial management**

Australia is classified as a high-income country. Literacy among adults is nearly universal. In 2011, 57 % of those aged 15–64 years (and 72 % of 19-year-olds) had completed secondary school, and 23 % held a bachelor's degree or a higher qualification (ABS, 2012).

The treasurer of the school governor's finance committee accounts for and reports on the finances as a chair of the council's Finance Advisory Committee. The treasurer's mandate is to ensure preparation of the council's financial budgets and statements and submit a financial report to each council meeting, present the council's audited accounts to the annual general meeting (Pike, 2014). Principals are vested with the management of school funds unless some other officer is designated by the chief executive officer to perform that function at the school (DfE, 2014). The principal may invest school funds in the name of the school until these funds are required to be paid out (DET, 1999).

It is evident from the statements above that both the principal and treasurer have close access to funds of the school. The principal has financial responsibilities however limited in terms of approval for the use of funds. The principal is only authorized to approve payments or enter into contract amounting to a specified value. It is only the school governors who could make approval beyond the principal's authorised level (DfE, 2014)

High quality induction and training can be vital to equipping governors and principals with the skills they need, but the training is not compulsory (DfE, 2014). Effective chairs of governors crystalize their expectations on their governors on joining the governing body. Governing bodies also carry out regular skills' audits of governors in the light of the skills and competences they need, in the quest to address any gaps they identify either through recruitment or training (DfE, 2014).

## **2.8.4 Value for money in school Australian schools**

According to Educational efficiency scores by country, Australia is ranked number eight (8) out of 30 OECD countries with an efficiency score of 8, 23% (Dolton et al, 2015). Though not categorised in the five groups by Dolton and colleagues, Australia is apparently doing good in terms of achieving value for money in school finances. Harrington (2011) substantiates that Australia has one of the best managed education systems in the world in terms of state funding and governance at school level. Furthermore, principals preferred to recruit parents who were employed in professional, managerial or business occupations or were early retirees or were articulate women who demonstrated these same skills (Boyland, 2005).

Driving value for money is deemed the primary principle of the Queensland Procurement Policy. According to this policy, value is indicated by assessing factors like price, objective of the procurement, outcome being sought, cost-related factors including up-front price, whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal, non-cost factors such as fitness for purpose, quality, delivery, service, support and sustainability impacts (Department of Housing and Public Works, 2014). It is therefore crystallized that value for money can only be realised in the long run in terms of this policy as whole of life cost and transactions associated with acquisition, use, holding and maintenance are ongoing activities with continuous checks and control points especially with fixed assets where depreciations are cumulative over years.

## **2.9 UNITED KINGDOM'S LOCAL EDUCATION AUTHORITIES (LEAS)**

### **2.9.1 Funding in UK schools**

#### **2.9.1.1 The Dedicated Schools Grant**

Government schools get a great percentage of their funding from the Dedicated Schools Grant through the Local Education Authorities (LEAs). The dedicated schools grant is separated into three divisions where the largest grant is School Block allocation meant to be spent solely on

learner provision in support of LEAs school budget (Chowdry & Sibieta, 2011; Roberts, 2016) The School Block allocation is calculated on a historic formula, that is, on how much the area received per learner in preceding years. The second block is the high needs block which is also ring-fenced to fund the high need areas. The last block is the early year block which is also ring-fenced to fund primary education (Richard Dewhirst Associate Consultants., 2016)

### **2.9.1.2 Pupil Premium**

This grant is allocated schools to fund disadvantaged learners and qualifying children from service families. Schools receive these funds from LEAs (DfE, 2016, Richard Dewhirst Associate Consultants., 2016). Unlike in other countries like South Africa where a blanket approach is applied to declare a school disadvantaged (no fee schools), Australians look at individual learners within a school and fund them accordingly.

### **2.9.1.3 Education Services Grant**

The Spending Review announced that further savings of around £600 million would be made from the Education Services Grant (ESG). This is additional funding that local authorities receive for centrally provided services such as human resources, school improvement and education welfare services (DfE, 2016; Richard Dewhirst Associate Consultants, 2016). The ESG is by and large provided for schools' continuous infra-structure improvements and maintenance for continued provision of undeterred quality education.

### **2.9.1.4 Self-generated income**

Schools also supplement allocations from the LEAs through generating other streams of income. Fundraising activities include asking for parental contributions, leasing out premises for community use, and sponsorship from business. (Roberts, 2016; DfE, 2016). It is a general norm in numerous countries that school gets sponsored by external stakeholders including parents and businesses. The schools sometimes would use their playing fields to host external sporting activities and school halls and auditoria to host external conferences at a fee to boost its revenue.

## **2.9.2 Local Education Authorities (LEAs) role in school governance**

Stated in EFA (2015), the Chair or Treasurer oversees and monitors adherence to the financial procedures. They also set out this policy document. They furthermore provide advice and support to the Executive Director and governing body on financial management issues. Moreover, they represent the governing body on issues relating to the sound financial management of the organisation with the appointed auditor and presents audited annual accounts to the Annual General Meeting.

The researcher equates the responsibilities of the chair or the treasurer above to those of strategic planners which demands high order thinking. Other members of the governing body are deemed to be at the operational level where they mainly implement strategies thus advised by the chair or treasurer.

The governing body has a strategic role in the financial management in schools and its key responsibilities include setting financial priorities through the school improvement plan' 3 year financial plan and the annual budget. The school governors further decide on how the school's delegated budget should be spent, in accordance with their school improvement plan and the statutory curriculum requirements as laid down by Government, approve and monitor the annual budget, ensure that the budget is managed effectively, ensure that the school meets all its statutory obligations, and through the head teacher complies with its LEA's (EFA, 2015)

Although the governing body oversees most areas of school governance, including financial management, a great deal of operational responsibility is delegated to the principal and finance committee (EFA, 2015). Those include drafting budgets and proposal for budget reviews.

Governing bodies must comply with the requirements set by their Local Education Authorities (LEAs). Although these will vary in detail they are likely to require governing bodies to cooperate with the audit regime set by the LEA, use financial controls which meet LEA requirements, seek to achieve value for money, for example by following LA tendering requirements, hold the school senior leadership team to account for expenditure, submit an annual budget plan and provide monitoring data, complete a Consistent Financial Reporting return annually, keep an up-to-date register of business interests for all governors, maintain a

fixed asset register; and comply with LEA rules for unusual payments such as write-offs and severance payments (DfE, 2014).

In order to meet these requirements governing bodies need to assure themselves that the school keeps accurate accounting records, manage the school budget and expenditure in a way that meets LA requirements for financing schools within the financial year, decide how far to delegate to the head-teacher their powers to spend the delegated budget, determine the staff complement and a pay policy for the school, make sure no governor, employee or related party has benefited personally from the delegated budget, other than under agreed arrangements such as a contract of employment and make sure the schools' assets are under their control and measures are in place to prevent losses or misuse (DfE, 2014).

### **2.9.3 Value for money in LEAs schools**

Dolton and colleagues (2015)'s Educational efficiency score by country ranked the United Kingdom the eleventh of the 30 OECD countries. It is however not grouped in either the elite group, the most effective and efficient group nor the effective and efficient group. The United Kingdom is doing well in school financial management because one or more governors with sufficient financial skills and experience are recruited to undertake effective financial scrutiny (DfE, 2014).

LEAs schools benchmark their financial management activities against each other. By so doing stakeholders are assured that funds are well expended because schools that spend far above the benchmarked lines would have to convince stakeholders with sound reasons why the expenditure is overboard. It is therefore a requirement for a LEA school to benchmark its financial activities against similar schools. Investigations are to be conducted where signs of deviations in terms of school category are experienced. School should also put procedures in place for the acquisition of goods. These procurement procedures should also comply with legal requirements. Schools should always make sure that balances are at reasonable level and that moneys are utilised according to a financial plan or budget. Furthermore, schools should have an effective maintenance plan for its premises and other assets to reduce or avoid future urgent need for replacement which would result in considerable outflow of cash. LEAs are also responsible for payment of staff. It is therefore possible for LEA school to share staff and reduce underutilisation of human resources. Where a teacher specialises in a particular subject,

he could be made to teach the same subject at a number of schools. LEA schools could also consider joint procurement of goods and services for the sake of benefiting through bulk discounts. Schools could also draft a performance assessment to indicate improvements in the utilization of resources from preceding years (DfE, 2014)

The Regulations, as amended, create an explicit requirement that all appointed governors have the skills required to contribute to effective governance and the success of the school. (DfE, 2014). This vindicates the significance of a strong prior knowledge upon which the financial management structure could be built. High literacy level of UK's adults promotes the viability of capacity building of school governors.

## **2.10 CONCLUSION**

Deduced from discussion in this chapter, conclusion could be drawn that the level of accountability of school governors in financial management differs in terms of the level of development of countries. In Australia and UK, very experienced people are placed in the financial management of schools as school boards and LEAs. Each candidate is expected to prove possession of a particular skill or expertise sought in school governance to qualify for membership. Capacity building is therefore not indispensable and hence not considered compulsory for school governors in the two developed countries. UK has factors to consider if LEAs are to ensure value for money to stakeholders.

Contrary to these developed countries, South Africa as a developing country shows intent for accountability to stakeholders notwithstanding the quality of inputs for accountability. The school governors are selected not on merit in terms of expertise and education but of being a parent to a learner at that school. The educated part of the SGB is mostly the teacher component with scant financial management skills and expertise. Capacity building is therefore very crucial in order to upskill those with little knowledge in finances and governance. Capacity building concept in South Africa is as old as its South African Schools Act yet challenges in school financial management is considered to be perpetually escalating which suggests a need to review the current seemingly off-target capacity training to meet the needs, taking into account the local demographic landscapes in terms of education level and skills distribution to ensure equitable provisioning of education

## **CHAPTER 3**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

The previous chapter made a broad discussion of the theoretical framework of this study clarifying the ontology of the phenomenon under study. Capacity building of SGBs in financial management was discussed from different perspective among others, Constitutional perspective, legal perspective, financial perspective, local and international perspective.

This chapter will discuss the research methods and approach the study applied. The chapter will outline the lay-out of the research strategy, concepts and activities involved. It will further deliberate on the steps in the research strategy such as the participants, selection of participants and selection techniques, data collection and data collection techniques and instruments. The research strategy will be unpacked to reflect the flow to the final results of the study. Cresswell (2012:20) refers to this flow of activities in the research strategy as procedures involved in the research process and cited activities such as data collection, data analysis and report writing. Similarly, Walter (2013:361) refers to it as a formalised plan of how a researcher intends to conduct a research. Research design, as defined by Punch (2013:114) in general terms refers to a structural flow pattern of activities or concepts running from planning of the research project to the final step of publishing the results. On the other hand, Denzin and Lincoln (2011:245) perceive the research design as a means to outline the rationale for the study, the information that will be used to explore the research question and together with the methods which will be best suited to obtain this information. According to McMillan and Schumacher (2010:20) the rationale for the research design is to define a strategy for developing heuristic data for the purpose of answering the research questions. According to Walter (2013:362), a research design should also include any potential limitations or difficulties a researcher may encounter in conducting proposed research.

#### **3.2 RESEARCH APPROACH**

The ontological orientation I adopted in this study is that of a constructionist. The constructionist orientation informed my choice of a research approach. Constructionists put

emphasis on the generation of theories rather than proving them (Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masange, Van Aardt and Wagner, 2014), and hence I considered a qualitative research approach as the sole relevant research approach.

### **3.2.1 Qualitative research approach**

According to Bryman et al (2014), a qualitative research approach is the collection and analysis of primarily non-numerical data and an inductive generation of theory from data. It usually emphasises words rather than quantification in the collection and analysis of data. It is concerned with understanding the processes and the social and cultural contexts which underlie various behavioural patterns (Creswell et al, 2010). The generation of data from the participants through making sense of their views, opinions and assertions on a phenomenon is crucial for the construction of the new reality.

### **3.2.2 The nature of a Qualitative research approach**

Gabrium and Holstein (1997) posit that a qualitative research approach is underpinned by four traditions namely, naturalism, ethnomethodology, emotionalism and postmodernism. Qualitative research approach seeks to understand the social reality in its own terms; as it really is, provides rich descriptions of people and interaction in natural setting (naturalism). It also seeks to understand how social order is created through talk and interaction (ethnomethodology). In addition, qualitative research approach is concerned with the subjectivity and gaining access to ‘inside’ experience (emotionalism). Furthermore, it has emphasis on ‘method talk’; is sensitive to the different ways social reality can be constructed (postmodernism).

### **3.2.3 The rationale for the choice of a qualitative research approach**

The rationale for the choice of a qualitative research approach was that I sought to understand the reality of the phenomenon as it really is. I therefore had to apply naturalistic observation in my data collection where in-depth study of people’s issues in their natural settings was conducted to avoid reliance on generalised, systematised, and presumed categories of analysis. The naturalistic settings in this study are schools (two primary schools and two high schools) and the people in those natural setting with encounter with the phenomenon are SGBs,

principals and circuit officials responsible for schools' financial management. These naturalistic settings were instrumental in this study to understand and narrate the participants' own experiences of the phenomenon, which in terms of this study is capacity building of the SGBs in school financial management.

### **3.2.4 Paradigmatic orientation**

I considered an Interpretivist perspective a relevant enquiry paradigm for the phenomenon studied on the assumption that, Capacity building of SGBs is human life experiences to the SGBs and as such can only be understood from within them (Creswell et al, 2010). Also, that social life is a distinctively human product (Creswell et al, 2010), hence I chose to understand the phenomenon from SGBs and Circuit officials of rural quintile 1 schools which could positively be different from perceptions of SGBs in urban, township or quintile 4 and 5 schools. The study on Capacity building from varied participants from a variety of school setting will probably bring forth many varying realities on Capacity building for SGBs.

In this study I sought to understand Capacity building of SGBs in financial management from the participants' worldview considering that reality is not objectively determined but socially construed (Creswell et al, 2010). I therefore had to dig, explore the richness, depth and complexity of Capacity building for SGBs to be able to develop an understanding of the meaning shared by the SGBs and Circuit official in their social context. As a researcher, I sought to understand the reality about Capacity building for SGBs from schools in poor rural communities with the premise that it should be distinct from other settings.

## **3.3 RESEARCH DESIGN**

The nature of this study relied on the views of the participants and I thus used a qualitative research design. According to Leedy and Ormrod (2005:101), a qualitative research design is the suitable research design for a study that seeks to explore the research conundrum through the participants 'perceptions, descriptions and comprehension of the problem. In this study, I sought to explore capacity building training of SGBs in financial management from the selected SGB members' point of view, considering how they give description and their comprehension of the research problem. According to Creswell (2012:16), characteristics that define a qualitative research are, exploring a problem to develop detailed understanding when the

researcher does not know the variables, more reliance on participants' views and learning from participants. Creswell (2012: 17) concludes that qualitative research is most applicable and relevant to address a research conundrum in which the researcher is not versed with the elements involved and need to traverse and absorb more insight from participants immersed in the phenomenon. Deduced from the preceding affirmations from these scholars (Leedy & Ormrod, 2005:101 and Creswell, 2012: 17), a qualitative research design was applied to determine the perceptions of SGBs regarding the issue of capacity building's contribution to value for money in school financial management in order to gain insight, explore the depth, richness, and complexity inherent in the phenomenon. The qualitative research design recognises that there are multiple realities and not necessarily only one truth to be discovered (Leedy & Ormrod, 2005:133). Thus, the essences of this study was to investigate the effectiveness and efficiency of the current capacity building training of SGBs in terms of their legislative mandate with regard to financial management in their schools.

The central phenomenon in this study is thus capacity building of the SGBs in school's financial management. According to Creswell (2012:16), a central phenomenon is the key concept, idea or process studied. I thus sought to learn more about the central phenomenon from participants through exploration. I sought to understand the SGBs' views on the current capacity building programme in terms of school financial management. In terms of research, it is noted that through the informed consent on their part, participants were willing to tell their stories with regard to their financial role as SGB members and were also willing to share their experiences of the current capacity building training in financial management.

In qualitative research, according to Punch (2009:117) and Johnson and Onwuegbuzie (2004:20) the researcher collects data in a naturalistic setting. Yilmaz (2013) substantiates that qualitative research requires an in-depth study of people's issues in their natural settings to avoid reliance on generalised, systematised, and presumed categories of analysis. I therefore applied naturalistic observation in his data collection to avoid data manipulation which could tarnish the validity of data collection. The naturalistic settings in this study are schools (two primary schools and two high schools). These naturalistic settings were instrumental in this study to understand and narrate the participants' own experiences of the phenomenon, which in terms of this study is capacity building of the SGBs in school financial management. I used an in-depth inquiry to interpret a phenomenon under study in terms of meanings and understandings constructed by the participants according to Denzin and Lincoln, 2005:3).

Creswell (2012:16) affirms that one of the elements that characterises a qualitative research is that data are collected based on words from a smaller sample of individuals so that participants' views are obtained. Thus, semi structured interviews from which data was derived were conducted with five (5) participants per school in four schools i.e. two primary schools and two secondary schools and a face-to-face interview with a circuit official. Straus and Corbin (1998:11) state that qualitative research approach grants rich and detailed descriptive data collected from participants.

### **3.4 RESEARCH METHODOLOGY**

In this study the reality about the research conundrum is not yet known as there is non-existence of a hypothesis and the suitable way to accomplish that is to get the views, understanding and perceptions of a small representative of a large population conversant with the phenomenon. Therefore, the inductive nature of the enquiry dictated the option in the selection of the research methodology. In order to collate the views of this participants to get to the truth about the phenomenon, a qualitative research was held. The study aims to examine how capacity-building for SGB can enhance attainment of value for money. In order to examine this phenomenon, I had to adopt or invent a strategic plan of action. Research methodology is a strategic mode of operation the research utilizes to reach the research objectives of the study. Myers (2009) posits that research methodology as an enquiry strategy, links the research problem to the suitable design and data collection. In this study, I adopted a qualitative research methodology.

Qualitative research requires the use of multiple sources of data to ensure that the research produces the intended output in a reliable manner. A detailed unpacking of the research strategies used to collect data on capacity building programmes of SGBs in financial management at the no-fee schools in rural settlements is outlined below.

The success of a qualitative research methodology is underpinned by the researcher's understanding of the participants and the context within which they live or operate (Denzin & Lincoln, 2011). I also perceive the context of the participants to be where the research problem resides and that participants only people who have complete knowledge and access to that area. This study sought to understand the SGBs and the governance context of the school within

which they operate. In the previous chapter, figure 1 depicted financial management contexts within which SGBs in urban school, in township school and lastly in rural schools operate. That thus implies that in one country, South Africa different context of the same phenomenon is experienced. SGBs in rural schools are more versed with the financial management context of their rural school and so are the SGBs in urban and township school which figure 1 in chapter 2 rated them as good and average in terms of financial management. According to Denzin (2005), qualitative researchers are motivated by an in-depth inquiry into studying a phenomenon hence I resorted to semi structured questions in all the interviews conducted at the SGBs and the Circuit official's natural setting being at the schools and Circuit office respectively to make sense of, as well as to interpret capacity building training and school financial management in terms of meanings and understandings constructed by the participants. For further in-depth enquiry, I sampled SGBs in rural communities which according to figure 1 in Chapter 2, are the ones depicted as most challenged in terms of financial management. In addition, they are the ones whose financial management context matches the description of the study problem and would hence have in-depth understanding of the problem.

The interpretive research paradigm was considered a suitable framework for this study based on the premise that reality consists of people's subjective experiences of the external world. Ardalan (2015:5) states that interpretive paradigm is founded on the premise that the subjective individual worldviews of participants about a phenomenon under study is a crucial point of departure. Thus, the SGBs, Principals and Circuit officials' subjective experiences of SGBs' capacity building in school financial management will elicit a socially constructed reality. This study is therefore founded on a view that knowledge is based on interpretation (Wilson, 2013:293). Interpretation of the participants' evidence would be used as to bring meaning to the phenomenon (Burton, Brundett & Jones, 2014:7). Findings were explained, interpreted and contextualised to make research evidence useful (Burton et al, 2014:7). In the words of Cohen, Manion and Morrison (2017:2), the interpretive paradigm is characterized by a concern for the individual and its central endeavour is to understand the subjective world of human experience. I was thus convinced that only the people who have the knowledge of school financial management would be able to shed light on this phenomenon, purposively sampled SGBs, principals and circuit officials responsible for school governance as the relevant participants regarding the phenomenon.

Individual subjective experiences, perceptions and descriptions of a phenomenon under study are furnished by participants through their artifice such as language, responsiveness and invented common meaning of reality which are crucial tools to access reality in interpretive research paradigm (Myers, 2013). Qualitative tools were used for observation and interpretation of data. Aikenhead (1997) in Antwi and Hamza (2015: 218) also claims that an interpretive model is founded upon observation and interpretation, and because of this view, the researcher collected information about capacity building of SGBs in financial management. Meaning was then attached to the information so collected from these participants through extrapolations and scrutinising consistencies between the data and conceptual patterns and trends.

### **3.4.1 Triangulation**

Likening a qualitative research to a legal case which gains its strength from supportive witnesses, pictures and other sorts of supporting evidence or exhibits, I strengthened the quality and validity of data by implementing a multiple faceted data collection strategy. Participants as witnesses of the studied phenomenon could not be sole data to be relied on and I thus supplemented them with the examination of documents and policies. In addition, I used field notes on observation to enhance the validity and trustworthiness of the collected data.

The use of focus group interviews with SGB members, a one-on-one interview with a Circuit official, examination of documents and policies and fields notes taken on observations are the multiple resource data collected for triangulation in order to ensure the richness of data and trustworthiness. In this connection, different data collection techniques such as semi-structured interviews, examination of school financial management documents and field notes observations were considered relevant for triangulation in this study. I wanted to make a detailed arrangement and explanation of the abstract nature of SGBs' encounter with financial management by studying it from more than one perspective (Jaremba, 2013:31). In support of triangulation for qualitative data collection, MacMillan and Schumacher (1993:498) emphasise the application and comparison of data sources, and multi-pronged approaches to identify similarity of trends. Therefore, my choice for triangulation was to increase the credibility of the study through reliance on multiple data collection methods to check the authenticity of results.

### **3.4.2 Data collection strategies**

I held a firm conviction that all processes need quality input to yield quality output. On that premise I endorse that the quality of data collected determines the quality of results and the final report itself. This implies that the success of this study to yield valid and trustworthy results, the correct and reliable data has to be collected. This study further hypothesizes that people who have frequent encounter with a phenomenon gain understanding, knowledge and ideas about that particular phenomenon and thus relevant to mine quality data from them. Maree (2010:259) concurs that qualitative researchers collect data in the natural settings of people immersed in everyday life in which the study is framed. Therefore, the SGBs, principals and circuit officials responsible for school governance as people immersed in the school financial management and SGB capacity building training were used as data source. The following qualitative data collection tools were used:

#### **3.4.2.1 Interviews**

The interviewer considered interviews to be the prime and main data source crucial to answer the research questions. Through the interviews, the researchers are afforded an opportunity to access the context within which participants live or operate which is the area where the research problem is located. In order to obtain rich and in-depth information about the research conundrum, I had to cast my net wide by asking open ended questions so as to accumulate as much information as possible to be able to explore the problem. I developed a semi-structured questionnaire as a tool used to guide me in conduction the interviews. The semi-structured questionnaire was also aligned to the research problem so participants' perceptions attempt to answer the research questions

I sought to understand capacity building of SGBs in financial management and its contribution towards enhancing value for money from SGB members involved in financial management roles in their schools. In order to get an understanding of this phenomenon, and getting it from "*the horse's mouth*", interviews had to be conducted with the FINCOM members, SGB chairperson, treasurer and the principal including the Circuit official coordinating school financial management. As noted by Creswell, Ebersohn, Eloff, Ferreira, Ivankova, Jansen, Nieuwenhuis, Pietersen, Plano Clark and Van der Westhuizen, (2010), the object of qualitative

interviews is to perceive the world according to the participants' worldview, and the interview was considered key in terms of data collection for this study.

#### **3.4.2.1.1 Focus group interviews**

Bryman et al (2014) posit that focus group have evolved from the focussed interview where participants are selected because they are known to have been involved in a particular situation that is the focus of the discussion. These researchers also purport that focus group technique has become popular to examine the ways in which people working together construe research topics. In addition, it is said enable the researcher to develop an understanding about why people feel the way they do. Furthermore, that participants can emphasise issues they consider crucial and valuable.

I therefore considered a focus group interview as a suitable method to obtained sought information on the area of interest or phenomenon in a conducive and safe set-up. In the context of this study, financial management was discussed with relevant participants who are operating within the studied context of the area of interest. Carey in (De Vos *et al.*, 2000:291) opine that for one to explore the thoughts and feeling, qualitative method is the most relevant and meaningful method. De Vos *et al* (2000:305) maintain that a focus group interview is a means of better understanding how people feel or think about an issue, product or service. I thus sought to understand how the SGBs of these schools feel and think about the capacity building training on school financial management offered to them. In qualitative research, words that participants utter in sharing their views, experiences and ideas about the phenomenon form the research data unlike in quantitative research where data is in numbers, (MacMillan & Schumacher, 2010:23; Patton & Cochran, 2002:2) and thus interviews were considered suitable tools utilised in gathering and collating the information. I therefore searched and explored with a multi-pronged qualitative data collecting methods until a deep understanding was achieved. Using focus group interviews assisted me to collect certain information contained like participants' gestures and other body expressions that could not be obtained in questionnaires. De Vos, (1998:307) explains that people in groups are more free and open to disclose and share their personal experiences that when approached individually. I therefore used focus group interviews to get participants to share personal experiences and perceptions around the phenomenon under study (Esterberg, 2002:87). The participants in the four focus groups fully

participated in sharing their perceptions, ideas and understanding around capacity building training of SGBs in school financial management.

#### **3.4.2.1.2 Semi-structured interviews**

Semi-structured interviews were used where several key questions that helped to define the areas of school financial management and SGB capacity building were explored. Follow-up questions were also asked in order to pursue an idea or response in more detail. In order to make the interviews more inclusive, I conducted the interviews in English with frequent code switching to Sepedi which is the language most SGB members understand best. This was also to accommodate some members were not able provide answers in English (Segwapa, 2008:8). Using their ethnic language, participants shared their experiences, views and ideas in response to pre-formulated questions as listed in the interview schedule and the follow-up questions. The schedule was composed of initial key questions that were clearly worded. Each key question related to the specific objective (theme) of the study. Questions in the interview schedule were prepared and formulated according to guidelines on school financial management policies. The participants' responses were then translated into a scientific language relevant to research.

The four focus interviews were conducted at the four schools' premises, the two primary schools and the two secondary schools. The only one-on-one interview was the Circuit official was conducted at the Circuit office. Permission to video-record interview sessions was obtained from each participant and the flash drives with these video footages were clearly marked and stored safely in a locked cabinet and soft copies saved on a password protected computer and also on cloud.

#### **3.4.2.2 Examination of relevant school financial management documents and policies.**

Data collected through interviews alone cannot be relied upon given that a qualitative research design uses multiple data sources. I considered it crucial to include examination of documents and policies to supplement the main data source of interviewing. Some interview questions were based on these documents and therefore video footages where these records are interrogated were captured. These documents were captured with voices of participants responding to questions based on these documents and policies. The documents sought for the

purpose of the study included the schools' financial management policies and school financial records.

### **3.4.2.3 Field notes on observations**

In order to enhance trustworthiness of the data collected through interviews and examination of documents and policies, I considered writing field notes on observations relevant and crucial for this study. According to Field and Morse (1985:102), field notes on observations are written accounts of what was never uttered in the interviews nor examined in the documents and policies but what the researcher hears, sees, experiences in the course of collecting or reflecting on the data obtained during the study. Observations are crucial in qualitative data collection as written data collected through questionnaires miss information on what is seen, heard and experienced during data collection that enriches the hard data.

### **3.4.3 Source of data, procedure and instrumentation**

My quest for participants' perceptions on the phenomenon under study dictated qualitative data generation techniques to be the most relevant than quantitative where close ended questions have a potential of distorting the participants perceptions and limiting the sharing of in depth knowledge and ideas about the phenomenon. I hence developed a data collection strategy and outlined the data collection tools utilized to reach final conclusions. In order to strengthen the validity and trustworthiness of the data collected, I developed a data generation strategy where the source of data such as an interview schedule and examination of documents and field notes on observations were put in place.

Data was generated from the participants by means of semi-structured interviews, review of documents and field notes on observations. For instrumentation in data generation, designed interview schedule and an observation schedule were used during fieldwork. In addition, an audio-visual recorder was used to record information gathered from both, the interviews and observations to keep important data on record. Interviews were conducted at the participants' convenience. During interviews participants were asked open-ended questions to share their perceptions on the effectiveness of the training they received and how it impacted on their financial management in their schools. Documents such as budgets, financial statements and

auditors report were collected and studied. An observational protocol was used for recording information while observing. In-depth individual interviews were carried out with Circuit governance officers. Focus group interviews were carried out with the schools' Finance Committee members, including the principals and SGB chairpersons.

### **3.5 RESEACH PARTICIPANTS**

My convictions that quality and reliable data for a quality report could be sourced from people immersed in the phenomenon being studied, I predicated the SGB members to be the relevant participants for this study. The rationale for targeting the SGBs is therefore based on the premise that their encounter with phenomenon studied suggests that they could go deeper about the phenomenon which is the quality data anticipated by the researcher. I considered the SGBs and Circuit official as the most reliable and relevant for quality data.

The participants of this study therefore comprised of school finance committee members of both primary and secondary schools in the Mogalakwena District, Limpopo Province. This includes principals, SGB chairpersons, treasurers, and finance officers. In addition, circuit officers dealing with school finances also formed part of the selected participants. The research participants comprise of all people who are fully involved in school financial management and SGB capacity building trainings.

### **3.6 PARTICIPANTS' SELECTION STRATEGY AND SAMPLE SIZE**

With the profound prevalence of the research problem in the rural communities especially in the Limpopo Province, the researcher saw the rationale of obtaining the sample in those rural villages in that province.

This research was conducted in the Mogalakwena District, in the Limpopo Province of South Africa. A purposive sampling strategy was applied in this research. The criteria the researcher applied in the selection of the sample was SGB members involved in financial management at schools that occupied the same quintile level and located in a rural setting. The sample consisted of two (2) secondary schools SGBs and two (2) primary schools SGBs in the rural

villages of the Mogalakwena Municipality. The selected SGB members are from specifically those with direct financial management roles whose judgements and viewpoints were of particular relevance this investigation as they are immersed in the roles under study (Luborsky & Rubinstein, 1995). There were four (4) focus group interviews. Each focus group had five (5) members, bringing the total number of participants to twenty (20). There was also (1) in-depth interview with the circuit officer responsible for school financing. Convenience sampling of schools in close vicinity of each other was made for convenient access of the researcher.

### **3.7 DATA ANALYSIS**

Data collected through the three-legged approach of interviews (focus group and one-on-one), examination of documents and policies and field notes were collated and I applied content analysis to analyse it. The intent was to arrive at a concise and simplified data. Data analysis is, in the words of Merriam (2008:175), the process of making sense out of data. This involves consolidating, reducing and interpreting what people have said and what the researcher has seen and read – it is the process of making meaning. Walter (2013:61) purports that data analysis is the process of analysing the evidence that is produced from the research and this is the responsibility of the researcher after data have been gathered (Litoselliti 2003:85). To analyse data means to systematically organize, integrate, and examine and in so doing the researcher searches for patterns and relationships among specific details (Neuman, 2014:477). Walter (2013:61) adds that analysis of data involves identifying patterns of meanings and interpretations. In the words of Litoselliti (2003:85), this provides the researcher with an advantage of having insight and in context knowledge about the research and enables him to establish a variety of important links between research question, aims and the data gathered. The study applied qualitative content analysis to the transcribed interviews and qualitative documents reviewed. Data were organised into smaller units in the form of main concepts, sentences and words, which involved a *verbatim* transcription of video-recorded data and noting the tones of voices, emphases used, pauses and silences and unclear or indecipherable responses (Cohen, Manion & Morrison, 2000). Data were arranged in categories denoting how SGBs execute their roles and functions in schools and their perception of training offered to them. Ultimately collated information was presented as themes which then fall into a pattern of meaning.

### 3.8 CREDIBILITY AND TRUSTWORTHINES

I sought to ensure that the results of this researcher are reliable and valid and thus did not rely on a single data collection method to avoid possible biases of analysis. The object for the multiple data collection strategies employed by the researcher was to ensure credibility and trustworthiness of the final product of this study, hence focus group interviews, one-on-one interview and observation of documents were considered watertight strategies to avoid biases. Burton and Bartlett (2009:24) define credibility and trustworthiness as the truthfulness, correctness and accuracy of the research data. Additionally, Gray (2009:194) is of the opinion that issues of trustworthiness in qualitative research are generally addressed through focusing on research credibility. According to Newby (2010:121), reliability and validity are the cornerstones of any research. Metler and Charles (2011:199) add that when dealing with the validity of qualitative data, researchers are essentially concerned with trustworthiness – the accuracy and believability – of the data. On the other hand, Metler and Charles (2011:199) further add that credibility involves establishing that the results of qualitative research are credible or believable from the perspective of the participant(s) in the research. For the purpose of this study, validity was used to determine the accuracy of the findings. Validity, according to Neuman (2014:212), suggests truthfulness. It refers to how well an idea “fits” with actual reality. The absence of validity means that the fit between the ideas people use to analyse the social world and what actually occurs in the lived social world is poor. When collecting data for qualitative research studies, it is important for researchers to ensure quality of their data (Metler & Charles, 2011:199).

In qualitative data, validity might be addressed through honesty, depth, richness and scope of data achieved, the participants approached, the extent of triangulation and the disinterestedness or objectivity of the researcher (Cohen, et. al., 2007:133). Validating findings means that the researcher determines the accuracy or credibility of the findings through strategies such as member checking, triangulation or external audit (Creswell, 2012:259).

The researcher followed both constructive and evaluative procedures to ensure the trustworthiness of the research and provide quality assurance. Qualitative researchers who frame their studies in an interpretive paradigm focus on trustworthiness as opposed to the conventional, positivistic criteria of internal and external validity, reliability, and objectivity (Lincoln & Guba, 1985). Credibility will be ensured through triangulation where methods such

as observation, focus groups and individual interviews, which form the major data collection strategies for much qualitative research are used (Shenton, 2004). Creswell, Ivankova and Pieterse (2010) postulate that the use of multi-pronged data collection methods such as observation, interviews and document analysis enhance trustworthiness of the research.

### **3.9 ETHICAL CONSIDERATIONS**

It is a Constitutional imperative to treat people with dignity as per Section 10 of the South African supreme law (RSA, 1996a). Given that people are involved in this research, ethical considerations is compulsory and Punch (2009:49) considers empirical research in education to inevitably carry ethical issues as it involves collecting data from people, and about people. In the words of Walter (2013:73), ethics is concerned with the establishment of a set of moral standards that govern behaviour in a particular setting or for a particular group. This is further substantiated by Gray (2009:192) that during the process of collecting and analysing data and publishing the findings, researchers should take heed of Constitutional imperatives relating to people which include, among others, the participants' right to human dignity and privacy in their research. The researcher therefore also considered the participants' right to human dignity, their confidentiality and anonymity as priority and ensured that during data collection none of these are violated. The researcher ensured that participants do not feel under duress to furnish him with the information as per the interview question but that they provide the information at their own free will without luring them with any final or material incentives to participate in the study.

Likewise, the current study also had some ethical matter to be considered. SGB member of schools sampled for this study signed Consent Forms and Briefing Letters to willingly participate in this research. The researcher also furnished the participants with all necessary information about their involvement in this research including their rights to withdraw from participating at any point and for any reason which would not be compelled to disclose.

The researcher ensured that permission was sought from the Limpopo Provincial Department of Education (LPDE)'s Mahwelereng Circuit before anything pertaining to this study was undertaken. This was to ensure that the researcher obtained access to all schools that serve as research sites. Code of research ethics, as promulgated by the University of South Africa, was strictly adhered to. Permission was also sought from schools through the School Governing

Bodies (SGBs) and letters of consent were also signed by the chairpersons of SGBs in all participating schools. According to Metler and Charles (2011:206), ethics have to do with moral aspects of research. Researchers must be scrupulously ethical if their work is to have credibility. As confirmed by De Vos (1998:240), ethics is a set of moral principles that are suggested by an individual or group and which are subsequently widely accepted and offer rules and behavioural expectations about the most correct conduct towards experimental subjects, respondents, employers, sponsors, other researchers, assistants and students. According to De Vos et al (2005:57), ethical issues serve as standards and a basis upon which researchers' conducts when conducting their studies are evaluated and should therefore be continuously borne in mind and be internalised in the researcher's personality. Lastly, O'Leary (2004:50) and Punch (2009:49) concur that researchers are unconditionally responsible for the integrity of all aspects of the research process

Capron (1989) maintains that any kind of research should be guided by the principles of respect for people, beneficence, and justice. He considered that respect for people is the recognition of the participants' rights, including the right to be informed about the study, the right to freely decide whether to participate in a study, and the right to withdraw at any time without penalty. It also means that participants exercise their rights as autonomous persons to voluntarily accept or refuse to participate in the study (Orb, Eisenhauer & Wynaden, 2000). Consent was negotiated with the all participants. The participants voluntarily signed an informed consent form before they engaged in the research acknowledging that their rights were protected during data collection. All the identified participants signed the consent form as evidence of agreement to participate in the research. Contents of the consent form included the declaration of anonymity of the research participants and confidentiality between the researcher and the participants. Saunders, Lewis and Thornhill (2000:133) assert that participants should out of their free will provide the researcher access to their schools and Circuit office without the researcher's coercion. The voluntary nature of participation in the study confers individuals the right to refuse participation or withdraw in the process and the researcher had to respect their decisions.

### **3.9.1 Informed consent**

In this enquiry, the voluntary participation of the participants was obtained and acknowledged at all times. All the participants were informed regarding the aims of the inquiry, the research methods, the nature of participation, and the possible publication of the results. The participants were also informed of their right not to participate or to withdraw when they felt that their participation would put them at risk (Creswell 2007: 44).

### **3.9.2 Confidentiality and anonymity**

The principals were requested to write narratives on the extent to which parent members of the school governing bodies were involved in participative decision making in their schools. They were constantly assured of their anonymity and that the information acquired through their narratives would be treated ethically and confidentially (Cohen *et al.* 2011: 62). Participants were also informed of how the information they shared with the researcher would be handled to ensure confidentiality and that their names or identity would also be held anonymous.

## **CHAPTER 4**

### **PRESENTATION OF DATA AND ANALYSIS OF FINDINGS**

#### **4.1 INTRODUCTION**

The previous chapter focused on the discussion of the research methods and approach the study followed. The chapter also outlined the lay-out of the research strategy, concepts and activities involved. It further deliberated on the steps in the research strategy such as the participants, selection of participants and participants' selection techniques, generation of data and data production techniques and instruments. It also unpacked the research strategy to reflect the flow to the final results of the study.

The chapter focuses on the presentation of data and the analysis of findings to determine the effectiveness of the capacity building provided to the School Governing Bodies in financial management of the no-fee schools in rural areas of the Mogalakwena District of the Limpopo Province. The study focused on a case study of four purposefully selected schools; namely, two primary and two secondary schools under the Mahwelereng Circuit of the Mogalakwena District. The key questions of the research study are stated below:

#### **4.2 MAIN RESEARCH QUESTION**

How can capacity building for the school governing body contribute to value for money in school financial management?

##### **4.2.1 Research sub-questions**

- To what extent does the school governing body carry out its legislative mandate of managing school finances?
- What are the attitudes of members of the school governing body towards the current financial management training offered to them?
- What possible capacity-building strategies can be developed for improving the school governing body's performance in school financial management?

This chapter presents and discusses the data collected through focus group interviews with SGB members, a one-on-one interview with a Circuit official, examination of documents and policies and fields notes taken on observations. The multi-pronged resource data through interviews, examination of school financial records and field notes were collected for triangulation in order to ensure the richness of data and trustworthiness. The discussion presented attempts to address the research conundrum in line with the broader research questions as stipulated above. The discussion is presented in the following sub-headings: main research question, research sub-questions and impediments to school financial management resulting from gaps in the capacity building programme.

The participants were coded as indicated below to hide their identities.

**Table 4. Participation codes**

<b>SCHOOL 1</b>	
Principal	PSCP1
Finance Officer	PSCF1
Treasurer	PSCT1
Secretary	PSCS1
Fincom member	PSCF2
SGB Chair	PSCC2
<b>SCHOOL 2</b>	
Principal	HSGP2
Finance Officer	HSGF2
Treasurer	HSGT2
SGB Chair	HSGC2
Fincom member	HSGF2
<b>CIRCUIT OFFICE</b>	
Circuit Official	CO1
<b>SCHOOL 3</b>	
Principal	HSBP3
Finance Officer	HSBF3
Treasurer	HSBT3
<b>SCHOOL 4</b>	

Principal	PSNP4
Finance Officer	PSNF4
Deputy Chair	PSNDC4
Finance Additional member	PSNM4
Treasurer	PSNT4

The researcher finds it noteworthy to indicate that the position for the circuit official responsible for governance of the four schools in the rural settlement was vacant for about a year following the death of the staff member previously employed for the position. The researcher therefore conducted a one-on-one interview with the circuit official of another circuit in the same district whose schools are mostly in town and in the township. This circuit official was an Accounting teacher at one of the secondary schools before promotion to the position of Finance Officer at that Circuit level.

### **4.3 RESEARCH QUESTIONS AND THEMES**

#### **4.3.1 Research questions**

The key questions of the research study are stated below:

#### **4.3.2 Main research question**

How can capacity building for the school governing body contribute to value for money in school financial management? In attempting to respond to this question, the following themes emerged:

- Comprehensiveness of capacity building;
- Competency of training facilitators;
- Contextualised capacity building; and
- Frequency of the SGB training.

#### **4.3.3. Research sub-questions**

To what extent does the school governing body carry out its legislative mandate of managing school finances? The following themes emerged in response to this question:

- Mismatch between internal records and audited financial records; and
- Involvement of senior officials in school financial management.

Attempting to respond to the question, “*What are the attitudes of members of the school governing body towards the current financial management training offered to them?*” the following themes emerged:

- Short duration of the SGB training;
- Support and monitoring by circuit officials in the schools’ financial management;
- Cluster approach; and
- The presentation style of SGB training.

The question, “*What possible capacity-building strategies can be developed for improving the school governing body’s performance in school financial management?*” elicited the following themes:

- Competency of training facilitators;
- Conduct of external auditors;
- Duration of the SGB training; and
- Cluster approach.

#### **4.4 NARRATIVES OF THEMES**

##### **4.4.1 Nature of capacity building programmes**

According to Nguyen (2013) the point of departure for every capacity building is technical skills and resources which are considered critical for performance. Financial management involves analysis and application of financial information, which is considerably technical. The journals (cash books), statements of income and expenditure, bank reconciliation statements, financial statements require demonstrations by experienced facilitators with a follow-up of practical learn-by-doing exercises by trainees. In addition, there are principles and procedures (DBE, 2018) applicable in the preparation of these accounting records to be learnt that requires the technical know-how of the facilitator. Inclusion of such principles and procedures and the learn-by doing activities show that the content and the mode of capacity building thereof should involve a more pragmatic approach unpacking the necessary technical skills with a bit of theory. The researcher opines that a mere presentation style mode of capacity building where trainees are only made to listen without active participation would not match the demanding nature of the content nested in the capacity building programme for the SGBs. He further posits that given that more of the content in the capacity building programme is of technical nature

which demands trainees to be hands on practice, more time is needed for demonstrations, assessment, follow-ups, monitoring and evaluations of the learning process.

#### **4.4.1.1 Comprehensiveness of the capacity building**

Technical skills as one key element of capacity building necessary for performance (Nguyen, 2013) should feature in the SGB capacity building. All mandatory financial records, policies and procedures and pecuniary legal frameworks should make the content of the capacity building programme for SGBs.

Contrary to this premise, the current capacity building in the form of training comes short and hence off-target as it is not fully inclusive of all the mandatory contents. Despite being content with the way policies on financial management are being unpacked during capacity building, an outcry about the exclusion of the content on financial record keeping in the training is overwhelming. Participants lamented that they never had a training on financial statements and Bank Reconciliation Statement (PSCF1, PSNF4), Budget Control Statement (PSCP1) and completion of cash books PSNP4). The participants indicated that training is about policies and legislative framework but not practical (PSCF1, PSCP1). Participants aired their dissatisfaction about this limitation to their capacity intervention programme thus; PSCF1, *They never workshop us about Bank reconciliations and recording financial statement*". PSCP1, *They do not explain in detail and show how you should do when dealing with Bank Reconciliation Statement. We are only told that there is Bank Reconciliation Statement. So, if they can include it, train us about Bank Reconciliation Statement. So, I think if they were to include the Budget control statement*". CO1, *When coming to Bank Reconciliation it is a challenge*". PSNP4, *I would say there is actually no training where they teach how the cash books are completed. It is not there*". Deduced from these utterances by the participants, one concludes that technical skill as a key component of capacity building lacks in the current SGB trainings. Trainees are told what to do (theory) but not how to do (technical). The researcher also posits that performance as the envisaged output of every capacity building stems from practical activity. Hence for improved school financial performance, the need for technical financial management knowledge cannot be overemphasised.

In terms of financial management, DBE (2018) outline the mandatory output of capacity building intervention as among others:

- read, understand and analyse school financial statements;
- manage school finances in an accountable and transparent manner; and
- master recordkeeping

The researcher observes that these financial management outputs required of the capacity building interventions of SGBs are more specialised and required technical expertise. However, inferred from the participants' deliberations, achievement of these outputs remains a dream deferred for as long as financial record keeping and pecuniary Accounting contents are eschewed during these training.

While the technical financial management skills are considered critical for capacity building (Nguyen, 2013), schools in poor communities and located in rural areas as the sampled ones are deemed to be dire need for capacity building (DBE, 2018). Exclusion of the technical financial management part capacity building therefore defeats the purpose of capacity building, and also render funding of these training fruitless expenditure.

The researcher deems it noteworthy to indicate that during the focus group interviews, he noticed that only principals and finance officers dominated the interviews as the ones with a number of years in the SGBs. Indication from the participants is that finance officers in the circuit were permanent members of the SGBs and only treasurers, chairpersons and their deputies and additional FinCom members were new elects. Attesting to that CO1 said: *They no longer change finance officers. Now finance officers are clerks in those schools so that there is continuity.* This suggests that only principals and the finance officers (school clerks) have more insight than others about the phenomenon under study.

The researcher also considers it noteworthy that these participants' insight cannot be attributed to the capacity building. The participants argued as follows: PSCF1, *A lot of things I am working with I learned them internally here at school not at the workshop.* Simply put, the current capacity building does not fulfil its purpose. Schools improvise to capacitate its SGBs with their roles. PSNP4 substantiates, *We actually train them internally more than what they offer at training.* This participant suggests that their internal training is even more helpful and relevant than the department's capacity building. He also attributed their school's value for money to the internal training as inferred from the statement: *To tell the truth, this is attributed to internal (training)*". PSCP1, *With the knowledge we picked from the street we can manage the money we are keeping.* The participant suggests that the state left them in a lurch to fend

for themselves as the capacity building is worthless. They clearly indicate that the capacity building they are provided with does not equip them with knowledge to manage school finances but their school improvises to capacitate them.

Although participants value their internal training more than the department's capacity building, examination of schools' financial records by the researcher revealed a lot of inconsistencies and non-compliance to financial management principles. Cash transaction being recorded in the Statement of Income and expenditure while others correctly use cash books, inconsistencies in reconciliations where wrong balances are used throughout, unbudgeted payments made to mention but a few. The researcher posits that the capacity building provides no clear directives to trainees hence these inconsistencies. Substantiating that, PSCP1 says: "*We do have serious questions that when we encounter at school and fail to answer them, we think when going to workshops they will answer them (questions) for me and come back with a clear answer but no one wants to commit himself.*" The participant (CO1) also made a reflection on these inconsistencies purported by senior officials at higher levels confusing the trainees.

This view is shared by the participants who argued that the only training they are made to attend is an induction on policies and nothing more. They also indicated that when they try to make follow-ups on some of their financial management challenges they encounter, they seldom get answers as facilitators do not want to commit themselves. Some of the participants indicated that it has been years that they were promised to be called on a workshop where the recording of financial information in the financial records will be unpacked but to no avail.

Deduced from the responses of these participants is that the programme content being given adequate attention is policies governing the management of school funds which a number of participants indicated that facilitators excel thereon. PSCT1 (a new member) said: "*The way we see it is right (capacity building training) in that it opens our minds on how to use funds.*" The participant here referred to what policies dictates on the handling of funds. The participant is also not directly involved in the technical application of financial skills required in the handling of school funds. Supporting PSCT1 is participant PSCF2 (a new member also) whose viewpoint is stated as follows: "*We the new ones still value it because we are still learning as the new ones*". HSGT2 (a new member) said "*According to my side I consider them to guide so that we do not misuse funds and that nobody takes advantage think that the money is owned by me*". HSGF2, "*I may say they outline the roles, those of the SGB especially of the top, secretary, chairperson and the deputy that we know what their duties are. Actually, the first*

*workshop we attended was on policies, technical recording workshop to be held in due course*". These participants summed up what the training entails. The roles of the secretary, chairperson and the deputy are policy matters and do not involve technical record keeping of finances. Also, the technical recording workshop is always deferred and never come to pass. PSCF1, *"I think it is an induction and normally they do that and never come back again with a financial workshop"*.

Hence the researcher considers the type of workshops offered to SGBs as policy dialogue. There is a tendency to call a wide range of activities "capacity building," which rather are policy dialogues, discussion workshops etc. To substantiate that, PSCF1 noted, *"It (the training) was mainly on policies. PSCF1 observed said, there they tell you only about policies"* PSCF1 said, *"Training is about policies and legislative frameworks and money you need to follow policies but practically how that is done no"*. PSCF1 added by saying, *"The facilitators are good with policies and poor on practical. The CO1 also attested to the policy sided capacity building saying, "We had to call SGB members and start telling them their responsibilities and policies, you understand."* Also corroborating that is HSGP2 who said, *"Actually, the first workshop we attended was on policies, and the one you are referring to (Financial records), they promised to call it in due course"*

The general notion around the content of the programme is policy only. Participants alluded to the fact that technical training on financial management is always deferred and that these capacity building trainings are held once in the SGB cycle. Lekalakala (2006) points to training that is below the scope of financial management. Exclusion of the financial management content constitute contravention of SASA's provision of the keeping of financial record of funds received and spent by the school and its assets, liabilities and financial transactions and drawing up annual financial statements in accordance with the guidelines determined by the Member of the Executive Council in terms of Section 42 of the act (RSA, 1996b).

The researcher concludes therefore that the current capacity building lacks the technical training components and hence not worth to be considered as a capacity building intervention. Nguyen (2013) states that materials are capacity inputs that contribute to capacity and performance. If the materials do not cover the scope of responsibilities, the output will ultimately be disastrous.

#### 4.4.1.2 Competency of training facilitators

The old adage, “*Gabbage in, gabbage out*” is quite relevant in the context of capacity building. The preceding discussion depicted how insufficient scope of the programme in terms of content and material negatively impact on performance. The sub-heading focuses on the human resource as a capacity input that contributes to capacity and performance (Nguyen, 2013). The researcher finds that the quality human resource determines the quality of output irrespective of the quality of material put in. The Human Resource is responsible for the process from end to end.

Literature regards capacity building as a process that is on-going (Nguyen, 2013, Tsotetsi et al 2008)) and therefore needs people who possess the required expertise to run with the process. Inexperienced facilitators will therefore hamper capacity building (Lekalakala, 2006). This assertion is corroborated by the inconsistencies detected by the researcher when examining the financial records of the sampled schools. Financial records as capacity output were also not in line with correct reporting standards, did not follow recommended financial management principles and were mostly the products of “*trial an error*” as trainees do not have recourse. PSCP1, ““*Same challenges encountered by a number of schools are not being addressed. You find that there are some of the questions which are asked during training session that we don’t get direct answers for because even facilitator himself would not want to commit to give direct answers. Facilitators fail to assist trainees as facilitators themselves are not trained on financial records management.*”

Interviews revealed that most facilitators responsible for capacity building of SGBs are people good with general governance and hence lack Accounting skills. Another participant acknowledged the incompetence of the facilitators saying, “*Credentials wise no, there is scarcity. Even people (facilitators) who are there are not experts and they do not assist, that is why most lack the finance knowledge*”. The participants collectively thus resort to “*trial an error*” as PSCP1, say, “*Normally what we do is to club with neighbouring schools and try to solve those problems or challenges we face*”. The researcher concludes that standards incongruences and lack of uniformity in these financial records is as a result of these informal cluster trainings.

Lack of expertise of these facilitators confuse trainees. One participants (CO1) showed dissatisfaction with the quality of facilitators even at the district office level saying, “*I teach*

*them this way with the spreadsheet, and this person from the district teaches them the other way round you understand, and the people end up being confused.* Those trainees with accounting background who possess prior experience in financial records keeping indicate that they receive hostile treatment from circuit officials when trying to record the financial information in accordance with prescripts and generally accepted accounting practices. PSNF4 notes, *“I have seen they have problems they tried to return them and called the principal several times trying to force me to change my balance I mean my opening balance but I said “niks” (meaning never). I won’t change (refused to change) it because I understand why I must open with it”.* This further attest that less skilled facilitators confuse trainees hence the inconsistencies identifies in the financial records of the sampled schools.

Participants further indicated that facilitators repeat the same information and hence it becomes predictable what they are going to present on in their next workshop. The participants’ comments on the facilitators’ competence depicted unhappiness. PSCP1 said, *“And even if they could bring people with finance knowledge. Because not only one person could work with SASA and everything so if they could bring experts.”* In terms of qualifications of facilitators in relation to financial management knowledge, CO1 said, *“Credentials wise no, there is scarcity. Even people (facilitators) who are there are not experts and they do not assist, that is why most lack the finance knowledge, I told you that I teach them this way with the spreadsheet, and this person from the district teaches them the other way around you understand, and the people end up being confused.”* Another participant (PSCP1) indicated that the facilitators’ limited financial management skills render them incompetent as they could hardly assist trainees where challenges are encountered saying, *“Same challenges encountered by a number of schools are not being addressed. You find that there are some of the questions which are asked during training session that we don’t get direct answers for because even facilitator himself would not want to commit to give direct answers. Also, the trainers, if you can attend two workshops offered by people from finance department talking finance they talk different language.”* The state continues to fund and conduct the capacity building that is poorly resourced in terms of human capacity.

In economic terms if one factor of production is missing, there can be no production. The researcher therefore asserts that if one capacity input is inadequately supplied or implemented in the capacity building, the output will not reach the expected level. Examined financial records and the participants’ deliberations depicts lack of skills to keep financial information record of school according to mandate.

#### 4.4.1.3 Duration of the training programmes

Given that capacity building requires on-going technical skills training (Nguyen, 2013) implies that practical demonstrations and assessment through learn-by doing should be permanent features and modes of delivery for these intervention programme. This therefore suggests that more time should be allocated for each SGB workshop held to make provision for the practical part of the capacity building. However, the participants indicated that their capacity building is short and hence most concepts are introduced in passing limited by time allocated for the training. Participants PSCF1, CO1, PSNF4 perceive the duration of the current capacity building to be short in comparison to the amount of content to be dealt with. On the duration of the training they commented as follows: *“I mean it is a short day. For me it is summary (PSCF1). Considering the scope of SGB capacity building outlined by SASA and the SGB training manual, a day would not suffice. The researcher posits that teaching, demonstration and assessing of one Accounting concept such as Bank Reconciliation Statement could take half a day hence the participant considers the workshop as a summary. Another participant (CO1) also not happy with time allocated for the training mentioned: “I am telling you that they cannot comply because the training period is very short. You cannot teach a person finance in an hour and then complete especially a person who is completely blank knowing nothing with finance, you understand”*. The dissatisfaction showed by the participants indicates that time allocated is extremely short. The participant continued to say, *“And you know Bank Reconciliation Statement no one can understand Bank Reconciliation Statement unless you sit a person down and teach them how to reconcile. But here it is only hours and it is difficult hence because I understand they would have not understood after the training I also call them to teach them further”*. This participant, realising that time allocated to capacity building is not enough, uses her own time to assist her trainees. PSNF4, another participant, on the duration of the training commented, *“Isn’t it that they only call us for a mere two minutes”*.

It takes much more for an adult to acquire new knowledge and skills than listening to power point presentation in a workshop. In addition to seeing and listening, adults usually need real life experiences to acquire abilities (UNEP, 2006). The researcher aligns with this assertion and posits that SGBs as adults need more time to comprehend concepts in financial

management and also be given opportunity to practice what has been taught so that implementation at sites is not met with challenges.

#### **4.4.1.4 Frequency of the training programmes**

Nguyen (2013) regards capacity building as an ongoing process and not a once-off event. Literature also denounces the once-off capacity building as ineffective intervention working against the purpose. The participants' views validate the literature cautioning about the current capacity building they perceive to be a once-off event. CO1 stated: *"They lack training, as training comes only once a year"*. Mncube, Harber and Du Plessis (2011) argued that the once-off training is insufficient. Considering the scope of financial management in school and other governance contents of the programme, a one-day workshop is extremely inadequate. HSGP2 stated: *"They conduct it once after a long period of time"*. PSNP4 mentioned: *"It is held once a year. Er, sometimes the training is held once in the SGB circle"*. Harber and Du Plessis (2011) also complained that once parents are elected on the SGBs, they are given the once-off training and they never get any on-going training which is what is prevalent with the current capacity building. PSCF1, *"I think they are done for the next three years. They are likely not to come back"*. Realising the importance of frequent training, one participant (PSNP4) said, *"Even if they cannot call us frequently but if it were to be twice per year at least that would be better"*. All these participants in unison agree that time factor is a determinant of the success or failure of their capacity building interventions. Bartczak (2013) denounces the short-term capacity building as ineffective, while Mncube, Harber and Du Plessis, (2011) also attribute the failure of capacity building to its once-off nature which does not commensurate with the enormous programme content to be covered. Supporting this assertion, the researcher postulates that once-off capacity building does not leave room for demonstrations, practice, monitoring assessment, evaluation and feedback to both trainees and the trainers for further improvements. Tsotetsi et al (2008) assert that for capacity building should be an ongoing process to promote cumulative learning and practice needed for skills and hence the need for continuity. This assertion is in support of Section 19 of SASA which makes provision for induction training and continuous training for SGBs to promote the effective performance of their functions (RSA, 1996b). Participants also perceive the frequency of the capacity building

to be inadequate considering the scope of work they need to be trained on. PSCF1 considers the training to be a summary of the contents the SGB is supposed to be taken through.

Deduced from the perceptions of these participants, one concludes that the frequency of the current capacity building for SGBs is not adequate for a learn-by doing nature of capacity building which is not currently practiced. Evaluation of the effectiveness of every training need to take place and if it is a once-off thing it would defeat the purpose of a training. Follow – up are also necessary to tie loose end which also need time. It therefore suggests that the current capacity building requires a robust review especially in terms of time allocation for different topics within the programme also taking into consideration the degree of difficulty, the envisages output, learn-by doing, assessment, monitoring and evaluation among others as key to process evaluation.

#### **4.4.1.5 Monitoring, assessment and evaluation and other follow-up modalities.**

These trainings make no provision for follow-ups and feedback which are very crucial in every lesson or training. Lack of follow-up trainings and evaluations is revealed by internal trainings and clustering of schools in an attempt to figure a way out of the challenges as they could not access help from facilitators. The participants end up conducting follow-up by themselves as PSCP1 say, *“Normally what we do is to club with neighbouring schools and try to solve those problems or challenges we face”*. These are follow-ups where the blinds lead each other and this is the reason for the inconsistencies found in the financial records by the researcher who views feedback and follow ups as key elements of any training.

The effectiveness of every training could be assessed through feedback from trainees. When trainees give feedback, gaps could be identified with ease and follow up taken to close those gaps. Participants viewed the training in terms of follow-ups and feedback. This view is represented by CO1 who said: *“That is why I say after a training like that I have follow up at circuit. We have people like myself where I call school by school to ascertain whether they did understand and only to find they are still blank and then I demonstrate again and give them to do it, they make faults and I would return them again and say do like this.”* Some organisations make the mistake of training staff in new skills without carrying out the necessary follow-up to make sure those skills are being utilized appropriately.

In terms of follow-up modalities, the researcher observes that frequent in-service trainings that are tailor-made to individual institution considerations the uniqueness of challenges they

encounter regarding financial management records should be carried out. Although Section 19 of SASA is not explicit on the modality of induction and continuous training, led by the perceptions of the participants and literature, the researcher asserts that in-service training of trainees best suits the capacity building for SGBs. Chetambe et al (2013) perceive in-service training efficient in financial management training for schools. The implication is that on areas where problems are identified, the SGBs would be expected to get additional training while in the process of governing their schools. According to Chetambe et al (2013) and also as a generally identified problem, in-service training content of financial management should be adequately formulated to address unique training needs of schools.

#### **4.4.1.6 Presentation styles**

The efficiency of capacity building can also be strengthened by moving away as much as possible from the presentation discussion style into an inter-active workshop style using exercises, case studies, field visits and other elements of experiential learning to actually build capacities (UNEP, 2006). Learn-by doing is regarded as an element of capacity building where collaboration with experts in the practical application of knowledge leads to effective on-the-job training (Mullen, Gray & de Meyer, 2015). It is evidenced from the participants that in the workshop they are being told about their mandates through policies and laws. Activities on technical application of these policies, laws and principles are not carried out. The following responses by these participants substantiate the assertion.

There is no interactivity between the facilitators and the trainers according to participants. Facilitators apply a “*jug and mug theory*” in the presentation of capacity building interventions where information is passed on one way to trainees. PSCF1 states: “*There they tell you only about policies.*” This means that the trainees are being told about policies and no activities are given to assess whether the learning was grasped. Capacity building should clarify challenges encountered in the process of implementing the learnt content. PSCF1 argues: “*Meeting challenges where you do not get clarity, problems not getting solved*”. “*Training is about policies and legislative framework and money you need to follow policies.*” “*It is only that those people mainly read those prescripts in passing*”. Reading to the trainees instead of engaging them further suggests that the current capacity building is more of a presentation.

Previous research shows that capacity building should have capacity inputs, processes and capacity output. The method of delivery for the current capacity building capacity building as processes involved should have end goal as the achievement of pre-determined outcomes. Processes should include involvement of trainees in the training as the ones in the coalface of the real financial management at school level. Their involvement should be in the discussions, facilitators make demonstrations, and trainees be hands on training through learn-by-doing activities and ask questions for clarity. In the case of the current training, facilitators are said to avoid committing themselves as PSCP1 said. The researcher asserts that interactivity should be the main mode of capacity building delivery as opposed to facilitator dominating the stage telling the trainees without engaging them.

#### **4.4.1.7 Internal records and audited financial records**

Testing the internal financial records against accounting principles, the Generally Accepted Accounting Principles, the researcher identified numerous incongruences in the records. Furthermore, the reporting templates used by the four schools were also not the same yet under the same circuit. Hence one principal (PSCP1) said: “*With the knowledge we picked from the street we can manage the money we are keeping*”. There can be no uniformity with knowledge acquired informally and from informal structures. Moreover, for these principles to be recommended, they were first researched and found to be consistent and relevant for the course.

Similar and corroborating the researcher’s findings on examining the schools’ financial records, the participants indicated that their internal recording of financial information which they submit quarterly to the circuit officials are not consistent with what reflects on their annual financial statements. They also indicated that they might encounter unresolved challenges during the course of the financial year where financial information do not add up but they know that they will always receive unqualified audit opinion. In substantiating that, one principal, PSNP2 said “*The way we prepare the Annual Financial Statements, is not the same as the way the Auditors prepares it. Auditors do their records not informed by what we record internally*” Corroborating the principal, PSCF1 said, “*I have my record and auditors have theirs speaking different languages*”. Speaking different languages suggests that what is recorded internally for the whole financial year is just malicious compliance which is not utilised in the preparation of final accounts and the financial statements by the external Accountants. Further that, of the

two different languages, only that of auditors is listened to despite not being built on solid foundation of internal records.

The researcher concludes that if the capacity outputs which in this case are internal records are not relied upon to show the financial status and performance of schools, capacity building is rendered a practice in futility. The reason for facilitators not conducting continuous trainings as mandated by Section 19 of SASA, and not looking for relevant expertise is because capacity output is not a fundamental element in the mandatory financial reporting of these schools where auditors can thumb-suck results and issue an obscured opinion thereon. The participants also confirmed that despite their records being inconsistent school by school, the ultimate results will be unqualified audit report because they know external auditors would not like to lose their clients giving unwelcomed audit opinions.

Rangongo, Mohlakwana and Beckmann (2016) assert that inadequate maintenance of financial records, poor cash management and recording, expenditure incurred not approved or unsubstantiated, inadequate procurement practices were found to be serious incidents of mismanagement of funds and flouting of the legislative framework by SGBs at public schools. Instead of taking a review on the capacity building by re-setting the capacity output, auditors create a fictitious capacity output on account of their conflict of interest. The fear of expressing an honest opinion on account of possible loss of business by unscrupulous school finance officials.

Although the participants indicated that they are able to carry out the legislative mandate in school financial management, the following responses by some of the participants prove the opposite. One of the participants (HSBP3) acknowledged that the school was perpetually in contravention of legal frameworks around school financial management and said, *'But you know we do violate we normally use it(money) even before the parents meeting is held that because immediately it is deposited it finds that we are in debt we are in overdrafts.'* The participants know that it is also against policies for schools to have overdraft because they are not allowed to purchase on credit. It is also evident that officials collude with auditors in the contravention of legal frameworks. This view is expressed by participant (CO1) as follows: *"I told him that I know that the school (he audited) even had an overdraft and schools are not allowed to have overdraft according to policy but you opined that their (the school) things are clear and transparent. Despite gross violation of financial policies and procedures where schools have overdrafts, auditors have the audacity to issue unqualified audit report.*

#### 4.4.1.8 Involvement of senior officials in school financial management

Contrary to the participants' perception on understanding policies governing financial management, it appeared that they are also not well informed considering manipulations by seniors from the level of the principals upward. The SGBs are scolded for not adhering to the budget when carrying out procurement for their schools by officials at higher levels. On the other hand, officials at higher levels (the circuit) make them pay for what their schools did not budget for. The deductions are not even supported or allocated on the schools' budget template. Indication by one principal was that *"Like there was this thing of matric day whereby now each and every school would pay something. So, you can see that now. It was R500 neh? So, you can see, where are you going to deduct it from"*? In this case, the school is a primary school and would not benefit from the matric day function, yet it is obliged to pay. This is a clear indication that SGBs act to the discretion of whoever appear to wield power over them irrespective of legal and policy provisions around the issue.

The participants indicated their dissatisfaction about seniors conducts contravening policies citing, *"signing of blank cheques, unbudgeted matric day expenditure for circuit functions paid by all schools including primaries, unbudgeted Circuit PAs salaries paid by schools, Principals' daily transport cost included in the schools expenditure, Principals personal loans paid form the schools coffers, allowing schools to make overdrafts, principals colluding with external auditors for clean audits in exchange for continued business and principals excessively ballooning their claims for electricity purchased and travelling and colluding with suppliers to balloon prices "*. The researcher considers the list to be the reason for the existence of capacity building. The capacity output is to curb all the aforementioned irregularities. Legally, two lines of quality assuring financial processes exists to protect the public funds; namely, internal auditing and external auditing. It was however indicated by one participant (CO1) that internal auditing of school records does not exist as in the statement: *"There is no internal audit in place"*. External auditing, as the last line of quality assurance of financial management processes is marred with corruption as alluded to by participants. Colluding with watchdogs compromise accountability and obscures the importance of capacity building. The Auditor General, Kimi Makwetu indicated that as long as senior management and officials do not make accountability for transgressions a priority, irregular, unauthorised and fruitless and

wasteful expenditure, as well as fraud and misconduct, collusion will continue (BusinessDay, 2017). In this case where principals and circuit managers are implicated in flouting the financial management instead of protecting the process it is indicative of further obstacles to efficient capacity building.

The participants indicated that Circuit Managers also colluded with the principals in manipulating the school finances as in this observation: *“Again, you find the circuit manager, a case where the circuit manager asked the principal to pay (salary) for his PA. Circuit managers manipulates principals. Like now we have one intern whose internship has lapsed and the intern should leave. So, the circuit manager goes to fee-paying schools and asked principals that because he, the circuit manager needs a PA, the school should pay for them. They then pay with the school fund, a person who is not working at that school.”* It would therefore be difficult for the school to provide evidence for the PA’s salary and to also reflect that on their school budget. It is also a gross infringement of the financial management laws and policies.

The official further said *“I remember even that one where the principal took personal loan paid from the school fund.”* The official added on saying, *““You find that a person made a claim and you find the attachment does not match the claim. Even the amount. You find a person claiming R2 000 for electricity. A person would say I bought electricity worth R3000 but you asked for a receipt, the receipt is for R200.”*

The official said: *“We have mismanagement of funds by principals. They can negotiate with suppliers on quotations that when suppliers charge, certain amount they tell suppliers to double the charges, others on transport, their claim forms on transport especially they balloon claims”*

Inferred from these discussions one concludes that unethical conduct of officials entrusted with the custody of these funds creates a major challenge and defeats the purpose of earning value for money through effective financial management. The absence of internal auditing constitutes another hurdle to capacity output. External auditors turned lapdogs further buries the ethical conduct of officials defeating the purpose of capacity building.

#### 4.4.1.9 The conduct of external auditors

The South African Schools Act (SASA) requires that only a person registered as an auditor in terms of the Auditing Profession Act 26 of 2005 may audit the records and financial statements of a public school. Where this is not reasonably practicable, SASA provides that the governing body of a public school must appoint a person to examine and report on the records and financial statements who is qualified to perform the duties of an accounting officer in terms of Section 60 of the Close Corporations Act 69 of 1984), or is approved by the MEC for this purpose (RSA, 1996b).

The participants perceive internal recording of financial information a malicious compliance practice for submission on quarterly basis to the circuit whether correct or not. They claim that Auditors are reluctant to give qualified audit opinions because they are alleged to be protective of their clients that they are afraid they would lose them if their audit opinion does not favour the client. This therefore defeats the need for the re-enforcement of capacity building in the recording and keeping of financial information. PSCP1 said: *“That is why lately they indicated that it is rare that when auditors return your books tell you about qualified report, you see. They usually come as unqualified report all of them come as unqualified. But they indicated that the biggest problem is that auditors are scared they would lose clients. They might detect problem but they fear to indicate because they understand they would lose clients, you see. It is not that when they audit books somewhere, I understand they find something but they fear to expose it because next time you may not return to them understanding that these ones would ask you, you did not do this and that so you would take it to others.”* Substantiating the unethical conduct of external auditors, HSBP3 added: *“The case of auditor concealing evidence was touched on the day of the workshop. They said these auditors sometimes detect problems when auditing but they do not want to raise it because they are scared that next time you are not use you will go to other auditors. So, for them to keep on being your auditors even if the find a mistake they have to keep quite they do not ask how come this money you did not spend it well no evidence of these. They keep quite because we will run away from them. We will no longer go to them because auditors are many we can go to others. If we do not go to them it means they lose customers.”*

Corroborating the biases of the external auditors, the CO1 said: *“Yes, at the time I took them (financial records) and compare, saying this is my internal audit but according to this external audit they do not correspond. According to me at School A I found 1, 2, 3 but here is a person (Auditor) who says everything is clear and transparent. You understand. Then it is then that I reported it and the external auditors were called. That is then that they told us that they are on*

*the market, once they become transparent they would lose (clients) their work, people (schools) will no longer bring their books for audit.”*

In South Africa, many governmental bodies are issued with disclaimer opinions every year by the Auditor-General of South Africa (AGSA) due to a lack of supporting documentation (Ngoepe, & Ngulube, 2014). One of the participants however indicated that external auditors conceal that for the sake of keeping their clients. Elaborating on the unethical conduct of external auditors, the CO1 further stated: *“I do not have those powers to look for the proof. The proof does not come to me. The proof would be a receipt so it goes to the auditors and that is why auditors take an advantage. I know of a particular external auditor last year I told him that he was no longer going to audit my schools, and he even begged me and I told him that I know that the school (he audited) even had an overdraft and schools are not allowed to have overdraft according to policy but you opined that their (the school) things are clear and transparent so I am not going to allow you to audit any school under Circuit X anymore and he promised not to continue that, but I even stopped schools from using his services.*

The tendency of auditors giving unqualified audit reports even when prescripts are contravened is further substantiated by HSBP3 who said, *“I do not know how to put it because in our case I came to realise that we have got a tendency of running out of funds before time”*. Despite the recurrence of this situation, the school continued to obtain clean audits

Suh (2017) states that frequently, companies manipulate with accounting data to show a better financial position than it is; this is call ‘window-dressing. Deduced from the perception of the participants this practice has apparently cascaded to schools were external auditors manipulate financial information to present unqualified audit opinions.

Although participants indicated that they are able to carry out the legislative mandate in school financial management, the following responses by some of the participants proves otherwise. One of the participants (HSBP3) acknowledged that the school was perpetually in contravention of legal frameworks around school financial management and said, *‘But you know we do violate we normally use it(money) even before the parents meeting is held that because immediately it is deposited it finds that we are in debt we are in overdrafts.’* The participant knows that it is also against policies for schools to have overdraft because they are not allowed to purchase on credit. It is also evident that officials collude with auditors in the contravention of legal frameworks as this participant (CO1) say, *“I told him that I know that*

*the school (he audited) even had an overdraft and schools are not allowed to have overdraft according to policy but you opined that their (the school) things are clear and transparent.* Despite gross violation of the financial policies and procedures where schools have overdrafts, auditors have the audacity to issue unqualified audit report.

#### **4.4.1.10 Effectiveness of financial management**

The general response of participants on the value of the current capacity building is that it is satisfactory regarding governance policies. They however indicated that in terms of preparation of financial records and pecuniary information, there is a considerable accounting skills gap that impacts on the quality of the capacity building. It therefore implies that the resourcing of the capacity building is inadequate in considering the accounting skills required dictated by the specialised content in the programme. The department resourced the programme with people who are good in general governance of schools and not in financial management.

The old adage “*Garbage in garbage out*” holds true in this regard because the SGBs could only produce what they were taught. The general outcry that questions on the recording of financial information are not addressed by facilitators resulting in financial officers resorting to trial and error attest to the fact that, competence of staff, adequacy of accounting system and procedures and compliance with accounting framework are dream deferred. The participants indicated that directives stipulated in budget templates and other records are perpetually contravened by the schools, some through instructions from senior education officials such as the principals and the circuit managers, but auditors conceal these qualifications findings by window dressing illicit processes with the fear of losing business. Adequacy of internal control measures and procedures is thus compromised by the lapdog-turned-watchdog auditors who give bias audit opinion to the demise of the stakeholders

The researcher perused the financial records of the four schools. Of all the documents he examined, what attracted his interest was the monthly preparation of the Bank Reconciliation Statement. Financial officers could not motivate why certain financial information was recorded. In the statement by the circuit official it was clear that schools are given a leeway to record the information their own way because that would not be used as the basis for audit opinion but a mere superficial compliance. The CO1 stated: “*I took them and compare, saying this is my internal audit but according to this external audit they do not correspond.*” One

school principal corroborated by indicating that *“Auditors do their records not informed by what we record internally.”* While examining the Bank Reconciliation Statements of these schools, the researcher found inconsistencies in the recording. Each school has its way of recording receipts and payments, balances and totals in the Bank Reconciliation Statements and the balancing of the Bank Reconciliation Statements. The researcher concludes that the challenge is also exacerbated by the absence of internal audit as indicated by the circuit official who said: *“There is no internal audit in place. If I audit a school, the school would be having problems. It is then that I interfere in auditing but that is not my work.* Poor adherence to Accounting principles counters uniformity in record keeping of financial information makes it difficult for external auditors to test accuracy. Furthermore, collusion with external auditors discourages austerity in financial record keeping of the schools.

#### **4.5 CONCLUSION**

Inferred from the participant’s perceptions and feelings, examination of school’s financial records and the literature around capacity building, the researcher’s findings could be outline as follows:

The current capacity building is incomprehensive. This conclusion is based on the fact that only theory but not practical content is taught at these trainings. On the other hand, literature overemphasis the importance of technical skills training as one key element of capacity building necessary for performance

These trainings are also found to be conducted by inexperienced facilitators who always disregard the financial management content of these programmes. Previous literature cautions against inexperienced facilitators (Lekalakala, 2006) as they are believed to hamper capacity building. On the other hand, the literature upholds that capacity building as a process that is on-going needs people who possess the required expertise to run with the process.

These training were found to be very short and do not provide ample time to treat all contents necessary for capacity output. Relevant literature upholds that capacity building requires practical demonstrations and assessment thorough learn-by doing which needs more time with the trainees (Nguyen, 2013).

The trainings were found to be a once-off event contrary to the characteristic of capacity building, which is considered to be an on-going process. Nguyen (2013) regards capacity building as an ongoing process and not a once-off event. It also requires on-going technical skills training.

The trainings were also found to lack monitoring, assessment and evaluation and other follow-up modalities. Previous scholars show a perception of in-service training to be one of the effective follow ups modalities capacity building should utilise for efficiency (Chetambe et al, 2013).

The trainings take a presentation discussion style thereby discouraging learn-by doing, demonstrations and other assessment activities. Previous research favours a trainee-centred approach where learn-by doing as an element of capacity building and collaboration with experts in the practical application of knowledge is encouraged (Mullen, Gray & de Meyer, 2015)

It was also found that inconsistencies exist between internal records and audited financial records. Despite SGBs undergoing capacity building, internal recording continues to be inconsistent with recognised reporting principles and standards and thus differ from the audited financial statements. Research has shown that this practice of inadequate maintenance of financial records has been going on for some times and impedes capacity building (Rangongo, Mohlakwana and Beckmann 2016).

It was also found that senior officials are unscrupulously involved in school financial management. Mestry (2006) also found that misappropriation of funds by the principals and senior officials has always been an impediment to the effectiveness of capacity building. Senior officials are found to manipulate the financial management systems, collude with suppliers and external auditors thereby eschewing accountability.

It was also found that external auditors conducted themselves unethically while doing business with schools. They covered misalignments and concealed findings that warranted qualified audit opinion to protect their clients.

## **CHAPTER 5**

### **DISCUSSION OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

The previous chapter dealt with the presentation of data and the analysis of findings with the purpose of determining the effectiveness of the capacity building provided to the School Governing Bodies in financial management of the no-fee schools in rural areas of the Mogalakwena District of the Limpopo Province. This chapter focuses on the summary of findings based on the research, recommendations derived from the study and conclusions. The chapter also presents the limitations and strengths of the study. The purpose of the study was to determine the effectiveness of the capacity building provided to the School Governing Bodies in financial management of the no-fee schools in rural areas of the Mogalakwena District of the Limpopo Province. The findings and conclusions presented in the study answer the main research question: How can capacity-building for the school governing body contribute to value for money in school financial management?

#### **5.2 DISCUSSION OF FINDINGS**

In this chapter, the following findings from the study are discussed against the backdrop of the reviewed literature:

- Inadequate training of SGBs in financial management;
- Lack of requisite skills among training facilitators;
- Short duration of the SGB training;
- Infrequent SGB training programme;
- Ineffective presentation style used during SGB training;
- Mismatch between internal records and audited financial records;
- Lack of support and monitoring by circuit officials in the school financial management;
- Questionable conduct of external auditors;
- Capacity building that is not contextualised; and
- Ineffective cluster approach.

### **5.2.1 Finding 1- Training of SGBs in financial management is inadequate**

Literature made emphasis on relevant programmes for effective capacity building (Lekalakala, 2006; Nguyen, 2013). Furthermore, adequate resources are considered crucial for effective capacity building. One of the findings regarding the content of the current capacity building programmes is that it lacked the technical skills. SGBs got promises from facilitators that technical skills training would be held in due course but to no avail. Participants expressed their discontent about being fed with theory on policies but not practice. Given that SGBs financial management role requires technical accounting skills and practical activities which the current SGB training does provide, renders the training programme inadequate. Furthermore, data obtained from the examination of schools' financial records attests to the inadequacy of the SGB's training in financial management as records kept had numerous calculations mistakes and inconsistencies with recognised accounting principles. In addition, the sampled schools were not able to prepare their financial statements and had to acquire the services of external accountants at a fee which further proves the inadequacy of the training in financial management.

### **5.2.2 Finding 2-Training facilitators lack requisite skills.**

The perception of the SGBs about the capacity building the facilitators is that they are not competent in terms of the content of the programme. Avoiding questions regarding financial management content deferring such questions to another workshop which had never transpired in years are the signs of incompetence on the side of the facilitators. The SGBs outcry is that they are kept waiting for the financial management workshops where financial records are explained until their term of office lapses. The implication therefore is that, schools ran the finances without skills needed for the management of financial records for the entire SGB term owing to the indefinite deferment of that crucial workshops, thereby impeding their capacity to manage these records effectively. Lekalakala (2006) also asserts that inexperienced facilitators are drawbacks in capacity building. The examined financial records, which were inconsistent with generally accepted principles of financial recording mirrors the quality and the competence of facilitators which in this case, the skills gap appears to be huge. The circuit official confirmed that facilitators in these workshops are people from governance who possess little or no knowledge of Accounting and yet expected to capacitate the SGBs on the skills they

do not possess. The participants complained that two facilitators would present the same content differently and would always be reluctant to respond to questions on financial management and records to assist the SGBs.

### **5.2.3 Finding 3- The duration of the training for SGBs is short**

The literature states that capacity building requires an on-going technical skills training (Nguyen, 2013). It also states that skills training could be fruitful through learn-by-doing assessments and practical demonstrations by facilitators and the whole process needs ample time allocation for each capacity building intervention.

In this study SGBs expressed dissatisfaction with the duration of the current training programmes stating that “*it is short, it is a summary, it is a mere two minutes, it is a short day, it is only hours and that’s it*”. SGBs sounded frustrated by enormous amount of information they are expected to grasp and master in a short one-day workshop. The researcher posits that a theory on policies, for instance, could be presented in a summary form, and that the practical implementation of skills needed in financial record management requires more time allocation as lengthy steps and processes are involved in this area. The general assertion also prevails that capacity building proved fruitless where expediency and speed of delivery have prevailed over the needs for sustainability and capacity development. The fact that training was conducted cannot be an assurance that the training outcomes were realised. Participants indicated that the current training is speedily provided and therefore proves fruitless as the outcomes are not satisfactory. Unsatisfactory outcomes include the financial record examined by the researcher which revealed a huge financial management skills gap in the sampled schools.

### **5.2.4 Finding 4-The training programme is not provided frequently**

Whittle, Colgan, and Rafferty (2012) assert that capacity building does not occur expeditiously or unpack according to plan owing to struggle and delays. With the nature of training for SGBs’ large volume of content consisting of theory and technical skills content (Nguyen, 2013), capacity building requires time (Light, Hubbard, Kibbe, Patrizi, Sherwood, & Spector, 2004). Furthermore, considering numerous financial records kept by financial officers in schools, each of the records requires ample time, which should include time for demonstrations by trainers

and time for learn-by-doing by trainees. Drawing from his experience as former Accounting teacher and a former SGB treasurer, the researcher asserts that each concept to be dealt with requires more than a day to unpack the theory and practical content that goes with the theory. Contrary to the sentiments carried in the preceding discussion, the SGBs perceive the current capacity building to be a once-off event which impedes the need for sustainability and capacity development. In addition, the indefinite deferment of workshops on financial management also impedes the need for sustainability and capacity development. Therefore, in order to sustain capacity development, training needs to be on an on-going basis so that its outcomes would be achieved through compliance of school's financial records with recognised accounting principles and other legal frameworks pertaining to finances.

#### **5.2.5 Finding 5- The training programme's presentation style is ineffective**

The literature discourages the presentation style of these trainings and regards them as a drawback in capacity development (UNEP, 2006) and recommend interactive workshops. The literature finds learn-by-doing as an effective training style to build capacity (Mullen, Gray & de Meyer, 2015). Juxtaposing this notion and the current capacity building, one concludes that the current training discourages inter-activity during training and participants complained, *"There they tell you only about policies"*. The *"telling method"* is based on the notion that trainees are completely blank about the subject matter and hence need to be told. The facilitator-centred model renders the trainees, passive recipients of information.

It is noteworthy that the SGBs perceived the current training programme as fruitless as their clarity seeking questions are not taken heed of. In addition, they felt not satisfied because they were not sufficiently involved to clarify misconceptions through interaction.

#### **5.2.6 Finding 6- Mismatch between internal records and audited financial statements**

Examining the financial records of the sampled schools, the researcher identified a number of flaws in terms of recommended and acceptable principles and standards for preparation of these documents. It therefore stands to reason that documents prepared in that manner would definitely not match audited financial statements which are prepared according to the aforesaid principles and standards by highly skilled professionals in the financial management sphere.

The inconsistencies found were further corroborated by the participants when interviewed where they indicated that internal financial records are always found to be different from externally prepared records. The researcher attributes this to the absence of internal auditing of schools' financial records. Furthermore, external auditors play referee-cum player in that they assist schools in the preparation of financial statement and also issue a report (audit opinion) about those financial statements.

### **5.2.7 Finding 7- There is lack of support and monitoring by circuit officials in the school financial management**

A body of literature reports that principals and SGBs are often subjected to forensic audits by the Department of Education due to the mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records (Mestry, 2006, Xaba, 2010). The circuit official complained about principals who collude with suppliers violating the procurement procedures and inflating prices, making SGBs sign blank cheques and paying personal loans with the school funds. In addition, circuit managers are alleged to collude with principals to shift circuit expenditures to school's accounts. Schools are made to adopt circuit office expenditure such as salaries for the personal assistants (PAs) for circuit managers. The circuit office also directs all schools, including primaries schools, to incur a "Matric Day" expenditure for an event hosted by the circuit for secondary schools' matriculates. The circuit official asserts that principals and that circuit officials take advantage of the SGBs' lack of financial management skills that is ascribed to lack of training to collude with hapless SGBs in violation of procurement regulations. Legally the principals and circuit officials responsible for school finance are mandated to assist struggling SGBs (RSA, 1996b) to ensure effective financial management, but this legal requirement appears not to be complied with in the circuit this study was conducted.

### **5.2.8 Finding 8 – Questionable conduct of external auditors**

Capacity building is considered effective where procurement, management and supervision are aligned with policy and administrative systems of the government. Schools are mandated to prepare financial records according to recommended principles and procedures (RSA, 1996b). They are also obliged to submit the final summative financial records for verification of

adherence to policies to external auditors. The opinion of external auditors on the financial position and performance of schools is considered a valid and reliable assurance to stakeholders and beneficiaries including the state itself that value for money is attained. External auditors, therefore, serve as watchdogs to ensure that accountability is maintained for the benefit of stakeholders in education. They give an approval that financial management processes undertaken by the school are quality assured.

Contrary to this notion, financial records examined by the researcher were found to contain numerous inconsistencies in terms of the acceptable financial practices. The participants also gave affirmation that their internal records were different from externally prepared records. They further indicated that despite poor internal financial record keeping, they are assured that auditors' opinion will always be in their favour. They alleged that auditors vowed not to issue qualified audit report in order to keep their clients. One school principal indicated that their school incurs overdraft every financial year, which is a violation of schools' financial management stipulations, but they always get clean audits. The circuit official indicated that she interrogated one of the external auditors on account of issuing a clean audit report to a school which she internally audited and found a lot of inconsistencies. Therefore, if watchdogs such as external auditors convert to lapdogs through the relaxation of the financial management reporting standards for their unscrupulous client-keeping endeavours, the effectiveness of capacity building will remain unattainable.

#### **5.2.9 Finding 9 - Capacity building is not contextualized**

Participants do not have challenges with the theory on policies, but have challenges relating to the practical way of recording financial information according to recognised accounting principles. Bloch, Favis and Hargovan (2000) maintain that capacity building must be flexible to accommodate variety in terms of skills shortage and need and not be rigidly structured. In the schools studied, financial records examined were not aligned to any accounting principles. In addition, there was a general outcry by participants for training on bank Reconciliation Statement and other financial records. The context in which the current capacity building is provided steers away from what appears to be the core of financial management, which SGBs need more clarity on. According to participants, facilitators avoid committing themselves on questions around schools' financial record keeping. This clearly indicates that the current

capacity building is not contextualised as questions on technical financial recording are forever deferred to a workshop which never come to pass for the entire three-year SGB cycle.

Commentators on capacity building underline the importance of linking capacity building strategy to the context of an organisation. The overwhelming dissatisfaction of the participants emerged to be that financial management content and concept are not given attention in the SGB trainings. Furthermore, indication made was that the bank reconciliation statements and the financial statements were the most challenging and that workshops around these issues are highly demanded. The context of the training should hence be tailored according to demand. It therefore implies that policies should feature less in the capacity building for these sampled schools and financial records should be given more preference and more time allocation on the training schedule. Therefore, with the current capacity building mainly focused on the theory on policies in school governance and less on the technical skills training encompassed in these roles clearly suggest that the current capacity building is not contextualised.

#### **5.2.10 Finding 10 - Cluster approach**

Xaba and Nhlapo (2014) suggest that the cluster-based training could serve as a support mechanism for local SGBs and as a trajectory for consolidating gains on a cooperative basis among SGBs. However, such an approach requires someone with financial management skills facilitation experience to lead the training process. One of the participants indicated that where they struggled to get assistance from the facilitators who did not want to commit on giving direct answers, they clustered with neighbouring schools to try to address their financial management challenges. The cluster approach did not yield good results as the examined financial records revealed gaps in the preparation of financial records and aligning them to recognised principles and standards. The practice turned to be “*blind leading the blind*” exercise as financial management expertise did not exist in those clusters. Cluster-based training suggests that a facilitator should be included in all these clusters to make it effective.

### **5.3 RECOMMENDATIONS**

The following recommendations emerge from the findings of principals, SGB chairs, treasurers and finance officers on capacity building for effective financial management in schools. They

are not suggested as solutions to the plethora of capacity building challenges in the participating circuits, but they could provide a blueprint for future design of these training programmes.

### **5.3.1 Recommendation 1- Training for SGBs should be comprehensive**

Review of the capacity building programme to include more of the practical activities, especially on contents that appear to be the most challenging in the financial management. In this case, most participants singled out the financial records such as the bank reconciliation statements and the financial statements. Learn-by doing activities on these contents should be included in the capacity building programme including the theory that is already presented to the satisfaction of the participants.

### **5.3.2 Recommendation 2 – Choose facilitators with financial management skills**

Unlike the policy part of the capacity building programme which SGBs are satisfied with, the financial management part of these programme should be resourced with facilitators who possess a strong accounting or financial management background. Competency test with school financial management content should be administered as part of the selection process for facilitators. The department should partner with SAICA to assist with the training of facilitators and officials involved in the financial management as part of SAICA's CSR initiative.

### **5.3.3 Recommendation 3- The duration of the financial management training programme should be extended**

Considering that the degree of difficulty and the cognitive level demands of the content in the capacity building programme vary, time allocated to the content on financial management records should commensurate with these demands. Similar to the Annual Teaching Plan where some topics are allocated more time than others, topics in the capacity training programme should be allocated time accordingly. Given that capacity building should include learn-by doing activities, facilitators should prolong the presentation time to make provision for evaluation activities where trainees are assessed individually, in pairs or as a group on specific programme content assess whether they would be able to implement the learnt skills at their

different skills. Therefore, involving the trainees promote deep understanding of the learning content. This is corroborated by the old adage *“Tell me and I forget, teach me and I may remember, involve me and I learn.”* Furthermore, technical skills training needs ample time for practical training of trainees and so is the SGB training on financial management.

#### **5.3.4 Recommendation 4-The training should be held frequently**

Whittle, Colgan and Rafferty (2012) assert that capacity building does not occur expeditiously or unpack according to planned owing to straggle and delays. With its large volume of content which covers both theory and technical skills (Nguyen, 2013), SGB training requires time (Light, P.C., Hubbard, Kibbe, Patrizi, Sherwood & Spector, 2004). Furthermore, considering numerous financial records kept by financial officers at school, each of the records requires ample time which should include demonstrations by trainers and learn-by-doing by trainees. Drawing from his personal experience as former accounting teacher and an SGB treasurer, the researcher asserts that each concept to be dealt with requires more than a day to unpack the theory and practical content that goes with the theory. Contrary to the sentiments carried in the preceding discussion, the SGBs perceive the current capacity building to be a once-off event which impedes the need for sustainability and capacity development. Once-off events do not make provision for monitoring and evaluation of the programme. The success or failure of an intervention could be determined through constant monitoring and evaluation. The lesson learnt could then be used to make adjustments on processes to realise intended results. Therefore, monitoring and evaluation as an on-going process to assess implementation warrant frequent encounter between facilitators and trainees.

#### **5.3.5 Recommendation 5- The training programmes should adopt trainee-centred approaches**

Financial management topics are mostly practical in nature where a mere facilitator-centred presentation would not suffice for the trainees to comprehend the content. It requires demonstrations by facilitators and learn-by doing activities by trainees. The more trainees are involved the more they understand. Therefore, facilitators should ensure that training is more trainee-centred. The training should involve more practical activities where trainees work as individuals, in pairs and as a group (team) to immerse the trainees in the content. When

involved trainees would understand better and would remind each other at school or cluster level when they encounter challenges relating to recording they once tackled at training. They could also refer to their notes and find the solution.

### **5.3.6 Recommendation 6- Internal financial records should be consistent with the audited financial records**

Facilitators need to be accessible to schools throughout the financial year to assist finance officers where they encounter challenges in preparing financial records. Internal auditing should be mandatory and be carried out bi-annually so that gaps identified half-way in the financial year are attended to before external auditing could be carried out. Auditors used by the schools need to assist in the preparation of financial statements and be recused from expressing audit opinion on the schools they assist. South African Institute of Chartered Accountants (SAICA) partners with provincial education departments as part of their Corporate Social responsibility (CSR) and the Limpopo Education Department can use that opportunity by applying for the partnership I order improve internal recording and internal auditing of financial statements and other records.

### **5.3.7 Recommendation 7-Senior education officials should exercise proper involvement in the school financial management**

The reviewed literature reports that principals and SGBs have been subjected to forensic audits by the Department of Education due to the mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records (Mestry, 2006). Similar behaviour by senior education officials such as school principals and circuit managers were mentioned by one of the participants. Collusion between principals and service providers through inflating tender prices for self-gain defeats the aim of value for money in financial management. Signing of blank cheques by SGBs manipulated by principals also depicts greed on the side of the principals. Collusion between principals and circuit managers through shifting circuit expenditure to schools. In all these cases, the principal is found to be the “centre piece” in weakening schools’ financial management system. Legally the principals and Circuit officials responsible for school finance are mandated to assist struggling SGBs (RSA, 1996b) to ensure effective financial management. In addition, principals as accounting officers in their

schools are expected to exercise due diligence, prudence and eradicate or minimise risks as reasonably practicable. On the basis of these, unbecoming conduct of principals such as acting as a centre piece in corrupt activities around school finances should be reciprocated with severe disciplinary measures. The SGB veil should be pierced in case there is adequate evidence of the principal's direct involvement in manipulating school funds for self-enrichment and the principal be subjected to robust investigations and severe punitive measures be put in place for those convicted.

### **5.3.8 Recommendation 8 - External auditors should act professionally with due diligence and integrity on expressing their audit opinion on schools' financial statements**

SGBs are in terms of SASA expected to act in good faith and in the best interest of their schools. Guided by this premise, SGBs should refrain from using the services of external auditors who fail to express honest audit opinion. The Auditor-General (AG) should also take a random sample of schools' internal financial records and compare those records with audited financial statements by these external auditors to determine whether there was violation of auditing standards or not. Where tangible evidence of gross violation of reporting principles and standards by the external auditor is prevalent, the AG could report such unscrupulous behaviour of auditors to relevant bodies which could result in the de-registration of their practice. The monitoring roles of circuit officials in schools' financial management should be clearly outlined. These officials' powers to request primary data for the recorded evidence at school level without contestation should be granted. With these primary evidence, external auditors would not be able to conceal transactions that warrants findings which would possibly lead to qualified reports.

### **5.3.9 Recommendation 9 – Capacity building programme should be contextualised to meet unique but common challenges encountered at certain school or clusters**

Financial records of schools under Section 21 are slightly different from those of no-fee schools and thus capacity building for SGBs in these schools should be varied, considering what is applicable and what is not. Again, capacity needs of one school cannot always be the same as that of another school, but should be tailor-made to address its specific needs. Research has shown that schools in deep rural areas experience challenges in financial management and their

capacity building should be tailored in a way that more of their training programme include activities of financial management records than on policies. Inferred from the participants' perceptions, the content of financial management policies is well covered and well understood by SGBs, however the financial records including financial statements are a big challenge that needs more attention at the sampled schools. It therefore implies that these records are a general challenge in schools in the circuit or the cluster. It therefore suggests that the capacity training for SGBs in that circuit or cluster should be contextualised to the skills need, in this case financial records and financial statements.

### **5.3.10 Recommendation 10 - Trainers to adopt a cluster leader approach**

Previous literature upholds that cluster based training should be contextual to demographic challenges and also serve as a trajectory for consolidating gains on a cooperative basis among the SGBs (Xaba & Nhlapo 2014). Examining schools financial record, it was still evident that the clustering without expertise was not working as gaps in the recording still prevailed. An experienced facilitator is recommended for every cluster and should be easily accessible as and when the schools need clarity or any assistance on the preparation of financial records.

## **5.4 SUGGESTIONS FOR FURTHER RESEARCH**

Future research could be undertaken on the following areas within the circuits, districts and provinces:

5.4.1 The degree to which the capacity building of SGBs in financial management is aligned to their capacity needs as depicted by common challenges identified in the cluster, circuit or district.

5.4.2 Future studies could explore the selection of suitable facilitators of the capacity building programmes. Participants indicated that the current programmes were not addressing the challenges the encounter with financial records.

5.4.3 Future studies could also explore external auditing as another crucial player in the financial management sphere also examining possible impediments emerging from the malpractices in external auditing milieu. In reviewing the literature, no data was found on the collusion of external auditors with officials acting on behalf of a juristic person like a school.

There is however a proliferation of cases where external auditors were involved in intentional misrepresentation of companies' financial positions and performance through expressing wrong audit opinion thereby misleading the public, prospective clients, creditors and other stakeholders. These "*window-dressing*" exercises surfaced in Steinhoff and VBS mutual bank and some municipalities to mention but a few.

## 5.5 CONCLUSION

The aim of the present research was to examine how capacity building for school governing body can contribute to value for money in school financial management. Inferred from literature that examined financial records and the participants' perceptions, it emerged that numerous loopholes that negate value for money in school finances exist. The study however made recommendations to eliminate or minimise the risks that go with financial management in schools.

This study has found that generally schools financial management is carried out for compliance purpose, submissions which do not comply with recognised accounting principles and standards are made by schools. These submissions however do not serve as the basis for compiling annual financial statements. Also, that audit opinions expressed on the audited financial statement cannot be relied on as the participants indicated that external auditors avoid losing business if they express true opinions.

The findings of this investigation complement those of earlier studies. Mismanagement of funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records (Mestry, 2006) is also mentioned by the participants who indicated the signing of blank cheques, principals colluding with suppliers inflating the prices, circuit managers colluding with principals to adopt and pay the expenditure by the circuit and principals colluding with external auditors for expressing favourable audit opinion and conceal findings. Bartczak, (2013) asserts that short -term training is ineffective. The participants also complained about the shortness of their training.

The findings from this study make several contributions to the current literature. First, the inception of a partnership with SAICA to train the facilitators and SGBs in the compilation of schools' financial records and other statements. Second, the involvement of the AG in the sampling of schools for external auditing. Third, giving circuit officials full access to primary data used to compile financial records. Fourth, to ensure that only financial statements that

underwent internal auditing are taken for external auditing. Last, that unscrupulous behaviour by role players in financial management from school level, circuit, province including watchdogs like external auditors be taking in serious light with severe consequences.

The generalisability of these results is subject to certain limitations as there are some aspects of the study that may have narrowed the findings. One of these was the number of circuit officials sampled for the research. The circuit official as an overseer in the whole circuit has a wider view of the issues and occurrences around school finances and challenges. Some perceptions from the circuit officials could not be triangulated with views from the focus group interviews. Another limitation observed is the inclusion of principals in the focus group interviews which could have suppressed views of other participants especially the finance officers and other signatories. Again, one of the principals was still acting on the position and hence the depth of her knowledge in financial management was not enough. Lastly, a few SGB members were new elects in roles however others were previously serving in other schools. The fact that the study concentrated on one circuit official and SGBs of four schools in one circuit of the Mogalakwena District in Limpopo means that the findings cannot be generalised to the entire district and province.

More information on X would help establish a greater degree of accuracy on this matter.

There are a number of important changes which need to be made. The changes include, among others, the selection of facilitators on merit, making capacity building programmes inclusive of financial management records training, the extension of presentation time to allow ample time for learn-by doing activities and to ensure the frequency of training to make provision for constant monitoring and evaluation to determine the success of the training programme. In addition, to involve the AG in sampling schools for external auditing, allowing circuit officials responsible for school finances access to primary data used for compiling financial records, sourcing clusters with facilitators to assist when school based finance officials encounter challenges with financial records. Furthermore, schools should refrain from using the services of external auditors identified to have expressed biased audit opinion on schools' financial performance.

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## Appendix A: Ethics Clearance Certificate



### UNISA COLLEGE OF EDUCATION ETHICS REVIEW COMMITTEE

Date: 2018/05/16

Ref: 2018/05/16/30622697/28/MC

Dear Mr ET Mmako

Name: Mr ET Mmako

Student: 30622697

**Decision:** Ethics Approval from  
2018/05/16 to 2021/05/16

**Researcher(s):** Name: Mr ET Mmako  
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**Supervisor(s):** Name: Dr RN Marishane  
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**Title of research:**

**Capacity building for effective school financial management: Ensuring value for money**

**Qualification:** M Ed in Educational Leadership and Management

Thank you for the application for research ethics clearance by the UNISA College of Education Ethics Review Committee for the above mentioned research. Ethics approval is granted for the period 2018/05/16 to 2021/05/16.

*The low risk application was reviewed by the Ethics Review Committee on 2018/05/16 in compliance with the UNISA Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.*

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.



2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the UNISA College of Education Ethics Review Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
7. No field work activities may continue after the expiry date **2021/05/16**. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

*Note:*

*The reference number **2018/05/16/30622697/28/MC** should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.*

Kind regards,



**Dr M Claassens**  
**CHAIRPERSON: CEDU RERC**  
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**Prof V McKay**  
**EXECUTIVE DEAN**  
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**Appendix B: Editor's letter**



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Date: 08 November 2018

TO WHOM IT MAY CONCERN

**Re: Confirmation of editing and proofreading: Mr T Mmako**

I am writing to confirm that Mr E T Mmako's dissertation entitled "Capacity building for effective school financial management: ensuring value for money" was edited and proof-read. I further attest that the edited proposal is of an acceptable academic standard.

Should you have any question, please do not hesitate to contact me as above.

Sincerely,

A handwritten signature in black ink, appearing to read "Leketi Makalela", is written over a light-colored rectangular background.

Prof Leketi Makalela  
Lebaba Communications Editing Consultant

## Appendix C: PARTICIPATION INFORMATION SHEET



Ref: 2018/05/16/30622697/28/MC

26 March 2018

Title: Capacity building for effective school financial management: Ensuring value for money

Dear Prospective Participant

I am Emanuel Tebogo Mmako, a UNISA Masters student doing research under the supervision of Dr RN Marishane, a senior lecturer in the Department of Educational Leadership and Management. I would like to invite you to participate in the study entitled: Capacity building for effective school financial management: ensuring value for money.

Reasons for initiating this study is to examine how capacity building for school governing body can contribute to value for money in school financial management, to study the extent to which the school governing body carries out its legislative mandate of managing school finances, to examine the attitudes of members of the school governing body towards current financial management training offered to them; and to make recommendations on the development of possible capacity-building strategies for improving the school governing body's performance in school financial management.

This study requires participants to answer questions in focus group interviews and face to face interview. In the interview schedule there are open ended questions. The questions for all the interviews are semi-structured. An audio-visual recorder will be used to record proceedings in all the interviews were only documents will be videotaped and avoiding faces of the participants. Questions asked will relate to capacity building of SGBs in financial management of schools and how it ensures value for money. Participants are expected to spend at most an hour to participate in a focus group interview and 30 minutes in a face to face interview.

Participation in this research is voluntary and there will be no penalty or loss of benefit for non-participation. Due to the voluntary nature of the research, you are under no obligation to consent for participation. If you decide to participate, you will be given this information sheet to keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving reasons.

Participation in this study is without direct benefit however crucial in creating the body of knowledge on the studied area of interest which can benefit the present and future generation on how capacity building could be conducted to benefit the school communities in gaining value for money through efficient school financial management. There will also be no costs incurred by the participants as they will be visited by the researcher at their schools' premises and circuit office.

The study possesses no potential level of inconvenience and/or discomfort or physical harm to you the participant. The only inconvenience is that of the agreed time to be spent by taking part in interviews.

Names of participants in this research will be held anonymous and will not be recorded anywhere and that no one, apart from the researcher and the members of the focus group will know about your involvement in this research. Thus no one would be able to link you to your responses. Your responses will be given a code number or pseudonym and you will be referred to in that way in the data, any publication, or other research reporting platforms such as conferences.

No one will have access to data provided by the participants other than the transcriber/external coder who will maintain confidentiality by signing a confidentiality agreement when dealing with this data. The participants' anonymous data may however be used for other purposes such as research reports, journal articles and/or conference proceedings.

While every effort will be made by the researcher to ensure that you will not be connected to the information that you shared during the focus group interview, I can however not guarantee that other participants in the focus group will treat the information with confidentiality. I shall, however encourage all participants to do so. For this reason, I advise you not to disclose personally sensitive information in the focus group.

Hard copies of your responses will be stored by the researcher for a period of five years in a locked cupboard for future research and academic purposes. Soft copies will be stored on the researcher's email address as well as on the cloud and on a password protected computer. Future use of the stored data will be subject to further Research Ethics Review and approval if applicable. After a five year period, hard copies of data will be shredded and the soft copies permanently deleted from the hard drive of the computer and on the cloud through the use of relevant software program.

This study has received written approval from the Research Ethics Review Committee of the Education Management, UNISA. A copy of the approval letter can be obtained from the researcher on request.

If you would like to be informed of the final research findings, please contact Emanuel Tebogo Mmako at +2784 938 4631 or on email address [mmakotebogo@yahoo.com](mailto:mmakotebogo@yahoo.com). Findings are accessible for five years. Should you require any further information please contact my supervisor for this research Dr. RN Marishane on +2761 523 3871 or email address [nmarishane@gmail.com](mailto:nmarishane@gmail.com).

Thank you for participating in this study.

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Signature

Emanuel Tebogo Mmako

**Appendix D: CONSENT/ASSENT TO PARTICIPATE IN THIS STUDY**

**Ref: 2018/05/16/30622697/28/MC**

**CONSENT/ASSENT TO PARTICIPATE IN THIS STUDY (Return slip)**

I, \_\_\_\_\_ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet.

I have had sufficient opportunity to ask questions and am prepared to participate in the study.

I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable).

I am aware that the findings of this study will be processed into a research report, journal publications and/or conference proceedings, but that my participation will be kept confidential unless otherwise specified.

I agree to the recording of the video footage of document with my voice explanation of contents.

I have received a signed copy of the informed consent agreement.

Participant Name & Surname (please print) \_\_\_\_\_

\_\_\_\_\_  
Participant Signature

\_\_\_\_\_  
Date

Researcher's Name & Surname (please print) Emanuel Tebogo Mmako

\_\_\_\_\_  
Researcher's signature

\_\_\_\_\_  
Date

**Appendix E: FOCUS GROUP CONSENT/ASSENT AND CONFIDENTIALITY AGREEMENT**

**Ref: 2018/05/16/30622697/28/MC**

**FOCUS GROUP CONSENT/ASSENT AND CONFIDENTIALITY AGREEMENT**

I \_\_\_\_\_ grant consent/assent that the information I share during the focus group may be used by Emanuel Tebogo Mmako for research purposes. I am aware that the group discussions will be digitally recorded and grant consent/assent for these recordings, provided that my privacy will be protected. I undertake not to divulge any information that is shared in the group discussions to any person outside the group in order to maintain confidentiality.

Participant's Name (Please print): \_\_\_\_\_

Participant Signature: \_\_\_\_\_

Researcher's Name: (Please print): Emanuel Tebogo Mmako

Researcher's Signature: \_\_\_\_\_

Date: \_\_\_\_\_