

**INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL  
CONTROL IN SCHOOLS IN AMATHOLE EAST EDUCATION DISTRICT, EASTERN  
CAPE PROVINCE**

By

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### **INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE**

I declare that the above dissertation is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.



SIGNATURE



DATE

## ACKNOWLEDGEMENTS AND DEDICATION

I wish to extend my heartfelt gratitude to:

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## **ABSTRACT**

The purpose of this study was to investigate principals' practice of budget and financial control systems in the schools of Amathole East Education District in the Eastern Cape Province. The schools that were investigated are under the Department of Basic Education. Participants in the research were school principals and their respective finance committees in their respective schools. For the purpose of collecting data, literature review as well as semi-structured interviews with individual participants were used. In this regard, the researcher adopted the role of an investigator. This means that he occasionally engaged in a dialogue with specific individuals in order to source information. This kind of interaction entailed a one-to-one, qualitative and in-depth discussion between the researcher and the individual concerned. The approach to data collection was exploratory. It sought to establish how the participants make sense of the principals' practice of budget and financial controls in financial management in their respective schools. Principals' practice refers to the manner in which school principals exercise budget and financial controls. In this research, the perceptions of the individuals constituted the basis for decision-making on the part of the researcher. Niskanen's theory, grounded theory, the zero-based theory and the finance management theory were applied in making decisions and crafting recommendations. The paradigm that was used is the interpretive paradigm. The interpretive paradigm is concerned with understanding the world as it is from the point of view of the subjective experiences of individuals.

Data was analysed by using descriptive explanations based on the extent to which similar views were given by participants on the issue of management of school finances. A combination of purposive and quota sampling was used in this research. The research sought to establish if allegations of mismanagement of funds could be substantiated or not, in the case of Amathole East Education District. The research further uncovered all revelations relating to school funds not reaching their intended beneficiaries. The finding of this research is one of an injustice of a serious nature in that principals and SGBs were found to be using that money for their selfish personal gains through fraud, corruption, or financial mismanagement. Findings revealed that some principals and

SGBs showed a lack of the necessary expertise required for proper exercise of budget and financial control systems in schools on the one hand. In instances where the appropriate exercise was found to be up to scratch on the other hand, it was overshadowed by deliberate efforts by principals and SGBs to re-channel the school funds for personal and selfish gains. They did this fully cognisant of the fact that they were acting in contravention of the law. The findings of this research uncovered what the real picture is regarding the levels of the principals' practice of budget and financial control systems in schools. Findings reflected on the extent to which principals are able to apply these systems in schools. The findings go a long way in determining how financial mismanagement can be curbed. Findings will further assist the Department of Basic Education with ways and means by which budgeting and financial management systems can be made optimally effective in schools.

#### **KEY TERMS**

Audited financial statements, unauthorised expenditure, budget, corruption, financial controls, financial mismanagement, fraud, irregular expenditure, misappropriation, theft, wasteful expenditure

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## LIST OF ABBREVIATIONS

AEED	Amathole East Education District
AFS	Audited Financial Statements
AG	Auditor-General
ANC	African National Congress
AT	Athletics Trainer
BOMs	Boards of Management
CHE	Connectivity, Humanness and Empathy
CMCs	Circuit Management Centres
CPS	Chicago Public Schools
DBE	Department of Basic Education
ECD	Early Childhood Development
EEA	Employment of Educators' Act
ELRC	Education Labour Relations Council
EMIS No.	Education Management Information System Number
ESDM	Education Service Delivery Model
FY	Financial Year
HOD	Head of Department
ICT	Information and Communications Technology
IMT	International Monetary Fund
IPA	Interpretive Phenomenological Analysis
IQMS	Integrated Quality Management System
IRR	Institute of Race Relations
LSEN	Learners with Special Educational Needs
MEC	Member of the Executive Council
NA	Narrative Analysis
NNSSF	National Norms and Standards for School Funding
NPA	National Prosecuting Authority
PTA	Parent Teacher Associations
PFMA	Public Finance Management Act

PMDS	Performance Management and Development System
PP	Public Protector
PSC	Public Service Commission
PVM	Public Value Management
RSA	Republic of South Africa
S20	Section 20
S21	Section 21
SABS	South African Bureau of Standards
SACE	South African Council for Educators
SAHRC	South African Human Rights Commission
SASA	South African Schools Act
SBM	School–Based Management
SGB	School Governing Body
SGBs	School Governing Bodies
SMCs	School Management Committees
Stats SA	Statistics South Africa
TA	Thematic Analysis
US	United States

## **CHAPTER 1: INTRODUCTION AND BACKGROUND**

### **1.1 INTRODUCTION**

The need to embark on this research is the widespread perception prevailing among school communities in South Africa that school funds are mismanaged in schools (Myende, Samuel and Pillay 2018). Communities believe that school principals are the major perpetrators of this alleged mismanagement (Rangongo et al. 2016). The issue of financial management is part of the leadership and management responsibilities of the school principal. The principal has a duty to provide guidance and leadership on how the SGB should execute its statutory function of resource management in the school. However, there are principals that have been accused of failure to provide that essential leadership. This failure is attributed to either the principals' lack of proper understanding of the budget and finance control systems or their deliberate intent to misuse school funds for personal gains. This is what the research sought to establish. Issues of irregular expenditure, fruitless and wasteful expenditure, as well as unauthorised expenditure have been reported on television, on radio, and in print media. Irregular expenditure relates to expenses made without following proper procedure. For instance, Clause 3.3 of National Treasury Practice Note No. 8 of 2007/2008 stipulates that authorities of government institutions are required to invite three quotations for any purchase amounting to R10 000 and above, up to an estimated value of R500 000. Immediately the school invites only one quotation and proceed to buying on the basis of that quotation, that is irregular expenditure. The Department of Basic Education (DBE), through what is known as the paper budget, indicates to every school what the money allocated should be used for. Fruitless and wasteful expenditure means the procurement of items deemed not necessary, not approved, and therefore not budgeted for (Dzomira 2017). Unauthorised expenditure relates to using money without the approval of the relevant authority. The principal must append their signature in the "request to purchase document" as a way of showing their approval for the purchase of a good or service. The reality is that there are principals that have reportedly been chased away from their schools on suspicions of misusing school funds. Others have been subjected to disciplinary processes for allegations relating to misuse of funds. The study sought to establish if the principals are indeed involved in the alleged acts of fraud, corruption, theft, misappropriation and

mismanagement of school funds or not. If principals were found to be indeed involved in these acts, the investigation in this research aimed at establishing if their involvement was out of lack of understanding of the finance management systems, or a deliberate intent to break the law. Reasons for the principals' deviation from adhering to the law that regulates budgeting and finance controls in schools were explored, where such deviation existed. Recommendations that address the reasons for deviation were made. Recommendations were also made to enhance a clear understanding of the budget and financial controls on the part of principals. The recommendations were so designed as to bring about the efficiency and effectiveness envisaged of the budget and financial control systems in schools.

## **1.2 BACKGROUND TO RESEARCH**

### **1.2.1 Political Context**

In the period pre-1994, education was characterised by gross inequalities based on the apartheid policies of the White Minority regime in South Africa. The citizens of the country were divided along racial lines. Whites enjoyed vast amounts of rights and privileges that the other races were deprived of. The whites, comprising of immigrant Afrikaners (Dutch, English or people of European descent) were afforded the best of virtually everything in so far as rights and privileges are concerned (van Dyk and White 2019). Following the whites were coloureds (people of mixed descent), then the Indians (from India/Asiatics), and the Africans (indigenous black people); in that descending order. The allocation per learner was R1211 for Whites, R771 for Indians, R498 for Coloureds, and R146 for Blacks (van Dyk and White 2019). Discrimination according to colour, race or creed was the underpinning principle in regard to the provision of resources and amenities. In schools; blacks were only allocated the bare minimum required, almost nothing so to speak, for teaching and learning to take place. The curriculum for blacks was by far more inferior compared to that of the other racial groups in South Africa.

When the African National Congress (ANC) government assumed power in 1994, it took a firm stand to make it one of its priorities to address the imbalances of the apartheid era that dominated the provision of education in the country. The first step in pursuit of this objective was for government to collapse the 19 education departments that had been



put in place to serve different racial groups in the country into one Education Department. Programmes that sought to ensure an equitable distribution of resources were put in place. Government premised education provisioning on one Curriculum Statement for all racial groups. The purpose of this exercise was to address all the disparities of the apartheid education system to a point where everyone in the country enjoys equal rights and privileges; regardless of colour, race or creed.

### **1.2.2 The Legislative Framework**

The Constitution of the Republic of South Africa, Act No. 108 of 1996 is the supreme law of the country (South Africa: Constitution of the RSA, 1996). In terms of this law, education is free and compulsory for the first fifteen years of the life of a child. The Minister of Basic Education, in terms of the South African Schools Act No. 84 of 1996 (SASA), is mandated to determine Norms and Standards for School Funding (South Africa: SASA, 1996). The poverty levels occasioned by apartheid policies and the injustices of the past, particularly among black communities, escalated to a point where parents could not afford to finance the education of their children. It is for that reason that the Minister is mandated, in terms of the law, to fund public schools out of public revenue. The money pumped into schools by the Minister of Basic Education is managed in terms of the law. There are individuals and statutory structures entrusted with roles and responsibilities that are specified in the SASA in regard to finance management in the school.

The SASA stipulates that the governing body of a school must draw up a budget for the following year. Section 38(1)-(3) of SASA directs that the principal must convene a parents' meeting. The purpose of the meeting is for the principal to present the budget for the following year to all the parents for their approval. These are the responsibilities entrusted in the hands of the principal. The professional management of a public school must be undertaken by the principal under the authority of the Head of Department (Prinsloo 2016). Regarding financial matters the principal is expected to have various kinds of school accounts kept properly (South Africa: SASA, 1996). In consultation with the appropriate structures, the principal should make the best use of the funds for the benefit of the learners.

Section 20(g) dictates that the SGB must “administer and control the school’s property, and buildings and grounds occupied by the school, including hostels”. Section 21(1)(c) specifies that the SGB must “purchase textbooks, educational materials or equipment for the school”; and (d) to pay for services to the school”. The implication of these sections is that the financial management of the school is entrusted with the SGB in terms of the law; and not with the principal.

Section 16(2)(h) categorically states that the principal must “assist the governing body with the management of the school’s funds, which assistance must include the provision of information relating to any conditions imposed or directions issued by the Minister, Member of the Executive Council or the HOD in respect of all financial matters”. In terms of this Section, the principal must “give advice to the governing body on the financial implications of decisions relating to the financial matters of the school”. He must “take all reasonable steps to prevent any financial maladministration or mismanagement by any staff member or by the governing body of the school”. In terms of Section 16(2)(j) of SASA the principal must “be a member of a finance committee or delegation of the governing body in order to manage any matter that has financial implications for the school”. Section 16(2)(k) is explicit to say that the principal must “report any maladministration or mismanagement of financial matters to the governing body of the school and to the HOD”.

In terms of Section 16A of SASA the principal is the legal representative of the HOD in the governing body as stipulated in Section 23(1) (b) and Section 24(1)(j). The principal acts on behalf of the HOD as an administrator in the school. Their responsibility is “to safeguard expenditure” in so far as finance management is concerned. The principal of a school therefore assumes a dual accountability. He is accountable to the SGB in terms of functions delegated to him by the SGB on financial matters while at the same time he is accountable to the HOD in terms of professional responsibilities on these matters.

The governing body of a school must in terms of Section 42 of SASA keep records of funds received and spent by the public school, and of its assets and liabilities, as well as all financial transactions. As soon as practicable, but not later than three months after the end of each financial year, the principal must draw and submit to the HOD an Audited Financial Statement for that year. The financial year of a school starts in January and

ends in December. It is important to note that Section 16(2)(j) provides for “the delegation of any matter that has financial implications for the school to the principal”. It is also important to note that the SGB is the ‘juristic person’ entrusted with the responsibility of managing school funds. They are the ones that should be held liable in the event maladministration and mismanagement of funds occurs in a school. However, the provisions of Section 16(2)(j) of SASA makes the principal to have his fair share in terms of liability when things go wrong with finances. He is accountable to the SGB in this regard. At the same time, Section 16(2)(k) provides that he must report any maladministration and mismanagement of school funds to the HOD. Practically, the principal shoulders a lot of responsibility and accountability in respect of finance management in the school. He is accountable to the SGB on the one hand, and accountable to the HOD on the other.

### **1.2.3 Categorisation of Schools According to Poverty Ranking**

Out of the National Norms and Standards for School Funding (NNSSF) stated above, the idea of the categorisation of schools according to quintiles came about. This was necessitated precisely by the imbalances of the past that needed to be considered in the allocation of resources to schools. A need was identified for the historically disadvantaged schools to be declared ‘no-fee schools’. In this regard, the funding of these schools was to become the sole responsibility of the state. This funding was to be effected on a sliding scale according to the quintile in which the school falls. The poverty ranking of the community under which the school falls was used to determine which quintile the school belongs to.

Schools were categorised into 5 (five) quintiles. Schools that are considered the poorest of the poor, in terms of the poverty ranking, fall in Quintile 1. The range of quintiles, from the poorest cohort to the wealthiest, is from 1 to 5. All schools in Quintiles 1 to 3 are declared poor schools. The education of children in these schools is funded in full by the state. Schools in Quintiles 4 and 5 are declared wealthy schools. They get a subsidy that is minimal from the state; otherwise, parents in these schools are responsible for the education of their children. Schools charge school fund from parents to run the day-to-day activities of the school. However, if a parent in a Quintile 4 or Quintile 5 school is

struggling to pay fees for whatever reason, he or she can apply for fee-exemption. The amount of money allocated by the state to a school depends on: the quintile of the school, and the number of learners in that school.

A determination is made by the Minister as to how much the state should spend per child for a school in a quintile. This is an amount that increases on an annual basis as the *per capita* expenditure for the education of school children also increases year after year.

#### **1.2.4 Categorisation of Schools According to Capacity to Self-Manage**

Another type of classification based on the capacity of schools to manage finances emerged. Schools began to be categorised as Section 20 or Section 21. These are sections in the SASA that deal with powers granted to the SGBs to carry out certain duties. Section 20 (also known as S20 schools) are schools deemed to be having no capacity to manage their finances. Their finances are managed by departmental officials on their behalf. They only receive 10% of their total allocation for the financial year in cash. All expenditure in respect of 90% of their allocation is managed by the Provincial Departments of Education through District Offices. They are however made aware of their total allocation through the issuing of paper budgets. S20 schools have their textbooks and other bulk requisites purchased on their behalf by departmental officials. When the SGBs of S20 schools have been adequately capacitated, they are then accorded the Section 21 (also known as S21) status in terms of which they now manage their own financial affairs, including budgeting and expenditure. Most of the schools that were already in existence in 1994 have by now acquired the Section 21 status. They receive, on an annual basis, vast amounts of money which they spend on their own without any involvement of departmental officials. This includes money allocated for school nutrition for all schools in Quintiles 1 to 3. The school, however, has a duty to submit to the DBE an Audited Financial Statement (AFS) on an annual basis. This is a compliance matter that all Section 21 schools must adhere to.

#### **1.2.5 The Petty Cash Policy**

All schools, whether S20 or S21, are required to develop a petty cash policy. This is a small amount of money in cash that is kept by a person called a petty cash manager. The

SGB decides how much the petty cash for the month should be. This money is for the day-to-day incidental expenses that the school incurs. It is necessary for the principal to keep petty cash for minor transactions with local merchants and suppliers (Mafora 2018:85). When a door handle in the classroom gets broken for instance, the normal formalities that are followed for the purchasing of bulk buying are not followed. There is no need for the finance committee of the school to be involved in the buying of the door handle. The class teacher is free to approach the petty cash manager and request money for the buying of the door handle. He/she must furnish the petty cash manager with the receipt for the door handle.

### **1.2.6 The Financial Policy of the School**

Every school is required to draw a financial policy for the school. Naidoo and Mestry (2017) suggest the development and use of a financial policy by schools as a tool to monitor the management of school funds by schools. Such a tool should advisably include the following four components, namely:

1. A statement of need which articulates why the policy must be adopted. This enhances not only the ownership of the policy by all stakeholders, but also the successful implementation thereof.
2. A statement of expected outcomes that the policy must seek to achieve. This statement must also encapsulate evaluation and review process that will be employed to assess how successful the implementation of the policy is from time to time.
3. A statement of values and principles that underpin the management of finances in the school including democracy, transparency, accountability, and honesty.
4. A statement of discretionary powers that must be vested in the SGB and the Finance Committee so that they do not always have to consult with all stakeholders to take decisions.

The Eastern Cape Provincial Department of Education has developed a template for the drawing of a finance policy by schools. The template incorporates key aspects that the policy must include. These aspects are: A Preamble, Legislative Framework, Roles and

Responsibilities of Role Players, Budget Process, Records of Income, Records of Expenditure, Internal Controls, Asset Register and, Financial Statement.

### **1.2.7 The Confusion Regarding the Financial Year**

In South Africa, there is a mismatch between the financial year of the school and that of government departments. It is a cause for confusion for schools when it comes to budgeting. The financial year of the school, on the one hand, begins in January and ends in December to coincide with the academic year. The financial year of government departments, on the other hand, begins on 01 April and ends on 31 March the following year. Principals tend to use all the money they receive in April only for the period April to December when the academic year ends. They forget to align their activities with budget throughout the academic year. In terms of budget, they tend to cater for activities that will take place from 01 April to 31 December. This leads to a situation where there is no money set aside for activities planned for January to March, especially sport and music activities. The end result of this is that schools face a situation where they are unable to run activities planned for January to March due to financial constraints. When children realise that they cannot participate in choral music and summer games they stage protests and embark on strike actions. Subsequently, principals are accused of financial mismanagement, correctly so; and are chased away from schools. This is another matter that this research will examine closely.

### **1.2.8 The Perceived Misuse of School Funds**

The cause for concern is the perception that seems to be dominating almost every 'no-fee' school community that school funds are misused. This is despite all the measures highlighted above having been put in place to ensure sound financial management by schools. At the heart of the background to this research is this perception that the money meant for the children of poor families to receive education is redirected to benefit teachers, administration staff and SGBs by fraudulent means. The research sought to establish truth around this perception. The misuse of school funds is allegedly done by school principals, right under the watch of, or in collaboration with the SGBs. Corruption in schools is believed to be so rampant that teachers even use the money allocated to schools for school nutrition to provide food for themselves and their families. Others are

accused of going to the extent of falsifying invoices to procure goods and services for their personal and family needs. They allegedly use school funds to maintain their families, their cars and houses. School communities also believe that there are teachers who use school funds for their own entertainment, including the buying of alcohol. This is particularly the case when teachers are out on school tours or field excursions with the learners.

### **1.2.9 Conclusion**

The political context and the legislative framework discussed in the paragraphs above are a convincing justification for government to provide for basic education from public funds. The legislative framework and policies outlined above clarify how the money should be utilised to curb mismanagement. I find it inconceivable that fraud and corruption could be as rampant as it is alleged to be when there are policies and legislative framework in place to guard against acts of corruption. The issue of budgeting seems to have serious implications for proper management of school funds by schools. Again, the legislative framework in this regard provides a clear direction. However, it appears that schools have a problem with implementing proper budgeting process. That is why this research investigated the understanding of both the budgeting and financial controls by the principals. Issues of fraud, corruption, theft, money laundering and racketeering continue to dominate the headlines in media houses (television, radio and print media). This is another matter that the research sought to examine closely for the purpose of establishing if it does contribute to maladministration and mismanagement of school funds by principals or not.

### **1.3 RATIONALE FOR THE STUDY**

The study sought to establish the level of understanding that principals have in respect of budget and financial control in schools and the manner in which they administer budget these two aspects in schools. Financial management in 'no-fee schools' is allegedly fraught with rampant corruption, fraud, theft, money laundering and racketeering. This is a cause for concern. It is indicative of some underlying reasons for a suspected incompetence in financial management on the part of principals. Principals of schools are teachers by profession; yet their role in financial management is extremely enormous and

essential. They do not have the professional expertise in finance management that finance specialists and chartered accountants for example have. Their professional expertise is on teaching and curriculum delivery. They are normally appointed into principals' positions based on the charismatic leadership that they are able to display in the execution of their day-to-day duties as teachers. They are also appointed as principals sometimes as a reward for a good track record in producing the best of results in the subjects they offer as teachers. This, however, does not mean that they have the requisite skill expected of them in finance management. Financial mismanagement is a criminal offence. The report by Corruption Watch reveals that for lack of knowledge and skill in finance management, principals may end up in jail or losing their jobs as teachers. "Corruption was often at the hands of principals, school officials and SGB members who deliberate schemes to steal funds .... We have opened criminal cases against some who were found to have broken the law" (The Mercury, 30 August 2019). The newspaper was reporting on findings and action to be taken by Corruption Watch, a body entrusted with the responsibility to monitor incidents of corruption in South Africa. Children who are meant to benefit from the sound financial management of schools may suffer immensely and end up giving up on education. There are children from poverty-stricken families who rely solely on school funding by the state for their education. Some have the only decent meal of the day being the one they receive from the school nutrition programme in their respective schools.

The only training principals have on financial management is the one they receive upon their induction as newly appointed principals. They also receive in-service training in the form of crash courses on financial management as the need arises from time to time. It is likely therefore that their knowledge and skill fall below the standard expected of them in the finance management of their respective schools. This is also a matter that needed to be addressed with a great sense of urgency if the appropriate understanding was found to be lacking. This is what informed this study. Recommendations were made to make sure that learners, as the intended beneficiaries of the funds pumped into schools by the state, benefit optimally from them.



## 1.4 PROBLEM STATEMENT

Most of the historically disadvantaged schools in South Africa are 'no-fee schools' (Hatch, Buckner and Omoeva 2017). Hatch et al. (2018) further confirm this by saying that the number of historically disadvantaged schools that had already acquired the 'no-fee school' status in 2013 stood at 87%. These schools are funded by the state. The period 1994–2011 introduced a radically new historical era for all South Africans, and most importantly, for school education (Grade 1–12) which had been in dire straits in South Africa for many years (Mouton, Louw, and Strydom, 2012). Section 3(1) of the South African Schools Act 84 of 1996 dictates that "every parent must cause every learner for whom he or she is responsible to attend school from the first school day of the year in which such learner reaches the age of seven years until the last school day of the year in which such learner reaches the age of fifteen years or the ninth grade, whichever occurs first". This injunction led to a situation where, in terms of Section 34(1) of the same Act, "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 provisioning". This is the funding that this study is seeking to establish whether or not it is properly managed by the school governing bodies, more especially the school principal to whom the function of financial management is delegated by the School Governing Body.

Soudien and Juan (2018) compared education in South Africa and India and stated that conditions of historical inequalities continue. Moreover, these have probably been accentuated amidst concerns of inadequate state funding for education and an expanded role of the market in education. Besides inadequate funding, there may be other factors that lead to the persistence of historical inequalities. It is these historical factors that further indicated a need for the researcher to embark upon an investigation to establish the extent to which the school governing bodies, principals in particular, manage school funds to the maximum benefit of the learners. It would be an injustice of a serious nature to the learners if it were to be found, through this study, that the money provided by the State to schools falls short in addressing the needs of the learners due to factors relating to how the funds are managed. The funding allocated by the State to schools caters for

issues of access to education, including scholar transport, school nutrition, infrastructure maintenance and the procurement of textbooks and stationery. The study seeks to establish if there is efficiency in the management of funds allocated for these contingencies.

There is seemingly a high degree of unhappiness among school communities regarding the manner in which the vast amounts of money pumped into public schools by the DBE are managed. Suspicions are rife that SGBs, together with teaching and non-teaching staff in schools, are in the habit of channelling school funds to address their selfish and personal gains. This is happening despite there being budgeting and control systems in place to make sure that moneys are used for the purpose they are meant for. The systems are in the form of policies and legislation crafted under the auspices of the DBE. In the eyes of the school communities, the lifestyles of those involved in running the day-to-day activities of public schools using school funds do not match their wages and salaries.

It is common for a principal of a school, for instance, to have a bond house in an affluent suburb of a city, a luxurious car, and still have their children attending an expensive former Model C school. This raises eyebrows among the members of the school community. There are principals who allegedly require parents to pay school fund despite the school being a 'no-fee school'. There are 'no-fee schools' where parents are further compelled to cough up for stationery and other school requisites for their children. This kind of behaviour often leads to conflicts between the school communities and school principals. Principals are chased away from school on allegations of financial mismanagement. In some cases, some principals are subjected to disciplinary processes. Tensions mount between parents and SGBs because of a feeling of mistrust on the part of the former.

#### **1.4.1 Research Questions**

**Main research question:** How does the School Governing Body in your school go about managing school funds? Explain broadly.

**Sub-research questions:**

- Is the manner in which the School Governing Body in your school manages school finances consistent with the regulatory framework as stipulated in laws and policies? Substantiate your answer.
- How would you describe your understanding and your practice of the policies and legislative framework that regulates the management of school funds in your school?
- What assistance do you need as SGBs, if any, to improve your efficiency levels in the management of school funds?

#### **1.4.2 Aim and Objectives**

The purpose of the study was to establish how the school governing bodies go about the management of school finances. The objectives are:

- To establish the extent to which the SGB are capable of managing school funds in line with policies and the legislative framework that is in place for that purpose.
- To find out if there are gaps in the understanding and practice by SGBs to manage school funds
- To identify gaps, if any, in the manner the SGBs understand and practice budget and financial control in schools and how those gaps can be closed.

### **1.5 THEORETICAL FRAMEWORK**

#### **1.5.1 Niskanen's Theory**

Given what this study sought to investigate, the Niskanen's theory is worth paying attention to. The purpose of this study is to investigate the principals' understanding and practice of budget and financial control in schools in the Amathole East Education District in the Eastern Cape. Budget is part of the focus of this study. William Niskanen presents a theory that sheds light on the bureaucracy's maximisation of the budget (Blais and Dion 1990). The theory creates an assumption that inefficiency is the usual state of affairs within the bureaus (Arapis et al. 2020). This is the reason why most of the bureaucrats, if not all, will always prefer to increase their budgets. According to this theory, heads of bureaus or administration departments will always endeavour to increase their budgets. They do this to increase their power and to achieve efficiency in their respective administrations. The increase in power, much against the aspiration of the bureaucrat,

results in decrease in state growth and social efficiency. Klimek, Hanel and Thurner (2009) stress this point by saying that the growth of bureaucratic or administrative bodies usually goes hand in hand with a drastic decrease of its overall efficiency. This principle is also known as Parkinson's Law.

The other reason bureaucrats endeavour to increase their budgets, according to the Niskanen's theory, is that their salary and prestige increases accordingly. For example, politicians are the ones who allocate budgets to government departments. The more the goods and services rendered by a department, the more the chances are for a successful plea by that department for an increased budget from the legislature. The more the budget allocated by the legislature, the greater the salary and reputation, for both the bureaucrat and the politician. Politicians appreciate the preference by bureaucrats for increased budgets. Budget maximisation is thus a common preference for both the bureaucrat and the politician. The result of this common preference is a bilateral monopoly of political demand and bureaucratic supply.

Bureaucrats have strong incentives from maximising their budgets (Sam-Tsokwa and Ngara 2016). The head of a bureau usually knows more about the politician's demand than the politician knows about the cost of supply (Sam-Tsokwa and Ngara 2016). This makes the conditions for bilateral monopoly of political demand and bureau's supply to exist even more conducive. The politician cannot easily learn about the costs of supply of a bureau. No politician is able to know better than the bureau in regard to the cost of supply. This is what makes it easy for the bureau to canvas for a budget that is increased up to even more than optimal. In this way, the bilateral monopoly of the bureaucratic supply and the politician's demand is greatly enhanced. As a result; the more the services rendered by the organisation, the more fertile the grounds are for the head of that organisation to canvas for a higher budget allocation.

The DBE generally enjoys the highest budget allocation in South Africa compared to other government departments. According to the *Financial Statistics of Provincial Government* report in the 2017/18 fiscal year, education took up the lion's share of R41 for every R100. This represents a total spending of R230 billion of a total budget of R557 billion for government departments over a period of 365 days (South Africa: Stats SA 2018). This

is because of the wide-ranging services that the DBE renders. These include, among others, compensation of employees, school infrastructure maintenance, school furniture provision, textbooks and stationery provision, technological equipment required in schools, school nutrition, facilities for school sport and music, office space. Whether the high budget allocation to the DBE does result in administrative efficiency or not in schools, is what this study must also establish. If principals are found to be demonstrating a good practice of budget and financial controls, the implications are that they have an acceptable level of efficiency in their financial management.

Budget maximisation is about organisations raising the budget to a level that will ensure the realisation of its objectives. The DBE, as an organisation, must necessarily be taking into consideration all the elements that this theory entails. It is in the interest of the DBE to realise administrative efficiency. The bureaucracy in this department can secure the biggest slice of the annual budget allocation in the country. The administrative efficiency of the DBE is accordingly expected to be concomitant with the budget allocated. However, this does not seem to be the case in so far as budget and financial controls in schools are concerned.

Schools are by law not allowed to spend money that they do not have (RSA: DoE, 2004). They are not allowed to buy on hire purchase, except a special permission is granted on application to the HOD by the school concerned. All purchases that a school makes should be based on the budget that is available for the financial year concerned. This principle speaks to the relevance of Niskanen's theory to the topic of this research work. By implication, the theory means that budget must always be equal to or greater than the minimum total cost of the services or goods to be procured. The theory provides clarity on what the bureaucrats maximise. It specifies the characteristics that distinguish bureaucracies across the globe. It explains what the critical elements of the theory of bureaucracy are. It reflects on what external conditions are conducive for the maximisation of budget. Finally; the theory does speak to the consequences of maximising behaviour under these conditions.

Niskanen's theory recognises that in any bureaucracy the attainment of efficiency by the public administration is of utmost importance. The bureaucracy, however, fails to

appreciate the critical relationship between the external conditions impacting on that efficiency and the envisaged efficiency. As a result; while the reputation of the bureaucrat increases on the one hand, efficiency decreases. The external conditions alluded to should be consistent with the objectives of the bureaucracy for efficiency to be realised. The underpinning principle for the bureaucrat is that budget must be equal to or greater than the minimum total costs at the point of equilibrium output. In other words, the money that is set aside for a specific purpose must be equal to, or greater than the cost of supply, for that purpose to be accomplished. The bureaucrat seeks to exchange a specific output or combination of outputs for a specific budget. Budget caters for items (cost-drivers) like salary; office space; furniture; as well as tools of trade like computers, vehicles, protective clothing for general workers; consumables, etc. The state of equilibrium is reached at a point when the total cost of the output in the bureaucracy is equal to the maximum funds that the politician is willing to grant for the attainment of each objective (Casas-Pardo and Puchades-Navarro 2001). In simple terms, the equilibrium level is reached at that point when the minimum achievable marginal costs of the output are substantially higher than the marginal value to consumers. The affordable output costs must be higher than the value that the consumer receives, for equilibrium to have been attained.

Bureaucracies tend to operate in such a way that at the equilibrium level of the output, there is surplus for them (Dowding and Taylor 2020). Budget decisions are made on the basis of relative values. It is not enough to say that an expenditure for a purpose is desirable or worthwhile. The results must be worth their cost. The results must be more valuable than the results would have been if the money were used for any other purpose. As much as possible, the same output must be attained at the lowest budget that can possibly be provided. The harsh reality is that the desires of human beings are virtually unlimited (Dowding and Taylor 2020). Although the supply of resources has been greatly expanded in the recent decades, the supply is still short in relation to demands. It would be nice if people had enough to go around, but they do not. Some demands can be met only in part, some cannot be met at all. This is probably the reason why legislatures opt for bureaus when it comes to the provision of services to their clients. Bureaus, knowingly or unknowingly, base their decisions on Niskanen's theory. This is particularly the case with the provision of resources for teaching and learning in South Africa.

Despite the legislatures opting for bureaus, it appears that the desired outcome of maximising the budget is seldom realised. Instead, it seems that costs of goods and services continue to rise above the value that the consumers derive from such costs (Moynihan 2013).

### **1.5.2 Financial Management**

Taking into account the financial upheavals and crises that are increasingly occurring both at the national and international levels, the complexity of financial sector structure, the difficulties in assessing systemic risks and threats to financial institutions, the mixed impact of strengthening financial supervision requirements on economic growth, imperfect supervision procedures ensuring financial stability — all this require new, modern and innovative approaches to financial supervision and control (Kremen, Semenog & Kremen 2020).

Victor (2017) states that the central purpose of financial management is the raising of funds and ensuring that the funds mobilised are utilised in the most effective and efficient manner. Financial management therefore includes planning, the organising and the controlling of the inflow and outflow of money aimed at achieving organisational success and development. Ideal financial management practices involve budgeting, auditing, effective accounting strategies and cost-saving approaches. Poor budgeting is one of the major factors that derail effective management of schools, mostly due to overspending or underspending. It can also lead to misappropriation and mismanagement of school funds. Kallio, Kallio and Blomberg (2020) believe that audit culture is the use of financial accounting technologies and principles brought to spheres far from the world of financial accounting, such as the schooling sector, that become a central focus for organising school finances. To them, the central values of audit culture are transparency and accountability by schools. On the other hand, Bradford (2020) states that in a continuous audit environment, analysis of financial statements must be analysed as to how transaction was done in real time, and schools will be able to flag events that look fraudulent immediately. In traditional auditing, fraud is generally only discovered long after the crime has been committed.

### **1.5.3 Accountability**

Accountability is about the management of expectations (Busuioc and Lodge 2017). It relates to an assurance that an individual or an organisation will be evaluated on their performance or behaviour in relation to that for which they are responsible. Accountability involves being answerable to someone, for actions and results. Accountability is also about institutions and individuals taking responsibility for the services they provide. It is about ensuring that there is compatibility between the quality of services rendered and value-for-money. In terms of Section 42(b) of SASA, the governing body of a public school must “as soon as practicable, but not later than three months after the end of each financial year, draw up annual financial statements in accordance the guidelines determined by the Member of the Executive Council”. It is, however, important to note that Section 16(2)(j) of SASA provides for the “delegation of any matter that has financial implications for the school to the principal”. By implication, the principal is responsible for the financial statements in schools. In terms of Section 43(1) of SASA, the governing body of a public school “must appoint a person registered as an accountant and auditor in terms of Public Accounts and Auditors Act 80 of 1991, to audit the records and financial statements referred to in Section 42”.

### **1.5.4 Financial Controls**

Financial Controls are systems of oversight that are put in place by organisations to prevent fraud, theft, misappropriation and financial mismanagement (Perry 2017). Financial controls are operational measures whose purpose is to ensure compliance with rules and regulations. They are responsible for safeguarding the organisation from risks and vulnerabilities. On the other hand, Munene and Ngunjiri (2018) assert that it is necessary that financial controls are documented, assessed, revised, tested regularly and strengthened where necessary. A financial transaction control is a procedure that is intended to detect errors, misappropriations, or policy non-compliance in a financial transaction process (Munene and Ngunjiri 2018). Fraud is a common threat in services involving finances (Lopez Rojas, Axelsson and Baca 2018). Some of the common frauds are committed using stolen credit cards, online banking identity theft and social engineering.



### **1.5.5 Misappropriation, Corruption and Financial Mismanagement**

Ololube (2016) defines misappropriation as an intentional or illegal use of funds for one's own use or other unauthorised purposes, particularly by public officials. Similarly (Rangongo, et al. 2016) define financial mismanagement as corrupt behaviour and wrongdoing in the management of finances on the part of an authority. They define misappropriation as dishonest use of funds for one's personal gain. In support of Ololube (2016), Serfontein and De Waal (2015) describe corruption as a constant global phenomenon, which is becoming more complex and intense as competition for resources increases. It is even more so amongst those living in developing countries, particularly emerging economies such as South Africa. Acts of corruption directly contest the basic principles of South Africa's Constitution, which aims at establishing freedom and security for everyone and a democracy 'for the people, by the people' (Serfontein and De Waal 2015). This inadvertently suggests that misappropriation and mismanagement of funds in schools in South Africa cannot be ruled out as non-existent. It comes as no surprise therefore, that corruption that is inherent in misappropriation and financial mismanagement, is described by the two authors as 'a constant global phenomenon'.

### **1.6 LITERATURE REVIEW**

Literature review entails the selection of available documents, both published and unpublished, on the topic at hand (Hart 2018). Such documents contain information, ideas, data and evidence written from a particular standpoint to fulfil aims or express certain views on the nature of the topic and how it is to be investigated. This includes the effective evaluation of these documents in relation to the research being proposed.

Some of the questions that literature review must answer in relation to the topic are as follows:

- What key theories, concepts and ideas are relevant to the topic?
- What ontology (nature of reality) pertaining to the topic has been uncovered?
- What epistemologies (methods of data collection and interpretation) have been deployed in coming up with the ideas gathered thus far regarding the topic?
- What problems have been addressed to date in respect of the topic?

Leite, Padilha and Cecatti (2019) point out that a sophisticated literature review can result in a robust dissertation/thesis by scrutinising the main problem examined by the academic study, anticipating research hypotheses, methods and results. It maintains the interest of the audience in how the dissertation/thesis will provide solutions to the current gaps in a particular field. In the case of this research, the literature review assisted the researcher in identifying gaps in the understanding that principals have of the budget and financial control in schools. Through the literature review, ideas as to how the gaps that are identified can be addressed were explored.

The focus in this study was on the principals' understanding of budget and financial control in schools. The study hinges around the skills and knowledge that principals have to manage school finances. Okeze and Ngwakwe (2018:34-35) defined finance as "the body of facts, principles and theories dealing with the raising and using of funds by individuals, firms, educational institutions and government". It is an issue that involves the management of money, especially public money. Management on the other hand, is defined as "the guidance of or direction of human and material resources, including money, for the attainment of organisational goals" (Okeze and Ngwakwe 2018:34). Financial management, therefore, can be described as the ability to raise funds and utilise funds in an organisation. It emphasises accountability regarding the provision, custody, and disbursement of resources needed for the organisation to conduct its business (Okeze and Ngwakwe 2018).

### **1.6.1 Observations on Principals' Finance Managerial Skills in South Africa**

Rangongo (2017) made an observation regarding the principals' understanding of their legal responsibilities regarding financial management in public schools in Limpopo Province, South Africa. The observation is that there was a lack of knowledge of legislation and sheer ignorance of law. There was a culture of non-accountability, non-adherence to prescripts, and reluctance to implement even the little that principals know. Reasons for reluctance to implement prescripts to the letter include the fear of threats, intimidation and victimisation by teacher unions. Teacher unions, especially the South African Democratic Teachers' Union (SADTU), tended to be hostile to departmental officials in defending their members when issues of maladministration regarding finances

have been reported. Lack of transparency and openness when dealing with finances proved to be a dominant characteristic feature of the principals' handling of finances. The signing of blank cheques and lack of proper monitoring of control of expenditure led to acts of fraud and corruption on the part of principals, finance officers and SGBs.

Every schools is required to draw its financial policy. The drawing of that financial policy occurs with the guidance and leadership of the principal. Ndou and Menlah (2015) found that school financial policies were conspicuous by their absence in most schools in the Vhembe Education District in the Limpopo Province. Schools relied on the Public Finance Management Act (PFMA), the South African Schools Act (SASA) and 2009 prescripts for the use of school funds for the management of their finances. These documents fell short in terms of equipping principals and SGBs with adequate requisite skills for the management of finances. They provided only the guidelines, and not the specifics, for the circumstances of individual schools. SASA stipulates that every school must have its own school financial policy based on the PFMA. This makes the development of a school financial policy to be a compliance matter rather than something that schools can opt to do or opt not to do as they please.

Bush and Glover (2016) found that Gauteng principals showed that they regarded financial management as their main developmental need. This need was made complex by the involvement of SGB members in financial management as required by the legal framework. The perceptions of secondary school governors in Gauteng are that problems in financial management arose from imperfections in cascading training, variations in the frequency and attendance at training sessions, the quality of the training on offer, and general apathy among SGBs (Bush and Glover 2016). This finding points to a gap that may be prevailing on the principals' understanding of budget and financial controls in schools generally.

Naidoo and Mestry (2017:92-104) gave an account of a school in Mamelodi where almost R60 000 was stolen from its coffers by corrupt teachers. The forensic audit undertaken by the Auditor-General found that large cash withdrawals were made from the school's bank account without any formal procedures. According to the deputy chairperson of the SGB, school fees collected by teachers were not deposited into the school's bank

account. Another irregular practice was the use of counterfeit receipts in the collection of school fees. This matter was subsequently referred to the National Prosecuting Authority who took serious steps to punish the perpetrators. This case confirmed that the SGB had a poorly designed financial policy. Again, this is an indication of an apparent scourge of corruption and mismanagement of school funds prevailing in South Africa.

Stories of school principals and teachers being chased away by parents on allegations of corruption continue to make headlines in print media and other media houses. Angry parents blocked the gates of a Primary School in the Mogale City of Kagiso, accusing the principal of corruption (Daily Sun, 27 January 2020:1). They were demanding the intervention of the Member of the Executive Council (MEC) Panyaza Lesufi after the school had not received stationery. The principal had allegedly refused to utilise the services of a local supplier in favour of an outsider he was suspected of having connections with. The principal utterly refused to sign the documents in which the parent community through the statutory structures in the school recommended a local supplier. The school community had taken a stand to empower a local service provider, but their will was not to materialise.

A parent at another Primary School in Cape Town expressed dismay that the principal remained at the helm despite the recommendation that she be suspended (Cape Times, 31 January 2020:1). The parent felt that the principal was treated with kid gloves by the Provincial Department of Education. An investigation into financial mismanagement had ensued against the principal. This was after a budget of R1.2 million for additional remuneration to staff was voted on and passed by a majority of only one parent. This approval was done in terms of Section 38A of the SASA. The approval meant that the principal was receiving a top-up allowance of R10 250 for the past three years. Even though budget was approved by parents, some parents queried the school's transparency on its budget and the above-inflation-rate fee increase of 9.93%. They were suspicious of a clandestine manipulation of some SGB members by the principal for personal financial gains. The outcome of an internal investigation was that the principal should be suspended pending further investigations. Apparently, the fact that budget was approved by parents in terms of Section 38A of SASA made it difficult for the Western Cape

Department of Education to suspend the principal. Issues like this make the budget and financial systems of the DBE questionable in terms of effectiveness; hence this research.

The findings revealed in the discussions above point to a possible lack of understanding on the part of school principals. This lack of understanding relates to the knowledge of budget and financial control systems as set out by the DBE for schools. That lack of understanding could possibly be coupled with an underestimation of the consequences of not applying the rule of law to the letter on the part of principals. The consequences alluded to are too ghastly to contemplate for both the school principals and their SGBs; let alone the learners who stand to benefit from their sound financial management skills.

Maybe it is prudent for me at this point to reflect on the issue of fraud, corruption, misappropriation of funds, theft, money laundering, and financial mismanagement in government institutions as social ills that beset the functionality of the State in South Africa and other countries in the world. The idea behind this reflection is to demonstrate that the negative perceptions that school communities have around the management of finances in their respective schools should not be unfounded. After about a year of the work of the State Capture Commission in South Africa, in January 2020, Deputy Justice Raymond Zondo was addressing the media about the State Capture Commission's request for a time extension on its work. "What I have realised through my involvement with this commission ... is that corruption is very deep in our society, there is a lot of corruption," Zondo said adding that what had been unearthed at the commission was only the "tip of the iceberg" (The Citizen, 24 January 2020:1). These comments by the Chairperson of the State Capture commission attest to the prevalence of corruption in the country that has clearly reached alarming proportions.

### **1.6.2 Observations on Principals' Finance Managerial Skills in African Countries Outside South Africa**

Teshome (2017) asserts that the lack of necessary skills and knowledge in leadership and management constitutes one of the major causative factors to principals being unable to manage schools' finances. This assertion does not preclude finance management. He makes this observation about principals of the Assosa Zone in Benishangul Gumuz Regional State in Addis Ababa.

The lack of knowledge in finance by both school heads and school development committee members has led to financial malpractices (Wushe, Ndlovu and Shenje 2014). These malpractices include signing cheques in advance, paying with hard cash, making loans from the school funds, and accepting money without the issuing of receipts. This observation was made in respect of public schools in Harare in Zimbabwe. Lack of managerial skills in finance inevitably led to shortage of critical resources in schools. Wushe et al. (2014) blamed this on headmasters who wielded power on school development committees who were either illiterate or completely non-literate. Their view is that without formal training headmasters found themselves with challenges they could not cope with in managing school finances.

Ololube (2016) stated that the mismanagement and misappropriation of funds within the educational system has led to the dysfunctional and unethical practices that have generated limitations across Nigeria's educational system. In support of Ololube (2016), Mabagala (2016) endorsed this sentiment by saying that in Tanzania cases involving teacher financial mismanagement were prevalent in different forms. These forms include both the misuse of money collected for student fees and the money allocated by the school authority to various departments for sports and games. One teacher in a school was taken to court because of mismanagement of school funds.

Munge, Kiman and Ngugi (2016) discussed management of finances in the Nakuru County of Kenya stating that sometimes school funds were mismanaged and misappropriated by those in charge. They further noted that school principals and SGBs were entrusted with the responsibility of ensuring funds are well managed in the school. This was done by way of proper and adequate budgeting, procurement of goods and services; and ensuring high levels of accountability and transparency in all activities. Emphasis should be on prudent financial management in schools to ensure resources are allocated adequately to enhance achievement of school objectives.

Misappropriation of funds and financial mismanagement can be ascribed to several factors (Myende et al. 2018). These include, inter alia, a lack of accountability with respect to the generation and distribution of financial resources, confusion about who is responsible for financial management (principals or school governing bodies), lack of

financial management skills and knowledge amongst principals and SGBs, disregard of the law, as well as treating schools as 'cash cows'. Wango and Gatere (2016) asserted that fraud and corruption are cited as the major causative factors to misappropriation and mismanagement of school funds in Kenya. Komalasari and Saripudin (2015) took this view further by saying that corruption is a criminal action that has occurred widely and assumed to be a very serious disease. They emphasised that corruption is not only a damage to state finance, but also becomes a violation on social and economic rights, undermines democracy, causes damage to law regulation, deteriorates development, and dims the future of the nation. Fraud is an intentional deception made for personal gain or to damage another individual (Wango and Gatere 2016). They further claimed that fraud is a crime and a civil law violation. All these factors amount to challenges affecting sound budgeting and proper management of finances in schools. Calderon and Ancho (2018:95) defined corruption as "the behaviour of persons entrusted with public or private responsibilities, who neglect their duties to achieve unjustified benefits". In addition, they identify certain activities classified as corruption in education as follows: (1) channelling funds into personal use; (2) patronage; (3) bribery and extortion; (4) giving preferential access to services or goods; (5) influencing outcomes and (6) favouritism irrespective of merit.

### **1.6.3 Observations on Principals' Finance Managerial Skills in Countries Outside The African Continent**

There is a need for principals to be taken through programmes of professional development on financial management in the General Santos City of the Philippines (Espinosa 2017). This finding points to a lack of knowledge and skills for finance management on the part of school principals in the Philippines. Financial mismanagement in schools can therefore not be ruled out as something that is unique to the African Continent in general, and in South Africa in particular. It is a global phenomenon. This finding emanates from an investigation of the principals' understanding of financial management in schools. It is based on an analysis of perceptions of 11 participants on attitudes, understanding, knowledge, values, feelings and experiences about their school

financial management. In the Philippines, just as in some States in the African Continent, it is the government that provides for the budgetary needs of public schools.

Similarly, Kenayathulla, Subramaniam, Ghani and Abdullah (2018) also described Tamil schools as encountering problems in managing school finance. Just like in South Africa, schools in Tamil receive financial resources in terms of per capita grants. In addition to that there are food supplements as well. In a study that was conducted in 46 Tamil schools in the State of Perak in Malaysia, Kenayathulla et al. (2018) asserted that the principal as the school administrator is fully responsible for ensuring efficient school financial management. However, due to budget that is not planned efficiently by school leaders some critical school programmes end up not being conducted. These include enrichment activities and remedial programmes. These programmes suffer as a result of incompetency in financial management on the part of school principals. Financial Management in government primary schools includes budget, expenditure, asset management, usage and recording of financial resources.

In support of Kenayathulla et al. (2018), Radzi, Ghani, Siraj and Afshari (2018) emphasised the responsibility and accountability that the principal in Malaysia is charged with by saying that the country opted for decentralisation. Decentralisation strengthened the concept of 'Let managers manage'. In terms of decentralisation, the principal's financial management responsibilities include budgeting, granting the money, accounting, financial reporting, evaluating, auditing and internal control. Decentralisation has been identified as a tool for more effective decision-making. The enabling strategy that has been adopted in this regard is delegating autonomy and responsibility to the lower management level.

The financial management of a school is largely dependent on the principal's capacity in respect of budget preparation, execution and financial accounting (Pandya and Shah 2018). This assertion is made in respect of schools in the Gujarat State in India. Pandya et al. (2018) further asserted that the improper financial management in schools affects quality education. The positive spin-off of sound financial management is efficient and effective administration in an organisation. Sound financial management entrenches the autonomy and the reputation of the organisation. It is a vehicle towards the attainment of



excellence. The preparation of budget should therefore not be a one-man-show of the school principal. It should be a product of collaboration by all stakeholders in the school as an education institution. School Heads in Khyber Pakhtunkhwa in Pakistan do not possess financial management skills (Khattak, Ahmad, Din and Khan 2017). Efficiency is the ratio of input with the output, both of which must tally. Efficiency in female headed secondary schools is lacking in Pakistan. There is free education, but female education is not up to scratch. Female heads do not produce the desired results in the schooling system. This boils down to the point that the researcher made earlier on that there can be no quality education without a sound financial management system. School heads in Pakistan are responsible for administration, instructional leadership and conflict resolution. The school head is a person who plans, organises and controls the school. Lack of capacity to manage on the part of the school head has far reaching consequences for the functionality of the school. The weaker the leadership, the more the chances for the functionality of the school to decline are. Cost-effectiveness is of utmost importance, especially with the limited resources for teaching and learning that developing countries are faced with.

This brings us to the other issue that seems to be resonating across almost all the countries of the world, of the lack of adequate funding for schools (Aliyu 2018). In the Kaduna State of India, it was found that principals resorted to exploring other sources of funds. These include Parent Teacher Association (PTA) levies, sourcing funds from school farms, workshops, students' arts and crafts, school poultry, school magazines, speech and prize-giving days, and canteens. There were also several factors militating against financial management such as ghost workers, untimely disbursement of funds, lack of ICT training and neglect of internal auditing. Financial management thus entails the application of conventional principles to curb wasteful expenditure. It implies liability to be called upon to account for funds generated. School funding in the Kaduna state depends on school fees. Despite all the fundraising measures alluded to above there are school activities and programmes that cannot be implemented for lack of funds.

According to Moullick and Taylor (2017), a budget is a policy document that offers a comprehensive overview of a government's financial plans and includes proposed

expenditure, revenues, deficit, or surplus and debt. They went on to say that the public sector is full of organisations that face hard budget constraints. Schools and other public institutions must therefore balance spending increases against revenue growth. It comes as no surprise, in the light of this assertion therefore, that bureaucrats will always advocate for budget maximisation in line with Niskanen's theory. The quality of management may contribute to organisational efficiency. Schools that can budget more effectively are likely to have better student outcomes. But that is not always the case. According to the Niskanen's theory, budget maximisation leads to increases salary, increased prestige and power; but not necessarily increased efficiency as envisaged by the bureaucrat.

Pike, Pryor, Mazerolle, Stearns and Casa (2016) observed that budgetary constraints were the main reason cited for schools being unable to provide athletic trainer (AT) services in the United States (US) secondary schools. Schools in New York relied on sport coaches and other unqualified personnel to provide medical care. Athletics is considered an integral part of the school curriculum in the US. It is however hampered by catastrophic sport injuries which require a huge allocation of budget for medical emergency services. Many secondary schools face budget deficits for education, as evidenced by the combined USD140 billion shortfall in 40 states out of 50. Considering that the US is one of the most developed countries in the world, the picture is a very bad one for school budgets. In support of Pike et al. (2016), Michel (2018) revealed that music education was reduced or eliminated by school administrators in many US schools due to budget constraints and other issues related to funding and resources.

In concurrence with Pike et al. (2016), Kumi-Yeboah and Smith (2018) stated that budget deficits made it difficult for schools to purchase and supply textbooks to students. This was in respect of schools in 26 states in the United States. This led to many of the schools reducing drastically on their curriculum offerings. The situation was further exacerbated by shortage of teachers which, on its own, was the result of budget deficits for schools.

Over the past five years, Chicago Public Schools (CPS) suffered perennial budget crises, the largest of which was a \$1 billion budget deficit in FY2015-2016 (Farmer, Baber and Poulo 2017). To make up for these annual deficits, CPS officials embarked on a number of

measures that severely impacted public education across the entire city. Million-dollar budget cuts on almost every school across Chicago were imposed. These huge budget cuts forced the schools to reduce on arts, gym, language, history and literature classes that they were offering. Supplies in many schools were conspicuous by their absence. This resulted in teachers supplying their own classrooms out of their own pockets. In some instances, parents resorted to donating basic supplies like toilet paper. Schools also had to reduce their teaching staff, support staff and wrap-around service professionals like counsellors, clinicians, paraprofessionals and nurses. Under this resource strain, CPS even resorted to closing dozens of schools. While the most vulnerable students were bearing the brunt of the cuts, all schools were impacted by budget cuts. Schools suffered a serious lack of the resources they needed for all Chicago children to receive education.

The budget situation that hampers school functionality in developed countries currently is no different from that of developing countries in the African Continent. Government subsidy which is meant to cater for tuition and operational expenses in schools has been found to be inadequate (Sadia and Keiyoro 2017). This is about the situation in public secondary schools in the Isiolo North Sub-County of Kenya. Because of this situation, schools were urged to initiate income generating projects to support their budget deficits. Such projects were expected to help schools generate additional resources, cut down operational costs, and finance other critical curriculum offerings. It was found that these projects yielded positive results, provided the principals and staff were given proper prior training on Project Management.

Balhao (2016) made a very bald statement in stating that “funds apportioned by the government to schools will never be enough to carry out planned activities effectively”. This is a finding emanating from studies in respect of public secondary schools in the Khomas Region in Namibia. Balhao (2016) also found that principals did not have the financial knowledge and skills to efficiently manage various financial resources. Such resources include sponsors, donors, alumni, crowd funding, thrift shops, as well as investing these funds for sustainable income. Principals should receive in-depth training and have more authority in the financial decision-making in schools. In support of Balhao

(2016), Sauti (2019) added that financial aids supplied by government to schools arrive late at schools and are completely insufficient.

There is a high incidence of financial deprivation in Zambia, with roughly 75% of the population living below the international poverty line (Baum and De Blurar 2017). As a way of improving the living conditions of the citizens, the Zambian government prioritised education as one of its key objectives. Government took it upon itself to make education available to all its citizens. However, the impediment to the realisation of this noble cause is limited financial resources. This forced the government to come up with ways and means to provide education by establishing partnerships with private sector providers. In line with this strategy; any person, community or organisation is allowed to apply to set up a school. Out of this approach, three categories of schools started to mushroom and grow by leaps and bounds. These are private schools owned by religious groups and individuals who receive no subsidies from government; community schools run by parents who receive grants from government; and grant-aided schools owned by private individuals who receive grants in cash, teaching staff and learning materials.

Du Plessis and Mestry (2019) observed that most rural schools in South Africa are under-resourced due to budgetary constraints. They do not have water, sanitation, electricity; and classrooms are in a terrible state. Education authorities cannot provide schools with everything required to provide children with basic necessities. In South Africa, the funding provided by the state is insufficient to address the needs of the schools (Mestry and Berry 2016). SGBs lack the knowledge and skills needed to make ends meet with a limited budget. They resort to allowing principals to take the lead in all processes relating to the management and monitoring of funds in the school. These responsibilities relate to receipt and disbursement of funds, keeping of financial records, and preparation of budgets.

For the purpose of mitigating the impact of budgetary constraints in schools, the DBE provided schools with guidelines for financial management (Dibete and Potokri 2018). Financial management includes three tasks: Planning which is basically the drafting of budget, organisation and controlling (in the form of auditing). Budget is a document that contains the figures relating to all probable income and expenditure of the school for the coming year. It guides how the spending of raised and allocated funds should be executed

in the coming year. Because of the poor socio-economic background of the communities under which the 'no-fee schools' fall, they have their funding provided by the state. This is in line with the NNSF. All schools, whether 'fee paying schools' or 'no-fee schools', are encouraged to do fundraising. They can do this by hiring out school property, establishing tuck shops, and selling vegetables and craftwork that children are able to produce through the subjects that the school offers. They may also receive donations given voluntarily by private sponsors.

Financial organisation can be described as an activity aimed at combining all means available to render a service regarding the finances of an organisation (Dibete and Potokri 2018). Such activities include the drawing up of a school financial policy, setting up structures to handle the use of funds, and delegation of functions. Boma (2018) defined financial controlling as an established device to promote checks and balances in organisational finance management. It specifies principles, rules and regulations that the supervisory body will use to ensure the desired level of performance. Financial Controlling is a process of monitoring the activities of each individual, or committee in the school to ensure effective and efficient utilisation of financial resources (Dibete and Potokri 2018). Section 30(1) of SASA mandates the schools to establish committees, including a finance committee. The finance committee should include the principal, the SGB chairperson, a treasurer, and a finance officer. It serves as an advisory body to the governing body on financial matters. The financial committee oversees the implementation of the financial policy. The financial policy must spell out in legal detail the responsibilities of the parties involved in the management of finances. It must specifically indicate who each party is accountable to, as well as what their liabilities are. The control of school finances is done through auditing which may both be external and internal. Nobody may deposit the money that belongs to the school in any bank account other than the one which exists in the name of the school.

#### **1.6.4 Conclusion**

Judging by the discussions as they unfold in the literature review above, it becomes apparent that there are three issues emerging. The first is that education is an essential commodity for all the peoples of the world. That is why it needs to be prioritised if the

objective of the liberation of the mind is to be realised. It is through education that the socio-economic and political ills besetting the welfare of the people can be addressed. Secondly, the provision of quality education requires a lot of funding which parents, in general, cannot afford. That is why in most countries, the state takes the responsibility of school funding upon itself. Thirdly, even with the state taking responsibility for the funding of schools, school funding is never adequate for the attainment of all the desired learning outcomes in schools.

## **1.7 RESEARCH METHODOLOGY AND DESIGN**

### **1.7.1 Research Approach**

The study is qualitative in nature. The approach to data collection was exploratory. It sought to establish how the participants make sense of the principals' understanding of budget and financial control in financial management in their respective schools. In this research, the perceptions of the individuals constituted the basis for decision-making on the part of the researcher. Such decisions derived from the notions, the mental constructions and the interpretations that the individuals had regarding the topic. The paradigm that was used is the interpretive paradigm. The interpretive paradigm is concerned with understanding the world as it is from the point of view of the subjective experiences of individuals (Pattinson and Parke 2017). It relates to perceptions-oriented methodologies, such as interviewing or participant observation, as against measurement. These methodologies rely on a subjective relationship between the researcher and the subjects. Nazri, Khin and Teng (2019) emphasised that an interpretive approach attempts to critically describe and understand the happenings from the perspective of the organisational players. The theory applied was the interpretative phenomenological analysis (IPA) which is an approach to qualitative research that aims to offer insights into how a given person, in a given context, makes sense of a given phenomenon (Giannouli et al. 2019). In terms of this theory, the sense that participants make of their personal and social world forms the basis for the conclusions that the researcher draws. Data was analysed by using descriptive explanations based on the extent to which similar views were given by participants on the same issue (King, Horrocks and Brooks 2018).

### **1.7.2 Population and Sampling**

In this study, 10 schools in the Amathole East Education District were selected. Each school was asked to be available for an interaction with the researcher. The following participants were sampled, namely: the principal; the chairperson, the treasurer and the secretary of the SGB, and all members of the finance committee that are not necessarily the SGB office bearers stated above. This number differs from school to school because of a) learner numbers in the school: the higher the learner numbers in the school, the bigger the parent representation in the SGB becomes; b) the bigger the parent representation in the SGB, the bigger their representation becomes in the sub-committees of the SGB; and c) Categories of non-teaching staff personnel represented in the SGB e.g., administrative staff, care-takers, security officers, and general workers; the more the categories, the higher their representation in the SGB becomes.

A combination of purposive and quota sampling was used in this research (Pecora 2018). Sampling was purposive in the sense that it targeted S21 schools; and not S20 schools. This is because S21 schools are self-managing schools. They manage their finances without the involvement of departmental officials. They are accountable for decisions they make in respect of their finances. Sampling therefore targeted a group of prospective participants with well-defined characteristics. Quota sampling was applied because only a predetermined number of schools will be selected.

### **1.7.3 Data Collection Techniques**

For the purposes of collecting data, a literature review as well as semi-structured interviews with individual participants were used. The literature review is important because it gives a picture of the ground that has been covered by previous researchers on the topic at hand. It also helps the researcher to identify gaps in the research that has already been done on a given topic. Regarding individuals, the researcher adopted the role of an investigator. This means that he occasionally engaged in a dialogue with specific individuals in the group to source information. This kind of interaction entailed a one-to-one, qualitative and in-depth discussion between the researcher and the individual concerned. The approach to data collection was exploratory. It sought to establish how the participants make sense of the principals' understanding of budget and financial

controls in financial management in their respective schools. In this research, the perceptions of the individuals constituted the basis for decision-making on the part of the researcher. Such decisions derived from the notions, the mental constructions and the interpretations that the individuals had regarding the topic.

#### **1.7.4 Data Analysis and Interpretation**

Qualitative study was applied in this research. Babchuk (2019) defined qualitative research as an umbrella term used to designate a family of approaches that emphasise inductive reasoning, collecting data in natural settings and understanding participants' points of view. Qualitative researchers use document analysis, interviews, participant observation and so on to generate patterns or themes to describe and explain phenomena in depth.

Castleberry and Nolen (2018) referred to a form of qualitative analysis called Thematic Analysis (TA). TA is a method of identifying, analysing, and reporting patterns (themes) within data. It is described as a descriptive method that reduces the data in a flexible way that dovetails with other data analysis methods. In this research, TA was dovetailed with Narrative Analysis (NA). The two approaches were used simultaneously. TA is commonly used because of the wide variety of research questions and topics that can be addressed with this method.

The NA helps the researcher to put experience into the words uttered by the participants. NA refers to an approach in data analysis that recognises that people create and use stories to make sense of the world for themselves (Bailey-Rodriguez, Frost and Elichoff 2018). The researcher took cognisance of the fact that speech forms are not the experiences themselves, but a socially and culturally constructed device for creating shared understandings about them. NA is a strategy that recognises the extent to which the stories we tell provide insights about our lived experiences. Through analytic processes that help us detect the main narrative themes within the accounts people give about their lives, we discover how they understand and make sense of their lives.

To analyse data the researcher identified all similar responses given by individuals and focus groups to the same question. Similar responses to the same question were then



assigned a theme or a code that best described them. These were then described and interpreted according to perceptions that emerge out of them. The interpretations made translated into findings that the researcher made under each theme. The findings were based on the frequency of the same response to the same question or subject under that theme. A similar response that resonates across all individuals gives an indication of what the general perception is on the subject at hand under the theme in question.

## **1.8 CREDIBILITY AND TRUSTWORTHINESS**

By credibility is meant the extent to which a research account is believable and appropriate, with particular reference to the level of agreement between participants and the researcher. Hammarberg, Kirkman and de Lacey (2016:498-501) maintained that credibility is the criterion that can be used for evaluating the truth value or internal validity of qualitative research. To Hammarberg et al. (2016), a qualitative study is credible when its results are presented with adequate descriptions of the context, are recognisable to people who share the experience and those who care for or treat them. The researcher defends its credibility by adopting a number of practices. These include reflexivity, triangulation, and substantial description of the interpretation process (Hammarberg et al. 2016). Verbatim quotations from the data to illustrate and support the interpretations can also be used. Where triangulation is used, answering the research question in several ways, such as through interviews, observation and documentary analysis can be useful. The researcher in this study used these strategies to ensure credibility.

Korstjens and Moser (2018) asserted that there are four ways by which the credibility of data can be ensured. These are: prolonged engagement, persistent observation, triangulation and member feedback. By prolonged engagement is meant the lasting presence of the researcher with participants. This will help the researcher to detect and dispel misinformation, to build trust, and to get himself/herself with enriched data. Persistent observation helps to identify elements that are most relevant to the problem under study. Data triangulation refers to the use of (among other strategies) multiple sources to gather data, and to test for consistency in the outcome. Member check relates to feedback being given by the researcher to participants to check if their interpretations

and conclusions concur. These are the strategies that the researcher in this study employed to ensure credibility.

Kyngäs, Kääriäinen and Elo (2020) held the view that the current consensus is that credibility, transferability, dependability, confirmability, and authenticity are the five most relevant terms for determining the trustworthiness of research. Credibility can be defined as confidence in the 'truth' of the findings (Connelly 2016). Transferability means that the findings are also applicable in other contexts, while dependability indicates that the findings are consistent and could be replicated (Kyngäs et al. 2020). Confirmability describes the degree of neutrality or, in other words, the extent to which the findings of a study reflect the respondents' opinions and experiences rather than the researcher's biases, motivations, or interests (Connelly 2016). Authenticity is concerned with the ability of researchers to accurately depict the diverse realities that exist in the data collected from participants (Kyngäs et al. 2020).

Connelly (2016) defined trustworthiness or rigour of a study as the degree of confidence in data, interpretation, and methods used to ensure the quality of a study. He maintained that many researchers agree on the following as integral criteria for the determination of trustworthiness in qualitative research: credibility, dependability, confirmability, transferability, and authenticity.

## **1.9 RESEARCH ETHICS**

The importance of adherence to the relevant code of ethics on the part of the researcher cannot be overemphasised. Everything in this research was done in line with Research Ethics Code of the University of South Africa. An application to conduct the research was directed to the Head of Department (Eastern Cape Provincial DBE). Participants were assured, in writing, of the privacy, anonymity and confidentiality of their identities as per the protection of the researcher. Their names were coded. Participants were informed of their right to withdraw from participating at any point in time during the research, should they wished to do so. No form of deception was inflicted upon the participants, and no value judgement was made under any circumstances whatsoever. Participants were given the opportunity to go through the report to ensure the correctness of the information they provided to the researcher. Before the research was undertaken, permission was

sought from the University of South Africa's Ethics Committee to go ahead and conduct the research. The standard form designed by the University of South Africa to seek this permission was used. Once this permission was secured, the researcher requested permission, in writing, from all prospective participants. Each participant was requested to grant consent for participating in the research in writing. Each participant was then taken through the Participant Information Sheet that outlines the rights and the benefits that the participant is entitled to in participating in the research. The copy of the Participation Information Sheet was given to the participants for them to keep. Each participant was advised about the permission already granted by the senior authorities. No promise was made to participants for any compensation for participating in the research.

### **1.10 LIMITATIONS AND DELIMITATIONS OF THE STUDY**

Limitations are factors that place restrictions on the methodologies and conclusions of the researcher in a study. They are the conditions and shortcomings that are out of the control of the researcher. This study had a potential of uncovering truth about the conduct that is untoward regarding the management of finances by school principals. Participants could possibly not be comfortable and willing to tell the truth as it is. Participants might have the fear that telling the truth could land them in trouble with the law. While participants were assured by the researcher that no information given by them would be used against them, there was no guarantee that the fear would subdue completely. There was also a possibility that some participants may not be willing to say the truth as it is for fear of being victimised by other participants for exposing the status quo in their schools.

Delimitations are the range of options selected and mentioned by the researcher in respect of the study. They specify the boundaries that the researcher has set for the study. This study was restricted to school principals and finance committees in schools. The assumption was that they hold positions that make them capable of reflecting from an informed position about the level of the principals' understanding of budget and financial controls in schools. They are directly involved in the management of finances by principals in schools.

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

The researcher was committed to ensuring that he pays attention to the finest detail to the work on the topic at hand. The understanding that principals had of budget and financial controls in schools was uncovered to the fullest extent possible. This was done with a view to identify the gaps and have them addressed accordingly through the ideas that emerged from the research. Everything was done within the ambit of the law, including the Research Ethics Code of the University of South Africa. The findings and recommendations made will also help the DBE to strengthen its systems for budgetary and financial controls in schools. Finally, the quality of leadership and management offered by principals in schools will be enhanced.

## **1.12 DEFINITION OF KEY CONCEPTS**

Definitions of concepts that are pivotal in this study are as follows:

### **1.12.1 Budget and Financial Controls**

These are all laws promulgated, as well as all policies developed to regulate the raising and utilisation of finances in public and private institutions. The PFMA, SASA, Treasury Regulations, School Finance Policy and Petty Cash Policy are examples of these laws and policies (Mestry 2017). Organisations, both in public sector and private sector, depend on proper budgeting for the realisation of their objectives. Miller, Hildreth, and Stewart (2019) advocate the notion of participatory budgeting which they define as a democratic process through which citizens make decisions about budgeting. Muthomi and Thurmaier (2021) argued that participatory transparency is a necessary condition for citizens to influence the engaged budgeting processes and also learning technical and legal aspects of budgeting.

### **1.12.2 Financial Mismanagement**

Financial mismanagement is corrupt behaviour and wrongdoing in the management of finances on the part of an authority (Rangongo et al. 2016). Similarly, Abhilash and Dileep (2020) maintained that non-transparency in schools can easily lead to corruption. Therefore, schools should ensure that the collection mechanism and budget control is open and transparent so that anyone can assess the details of school finances easily.

### **1.12.3 Misappropriation**

Misappropriation is defined as an intentional or illegal use of funds for one's own use or other unauthorised purposes, particularly by public officials (Ololube 2016).

### **1.12.4 Corruption**

Corruption is the behaviour of persons entrusted with public or private responsibilities, who neglect their duties to achieve unjustified benefits. That includes: (1) channelling funds into personal use; (2) patronage; (3) bribery and extortion; (4) giving preferential access to services or goods; (5) influencing outcomes and (6) favouritism irrespective of merit (Calderon and Ancho 2018).

### **1.12.5 Fraud**

Fraud is an intentional deception made for personal gain or to damage another individual (Wango and Gatere 2016). Wango and Gatere (2016) further claimed that fraud is a crime and a civil law violation. The most common forms of fraud are regulatory offences and breaches of contracts (Leon and Ken 2019). Traditional forms of fraud include embezzlement, insider-trading, self-dealing, lying, non-disclosure of information, corruption and cover-ups (Ozili 2020). Other forms of fraud include billing for unnecessary equipment, or phantom supplies and invoicing more expensive equipment than was actually delivered to clients (Johnson, Johnson and Policastro 2019).

### **1.12.6 Irregular Expenditure**

This relates to expenses made without following procedure as prescribed in legislation (Dzomira 2017). The violations of Section 38(1)(c) (ii) of the PFMA and Treasury Regulation 9.1.1 led to serious irregular expenditure on procurement of pharmaceutical supplies (Mantzaris 2019). Irregular expenditure patterns were caused by continuous procurement of goods and services without invitations of competitive bids (Mantzaris 2019). All disagreements on whether irregularity is or is not under question should be agreed upon between the auditing authority and the official or entity being audited (Mandac 2019). Irregular expenditure in South African government departments is so rampant that in the 2016/2017 financial year, R13 billion in the Eastern Cape alone could not be accounted for on water security expenditure (Venter 2020).

### **1.12.7 Fruitless and Wasteful Expenditure**

This is expenditure that is made in vain and that would have been circumvented had even-handed care been taken (Dzomira 2017). Fruitless and wasteful expenditure on the part of government officials has an effect of breaking the morale of taxpayers. The concern of loyal taxpayers that there is fruitless and wasteful expenditure of fiscal monies could potentially lead to previously compliant taxpayers withholding tax or even seeking out avenues or jurisdictions which can be considered tax havens (Dicey 2019). In the North West Province, there had been a high rate of irregular, fruitless and wasteful expenditure amounting to R121.8 billion which caused a lot of depression and anger among the taxpayers (Enwereji and Uwizeyimana 2019).

### **1.12.8 Unauthorised expenditure:\**

This refers to expenditure that is not in accordance with the approved budget (Dzomira 2017). The principal must approve all purchases by appending their signature in the relevant documentation for the purchase. Unauthorised expenditure has the capacity to cripple the nation state more than fruitless and wasteful expenditure, because it is clear indication of lack of financial oversight (Maramura, Nzewi, Tirivangasi, and Hofisi 2020). The Public Service Commission is a statutory oversight organisation, which was formed in 1996 to uphold a high standard of professional ethics in the public service (Maramura et al. 2020).

## CHAPTER 2: THEORETICAL FRAMEWORK

### 2.1 INTRODUCTION

This chapter highlights the theories that anchor the study. The theories discussed analyse why the researcher saw it necessary to undertake the study. They provide a guide on how the researcher collected data and interpret it the way he did. Theories explain how the researcher arrived at the conclusions that he made from the data collected. A theory provides a systematically arranged set of statements that the researcher uses to describe and predict behaviour. Theories help the researcher to bring to the fore issues and concerns that call for a robust discussion. They provide a guide for a further enrichment and development of knowledge. They help to describe and explain phenomena that the researcher ponders about in his study. Researchers should, however, note that theories do not govern everything that people do in life. There are times when things that people do are guided by common sense and gut-feelings which tend to override theories. Theories assist the researcher to identify the kind of information that is necessary and important to collect for a particular study. Theories provide a sound basis for practical action. The phenomenon under discussion in this study is the practice that school principals uphold in implementing budgeting and financial control systems. The theories provide guidelines on how the researcher should assign meaning to what the practice that school principals uphold for these two phenomena. The theories provide guidelines on how the phenomena under discussion were described and explained. They further provide guidelines as to how the practice that school principals hold for budget and financial control in schools could be improved in the event there are gaps.

Wasioleski, Waddock, Fort and Guimarães-Costa (2020) maintained that many of today's management theories are inadequate theoretically and practically to shift understanding and practice to where it needs to be for leaders, and policy makers to cope with an increasingly complex world.

## **2.2 THEORETICAL PERSPECTIVES ON BUDGET AND FINANCIAL CONTROL**

### **2.2.1 Inquiry Paradigm**

The first thing a researcher must outline is the paradigm that underpins the study (Patton 2015). The study employs an interpretive paradigm. This paradigm is regarded to be a group of important benefits where the world's views are represented (Denzin & Lincoln 2015). The qualitative inquiry tries to comprehend the world in which people live, thus fits it well in the interpretive. Therefore, a paradigm is seeming to be the most important starting point of theory and inquiry (Neuman 2016). This interpretive paradigm was used to guide the researcher to explore in-depth the daily teaching of participants in an ordinary form. This gave the investigator thick and deeper comprehension to the reality of teachers.

The following theories explain why it was important for the researcher to investigate the principals' practice of budget and financial control. It appears that the principals' practice of budget and financial control in schools is not guided by these theories. The theories are the following, namely: Niskanen's theory; finance management theory; the zero-based budgeting theory; the grounded theory approach; The IPA theory approach; and the NA approach.

The development of new knowledge to understand the principals' practice of budget and financial control in schools requires a discourse of theories that are multidisciplinary in perspectives and drawing on the innovative capabilities of these theories to developing a new understanding of the phenomenon (Wasiolesk et al. 2020).

### **2.2.2 Niskanen's Theory**

As stated in Paragraph 1.5.1 above one of the theories that underpin this study on the principals' practice of budget and financial control in schools is the Niskanen's theory. Eshetu (2020) defined budgeting as a financial plan to manage future operations and results. Budgeting process in any serious organisation forms an integral part of the management process, and the proper achievement of the financial performance depends much on the effectiveness of the budgeting process (Nyandwi, 2017). Budgeting is a crucial exercise without which a firm, business or any organisation cannot achieve much



(Kamau, Rotich and Anyango, 2017). Almost every enterprise, regardless of size, complexity or sector, relies heavily on budgets and budgetary systems to achieve its strategic goals since it involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of predetermined goals (Kamau et al. 2017). The school as an organisation in particular, and the DBE in general, are no exception to this rule. Budgeting is an innovative approach to financial management that has implications for improving the role of citizen participation in the budgetary process (Gordon, Osgood Jr, and Boden, 2017). By implication, the envisaged efficiency within organisations is at the centre of such an improvement on the role of citizen participation; yet it is seldom earned. Talukdar (2020) argued that in many countries, governments are neither well-equipped nor properly accountable for performing their functions properly. The link between planning and budgeting is important because it is a marker for governments in assessing the performance of all government programmes and activities, whether they are running well and according to the goals set (Karima, Saleh, and Sarwono, 2021).

Stanislaus, Damayanti, and Syamsuddin (2017) stated categorically that bureaucrats are budget maximisers; that all budgeting is about politics; and most politics is about budgeting. Ermasova and Mikesell (2019) suggested that bureaucrats are likely to expand budgets, not on the basis of public interest, but on self-serving interests. Budget maximisation on the part of bureaucrats is therefore self-serving and not in the best interest of the public that they are called to serve. This is particularly the case with budget processes in schools and in the DBE. In line with Niskanen's theory, as defined in Section 1.5.1 above, budget maximisation is all about the high salaries and the prestige of the bureaucrats. Bureaucrats, according to Niskanen's theory, insist on having the budget maximised in order for them to consolidate their own organisational power (Puron-Cid, Reddick and Ganapati, 2019). That is why schools have an infrastructure that is not up to scratch, learner and teacher support material that is inadequate, as well as poor supply of facilities meant for extra-curricular and recreational activities for learners. As indicated in 1.5.1 above bureaucrats' budget maximisation is systematically dysfunctional; it drives public expenditure and increases organisational inefficiency in the process (Pierre and Peters, 2017). Needham and Houck (2019) made the point that bureaucrats may want to

maximise their own budgets, asking for more at the expense of equitable and adequate supply of educational needs for learners. This is the kind of situation as it apparently plays out in the DBE in South Africa; hence, this theory is applied by the researcher in this study.

### **2.2.3 Finance Management Theory**

The study was also guided by a finance management theory called the prudential theory advanced by Koller (2004) and Alio, Chui and Githui (2019). The finance management theory is the basic financial theory for non-profit organisations finance management. Folajinmi and Peter (2020) defined finance as the body of funds management ideas that gives direction as to how the funds should be sourced and channelled to achieve a particular objective. Commitment to optimum application of sound financial management practices results in the increased performance of the institution. Management entails the harmonisation, synchronisation and administration of tasks to achieve a particular goal. Key to the task of management is the setting up of an organisational strategy, the coordination of the activities and efforts of staff, and the utilisation of available resources for the accomplishment of a set goal. Tonks (2020) described theory as being about mobilising ideas, arguments and explanations to try not only to make sense of practice, but also to influence practice. The eventuality of influencing practice in regard to budget and finance control is what this study sought to do. The financial management theory is all about principles that inform an efficient utilisation of public funds, which includes issues of budgeting, acquisition of assets and tools of trade, and expenditure. The idea in this study was therefore to also establish the extent to which the financial management theory found expression in the school principals' execution of their financial management functions in schools. Financially well-managed institutions generally exhibit efficiency and effectiveness in their operations. As a result, such institutions tend to satisfy their intended beneficiaries optimally from the funding allocated. Alio et al. (2019) argued that the maximisation of stakeholder value is the most important goal of any organisation which is not profit making. Therefore, only those investments that benefit all stakeholders financially should be undertaken or considered, and this is in line with Niskanen's theory as well. The approach to data collection and data analysis in this study, on the part of the

researcher, was in part informed by the financial management theory as explained in this paragraph.

#### **2.2.4 The Zero-Based Budgeting Theory**

The study was further guided by the zero-based budgeting theory put forward by Alio et al. (2019). The theory contemplates that budget is recollected from the first principle, that is, from a zero base. The zero-based budgeting theory can be related to the study because the budgetary activities within schools are anchored on the premise of justifying the utilisation of each penny beginning from the basis responsibility ground. Zero-based budgeting differs from historic budgeting in that it makes no inference on the budget performance of the previous financial year. It advocates for the allocation of resources in accordance with the needs and benefits for the financial year budgeted for. It does not use the expenditure for the previous financial year as the basis for budgeting. Historic budgeting looks at what the expenditure was in the previous financial year; and makes projections for the following year based, among other things, on the inflation rate for the following year. Schools are not commercial institutions. The budget allocated for a particular financial year is expected to be utilised to the last cent for the benefit of the intended beneficiaries within that financial year. Under-expenditure is not permissible; and it constitutes a financial misconduct. The relevance of these theories in this study was based on the fact that they underscore the fact that, in the school context, financial management has to be framed in the social and cultural context in which this branch of knowledge exercises a fundamental and credible role in the dissemination of school's financial information.

#### **2.2.5 The Grounded Theory Approach**

The term 'theory' relates to a principle that is produced by the research, and 'grounded' means that the theory has emerged from data collected during the investigation (Lambert 2019). The grounded theory research aims at obtaining organised, believable ideas from practical investigations. The purpose of this study was partly to come up with principles that should guide the exercise of budget and financial controls by principals in schools. It was the intention of the researcher to come with a particular concept or process that will be suitable for budgeting and financial control. McCann and Polacsek (2020) described

the uniqueness of grounded theory as evident in the way researchers elucidate concepts from the data, rather than entering the field with predefined concepts. This is the approach that the researcher consciously applied in this study. The researcher commenced the investigation in the field with an open mind to identify and discover principles that should inform efficient budgeting and financial control systems in schools. This is the essence of the grounded theory approach in qualitative research. The development of a theory was based on data collected and analysed. The researcher did not embark on data collection and analysis with any predetermined hypothetical assumption to prove.

### **2.2.6 The IPA Theory**

The researcher applied the IPA theory to interpret data in this study. Rhodes (2019) defined the IPA theory as an approach that seeks to understand the networks of meaning and connotations that people coin for themselves. This is done by focusing on the social construction of a practice through the ability of individuals to create, and act on, meanings. Individuals are situated in webs of beliefs handed down as traditions and these beliefs and associated practices are changed by the dilemmas people confront (Rhodes 2019). It is out of these social constructions and meanings that people coin for themselves that the researcher provides thick descriptions or narratives of the people's interpretation regarding a given phenomenon. It was important for the researcher to also understand the traditions that inform the beliefs and practices that people embrace. In terms of this theory, the sense that participants make of their personal and social world formed the basis for the conclusions that the researcher drew. Data was analysed by using descriptive explanations based on the extent to which similar views were given by participants on the same issue. Through the IPA approach the researcher makes sense of the meanings others have about the world (Gill-Simmen 2019). The development of the emergent theoretical framework in this study was based on the data generated from the participants' perceptions and experiences as they stated them, and subsequently interpreted by the researcher.

### **2.2.7 The NA Theory**

Forrester (2020) defined narrative research as a strategy of inquiry in which the researcher studies the lives of individuals by asking them to tell stories about their lives.

In support of Forrester (2020), Hernández Varona and Gutiérrez Álvarez (2020) added that narrative inquiry is guided by the comprehension of the value of the story told, and the personal experience embedded in the story. Lawal (2020) defined a narrative inquiry research design as the one that allows research participants to tell their stories and related experiences. The NA is therefore an approach to data analysis that uses stories to describe human experience and action. It is based on the understanding that people assign meaning to their lives through the stories they tell. In the study of human experiences, NA thus becomes a research methodology that relates to how people formulate meanings from their life experiences. The researcher in this study made use of the NA theory to understand the principals' practice of budget and financial control systems in their respective schools.

### **2.2.8 Financial Management**

Victor (2017) stated that the central purpose of financial management is the raising of funds and ensuring that the funds mobilised are utilised in the most effective and efficient manner. Financial management therefore includes planning, the organising and the controlling of the inflow and outflow of money aimed at achieving organisational success and development. Ideal financial management practices involve budgeting, auditing, effective accounting strategies and cost-saving approaches. Poor budgeting is one of the major factors that derail effective management of schools, mostly due to overspending or underspending. It can also lead to misappropriation and mismanagement of school funds.

### **2.2.9 Accountability**

Ensuring accountability has been recognised as a fundamental principle to achieve the intended purpose of public organisations, in this study the schools. However, accountability mechanisms, from a specific policy domain, a government-wide reform, to networked governance, did not always function well but have been systematically defective in many cases for the schooling sector (Han 2020). One of the main objectives of the assurance process is to enhance stakeholder accountability, which can be defined, in the context of this research, as a school's duty to provide a reasonable account of its actions and performance in view of improving organisational responsiveness and transparency toward relevant stakeholders (Boiral and Heras-Saizarbitorra 2020).

Accountability is about the management of expectations (Busuioc and Lodge 2017). It relates to an assurance that an individual or an organisation will be evaluated on their performance or behaviour in relation to that for which they are responsible. Accountability involves being answerable to someone, for actions and results. Accountability is also about institutions and individuals taking responsibility for the services they provide. It is about ensuring that there is compatibility between the quality of services rendered and value-for-money.

### **2.2.10 Financial Controls**

Financial Controls are systems of oversight that are put in place by organisations to prevent fraud, theft, misappropriation and financial mismanagement (Perry 2017). Financial controls are operational measures whose purpose is to ensure compliance with rules and regulations. They are responsible for safeguarding the organisation from risks and vulnerabilities. On the other hand, Munene and Ngunjiri (2018) asserted that it is necessary that financial controls are documented, assessed, revised, tested regularly and strengthened where necessary. A financial transaction control is a procedure that is intended to detect errors, misappropriations, or policy non-compliance in a financial transaction process (Munene and Ngunjiri 2018). Fraud is a common threat in services involving finances (Lopez Rojas, Axelsson and Baca 2018). Some of the common frauds are committed using stolen credit cards, online banking identity theft and social engineering.

### **2.2.11 Misappropriation, Corruption and Financial Mismanagement:**

Ololube (2016) defined misappropriation as an intentional or illegal use of funds for one's own use or other unauthorised purposes, particularly by public officials. Similarly (Rangongo, et al. 2016) defined financial mismanagement as corrupt behaviour and wrongdoing in the management of finances on the part of an authority. They defined misappropriation as dishonest use of funds for one's personal gain. In support of Ololube (2016), Serfontein and De Waal (2015) described corruption as a constant global phenomenon which is becoming more complex and intense as competition for resources increases. It is even more so amongst those living in developing countries, particularly emerging economies such as South Africa. Acts of corruption directly contest the basic

principles of South Africa's Constitution, which aims at establishing freedom and security for everyone and a democracy 'for the people, by the people' (Serfontein and De Waal 2015). This inadvertently suggests that misappropriation and mismanagement of funds in schools in South Africa cannot be ruled out as non-existent. It comes as no surprise therefore, that corruption that is inherent in misappropriation and financial mismanagement, was described by the two authors as 'a constant global phenomenon'.

### **2.3 CONCLUSION**

The discussion above encapsulates all the theoretical perspectives that underpin this study on budget and financial control. These perspectives include the paradigm, the theories and the definitions of critical concepts that relate to budget and financial control. The paradigm that underpins the study is the interpretive paradigm whose relevance in this study has been explained in detail in paragraph 2.1 above. The study is underpinned by six theories. These are Niskanen's theory; finance management theory; the zero-based budgeting theory; the grounded theory approach; the IPA approach; and the NA approach. The theories have been identified by the researcher for them to provide guidance on how the data was collected and interpreted. They also served as the basis for the development and the enrichment of knowledge. The key concepts involved in this study are financial management, accountability, financial controls, as well as misappropriation, corruption and financial mismanagement. It was important for the researcher to explain these concepts so that they may be understood for what they mean in the context of this study. The next chapter presents the literature review on the phenomenon of the management of school funding.

## **CHAPTER 3: LITERATURE REVIEW**

### **3.1 INTRODUCTION**

This chapter consists of seven sections. The first section provides a brief overview of what literature review entails. It gives clarity on what literature review is all about. It explains why literature review is necessary as part of the research process. The second section deals with the definition of key concepts that the topic revolves around. It is important to reflect on the meaning of certain concepts. There should neither be confusion nor ambiguity around these concepts if the discussions in the research are to be understood in the manner intended by the researcher. The third section focuses on the state of financial management in schools in South Africa, in the African Continent outside South Africa and in countries outside the African Continent. In this way the researcher was able to establish if there are patterns that are similar or different across the countries of the world on the topic at hand. The researcher was also able to identify best practices that can be used as basis for recommendations in the research. Budget and financial controls constitute an integral part of financial management in schools. The essence of financial management lies in budgeting and financial controls. The fourth section reflects on key strategies identified for efficient financial management in schools. These strategies are drawn from the education systems of some of the different countries of the world. The fifth section deals with the importance of financial management and control; sources of financing education; factors responsible for increases in educational expenditure in schools; the safekeeping of source documents and handling of cash; and general problems with financial management in schools.

The sixth section deals with consequences and effects of fraud and corruption as ramifications of inadequacies in the practice of budget and financial control systems.

The seventh section is the conclusion. The conclusion sums up all the salient points that emerge from the discussions in the previous sections. It captures and lifts issues of importance that emanate from the discussions.

### **3.2 DEFINITION OF KEY CONCEPTS:**

Definitions of concepts that are pivotal in this study are as follows:



### **3.2.1 Financial Management**

Financial Management is the art of planning, sourcing, accounting and making judicious use of public funds for the implementation of organisational programmes (Nnebedum and Ofojebe 2020). Mosteanu and Faccia (2020) described the management of public finance as the art by which a nation improves the economic, political and social well-being of its people. We are living in a digital and intelligent era, where machines take over repetitive, time-consuming and redundant tasks, giving finance professionals more time to approach higher level and more lucrative analysis and research (Mosteanu and Faccia 2020). This assertion thus suggests that the use of digital technology proves to be more efficient than the traditional means of socio-economic and political development. Lyonga (2020) viewed the lack of efficient and effective utilisation of financial resources as having a potential to destroy the organisation. Proper auditing standards could help the public institutions avert financial mismanagement by some unscrupulous individuals who are out to damage the reputation of the leaders and their institutions; and make their hard work go unnoticed (Lyonga 2020). By implementing appropriate financial management, an individual is expected to be able to enjoy the benefits of their own money (Halimatussakdiyah, Martono and Sudarma 2019).

### **3.2.2 Budget and Financial Controls**

These are measures used by authorities for the raising and utilisation of finances in public and private institutions. They are also used by authorities to detect, eliminate and prevent violations of laws and policies regulating the raising and utilisation of public funds (Ismoilova and Sharapova 2019). The PFMA, SASA, Treasury Regulations, School Finance Policy and Petty Cash Policy are examples of these laws and policies (Mestry 2017). Internal audits and controls are described as key elements in the fight against corruption. They pave the way for dealing with and the subsequent legal and disciplinary repercussions and misconduct as described in Sections 81(1)(a) and (b) and 38–42 of the PFMA (Mantzaris 2019).

Budget is a powerful tool for planning and controlling the resources available to the manager (Ojo, Farayibi and Akinnuli 2020). Budgeting itself is the process of estimating the needs of the institution for a future period based on past experience and future needs

(Ojo et al. 2020). The inflation factor also plays an important role in assisting managers to determine what the budget for the future should be. It is not enough for managers to do budgeting for the future, they should also put in place budget monitoring or budgetary control system. They can do that by comparing the actual financial expenditure outcomes with budgets. This will serve as a basis for performance evaluation and revision of budgets. In support of Ojo et al. (2020); Ghosh, Kansal and Sundresh (2020) described control as the process of analysing whether actions are being taken as planned, as well as taking corrective measures to make them conform to the plan of action. Liang and Frösén (2020) concurred with this description by saying that formal controls represent written or explicitly stated goals, regulations and standards that institutions use to specify processes (e.g., operating procedures) and desirable outputs (e.g., financial results). A good financial control system involves keeping appropriate accounting records in a manner that protects the organisation and that such an organisation is not needlessly vulnerable to risks of fraud and financial mismanagement (Adebayo and Ilesanmi 2020). It is believed that the implementation of effective and efficient financial control systems may result in better performance, accountability, and better reporting process in the public sector (Adebayo and Ilesanmi 2020).

### **3.2.3 Financial Mismanagement**

Financial mismanagement is defined as inappropriate use and inefficient management of public funds (Williams 2019). It is a corrupt behaviour and wrongdoing in the management of finances on the part of an authority (Rangongo et al. 2016). Effective public financial management and financial control systems have an important role in ensuring the accountability of use of public funds and safeguarding limited public resources against corruption and other misuse, as well as other unlawful practices (Lual 2020). Lack of accountability and transparency in the realm of public procurement result in serious financial mismanagement and fragile monitoring systems. Non-profit organisations often hesitate to be transparent for fear of being judged, and they spend time defending their actions rather than focusing on providing services (Aranda 2020). Publicised cases of fraud and financial mismanagement not only affect the community but paint an unfavourable picture of the non-profit sector. This applies to schools as well. Financial

mismanagement has shifted focus from the core business of non-profit organisations. Financial mismanagement, along with such factors as selective enrolment in schools and competition for success have distracted the education system from the real goal which is student learning and success (Eichenauer 2020). Every parent wants the best for their child so, naturally, they will choose to send their kids to the best schools; and the characteristics of a good school typically stem from whether the school is located in an economically advantaged location or not (Eichenauer 2020). Financial mismanagement, poor reporting, issues related to consensual intergenerational financial support, culture, as well as blurred lines on costs exacerbate a lack of precision in common definitions (Phelan 2020). The rise in the number of public fund mismanagement cases require the organisations to provide quality and transparent financial reporting. Such reporting in the case of schools should be simplified as to make understanding on the part of SGBs who happen to be illiterate in some deep rural communities easy.

### **3.2.4 Misappropriation**

Misappropriation is the misuse or theft of assets of a company or other party; and it involves cash theft, larceny, skimming and fraudulent spending (Yusrianti, Ghozali and Yuyetta 2020). Misappropriation means an intentional or illegal use of funds or property for one's personal use or other unauthorised purposes, particularly by public officials. Ab Majid, Mohamed, Haron, Omar and Jomitin (2014) noted that the incidence of misappropriation of assets occurs when employees use the official vehicles, computers, and facilities for personal interest; and this is indeed becoming a major concern in the public sector. In addition to misappropriation by theft, bribery, fraud, coercion, or other improper means, electronic inclusion/hacking is now specifically named (Pisacane and Zibetti 2020). The three largest sources of economic crime and fraud are asset misappropriation, cybercrime, and consumer fraud (Anders 2020). Countless media reports have exposed scandals concerning charities and non-profit organisations, involving mismanagement of funds, or even outright theft and misappropriation of funds earmarked for social works and projects (Foti and Marino 2020). Schools are no exceptions to the charities and non-profit organisations referred to by the author. Misappropriation of financial resources by public official has a negative impact on the publics' commitment to pay taxes. Aboagye and Hillbom (2020) contended that a history

of misappropriation of tax revenues, covert corruption, and profligacy diminishes the citizens' support for governments' tax efforts. This assertion is premised on the fact that effective taxation depends on the ability of the state to convince taxpayers that tax revenues will be used for public benefits (Abagye and Hillbom 2020). Lawrence, Ihebuzor and Lawrence (2020) argued that misappropriation, in many countries, is largely responsible for the reallocation of funds meant for education to other pressing and urgent areas of managing violent conflicts, pandemic and epidemic outbreaks, and losses due to corruption. This again has the attendant effect of breaking down the morale of the citizens to pay taxes that could be used to provide for the education of their children. Salihu and Jafari (2020) strongly advocated that public service officials who are found guilty of misappropriation, fraud and embezzlement of public funds should be dismissed from public service permanently. This should be done to deter like-minded public officials from committing such crimes.

### **3.2.5 Corruption**

Corruption is the behaviour of persons entrusted with public or private responsibilities, who neglect their duties to achieve unjustified benefits. That includes: (1) channelling funds into personal use; (2) patronage; (3) bribery and extortion; (4) giving preferential access to services or goods; (5) influencing outcomes and (6) favouritism irrespective of merit (Calderon and Ancho 2018). Luna-Pla and Nicolás-Carlock (2020) described corruption as a systemic and adaptive phenomenon that requires comprehensive and multidisciplinary approaches for its effective prevention and combat. Traditional approaches lack the analytical tools to handle the structural and dynamic aspects that characterise modern social, political and technological systems where corruption takes place (Luna-Pla and Nicolás-Carlock 2020). In support of Luna-Pla and Nicolás-Carlock (2020), Lima and Delen (2020) maintained that corruption was still ubiquitous and perceived as one of the major challenges of modern societies. A large body of academic studies has attempted to identify and explain the potential causes and consequences of corruption, at varying levels of granularity, mostly through theoretical lenses by using correlations and regression-based statistical analyses (Lima and Delen 2020). The consequences and effects of fraud and corruption are discussed in detail in Section 3.6 below. Mohamebhai (2020) argued that no sector appears to be immune from fraud and

corruption, not even those that have a direct impact on society's welfare: health, education, sports, politics, or religion. Corruption has remained one of the most significant problems in the post-authoritarian societies, yet there are institutions in place to combat the rampant corruption (Khmelko and Bonnal 2020). It is a proxy of low detection of opportunistic behaviour which influences managers' decisions (Marchini, Mazza and Medioli 2020). This makes corruption extremely difficult to avert and combat decisively. Inshyn, Basai, Basai, Soroka and Stremenovskyi, 2020 conceded that corruption is a negative global phenomenon in modern conditions, which has penetrated into all areas of the state's functioning, causing significant damage to its development. Corruption affects the stability and security of society, and compromises democratic institutions and values. One of the main and most important actions in the prevention and combating of corruption is the legal approval procedure for the selection of public authorities (Inshyn et al. 2020). Exposure and punishment of perpetrators of corruption can play a major role in the prevention and combating of corrupt activities.

### **3.2.6 Fraud**

Corporate violations are a critical problem in the capital market, harming the shareholder value of target companies and affecting investors' confidence (Tang, Gu, Weng and Ho 2021). This generates considerable negative externalities and increases financial frictions. Therefore, corporate violations have always been a crucial topic of concern to company supervisors and academia. Fraud is an action committed intentionally in the form of lies, cheating, forgery, embezzlement, information misrepresentation, removal of evidence, distortion of facts, and manipulation for personal gain or to damage another individual (Siahaan, Umar and Purba 2019). It is a crime embracing diverse means that human ingenuity can devise to gain advantage over another by false representations (Siahann et al. 2019). The scourge of financial fraud is rising at a very fast rate as financial services and operations continue to grow. This is despite preventive actions and security measures being deployed because fraudsters are learning and finding new ways to get around fraud prevention systems (Błaszczycński, de Almeida Filho, Matuszyk, Szelağ, and Słowiński 2020). Fraud detection is not an easy expertise to master. By fraud detection is meant the technique of identifying fraudulent activities (Maddila, Ramasubbareddy and Govinda 2020). Fraud detection is usually compared to finding a needle in a haystack

and remains a challenging task to pursue because fraudulent acts are buried in massive amounts of normal behaviour as true intentions may be disguised in a single snapshot (Liu, Guo, Zuo, Wu and Guo 2020). Criminal attacks have drastically increased over the years which make its detection increasingly vital (Maddila et al. 2020). Engel, Kumar and Philip (2020) maintained that more financially knowledgeable individuals have a higher propensity to detect fraud. A significant proportion of fraud is now conducted online; and police struggle to integrate this emerging reality to their processes (Rossy and Ribaux 2020). Harrison, Dilla and Mennecke (2020) described online fraud as a problem with significant consequences, and little is known about the decision processes that perpetrators follow for engaging in fraud. Mardatillah, Irianto and Mariyanta (2020) argued that detection and prevention methods which include forensic accounting in theory development and practice have some impact in reducing fraudulent behaviour and play a major role in combating fraud.

### **3.2.7 Irregular Expenditure**

This refers to non-compliance with the PFMA and supply chain management laws, rules and regulations in the procurement of goods and services (Mantzaris 2019). It means the buying of goods and services by public and private institutions without following procedure. Błaszczycyński et al. (2020) maintained that despite preventive actions and security measures deployed to mitigate financial fraud, fraudsters are learning and finding new ways to get around fraud prevention systems. Public and private sector institutions are not immune to irregular expenditure in South Africa. Matebese-Nontshulwana and Lebakeng (2020) attested to the effect that from the beginning of the new dispensation, South Africans have been numbed by staggering numbers of wasteful, fruitless, unauthorised and irregular expenditure at all levels of government. According to the latest PFMA consolidated general report, the country registered R62,6 billion in irregular expenditure in the 2018-2019 financial year alone (van der Walt 2020). In support of van der Walt (2020), De Vos (2020) stated that public procurement contracts are the main contributor to irregular expenditure. This finding is based on the revelation in the Auditor-General's report in terms of the PFMA of glaringly huge amounts of money per year in irregular expenditure. Sibanda, Zindi and Maramura (2020) stated that accountability requires supply chain management public officials to account for, report on, explain and

justify, and accept responsibility for expenditure outcomes. However, municipal public officials have failed to account for irregular expenditure in South Africa (Sibanda et al. 2020). The weak procurement processes result in the province having high irregular and wasteful expenditure (Ngumbela 2020). An irregular expenditure of R13 billion was not accounted for in 2016/2017 in the Eastern Cape alone, making up almost half of the country's irregular expenditure (Venter 2020).

### **3.2.8 Fruitless and Wasteful Expenditure**

This is expenditure that is made in vain and that would have been circumvented had even-handed care been taken (Dzomira 2017). Fruitless and wasteful expenditure is one of the most common supply chain management procurement weaknesses of public and private institutions in South Africa. With instances of fruitless and wasteful expenditure dating back to the 2013 financial year in municipalities, the monitoring, financial reporting and control environment needs further improvements (Sibanda et al. 2020). The outsourcing of services in some municipalities is seen as wasteful and fruitless expenditure, and communities recommend that the revenue in this regard should be utilised to address service delivery challenges (Mamokhere 2020). Fruitless and wasteful expenditure is also attributable to the management of large projects. Given the pressing time constraints on large projects, stakeholder management tends to be overlooked and is perceived as resulting in fruitless and wasteful expenditure (Mabelo 2020). Again, the issue of the public's willingness to pay taxes is impacted negatively by fruitless and wasteful expenditure. Where taxpayers' moneys are wasted, there is reluctance on the part of taxpayers to pay their taxes (Roeleveld 2020). Fernandez (2020) was of the view that the country's comprehensive financial audit system, which investigates irregular, fruitless and wasteful expenditure in government entities, should also serve to create a heightened sense of awareness regarding these unlawful financial practices.

### **3.2.9 Unauthorised Expenditure**

This refers to expenditure that is not in accordance with the approved budget (Celestin 2019). Maramura, Nzewi, Tirivangasi and Hofisi (2020) argued that unauthorised expenditure has the capacity to cripple the nation state even more than fruitless and wasteful expenditure, because it points to a lack of oversight that is prevailing.

Unauthorised expenditure is a serious offence on the part of employees, and it leads to extravagance and overspending (Garg 2020). Mathiba and Lefenya (2019) maintained that accounting officers are required to report any unauthorised expenditure in line with Section 40 of the PFMA. In schools, the principal must approve all purchases by appending their signature in the relevant documentation for the purchase. Sections 38(1)(a) to (1)(g) dictate the principles of fairness, transparency, competitiveness and cost-effectiveness that are the foundations against irregular, unauthorised and wasteful expenditure (Mantzaris 2019).

### **3.3 THE STATE OF FINANCIAL MANAGEMENT IN SCHOOLS**

#### **3.3. 1 South Africa**

Olukayode, Gbenga, and Kolapo (2020) maintained that accountability is very important in managing school finances. This implies that management accounting, together with its disciplines like accountability, financial reporting and auditing may be expected to contribute to a better functioning of the schooling sector financial management systems. The accountability concept must be associated with power delegation from shareholders (e.g., SGBs) to agents (principals) and the way to ensure the relationship between them. Hence, accountability is the assessment of the actual and active behaviour of principals within the schools.

Many scholars argue that SGBs in South Africa cannot manage finances competently (Botha 2019). This state of affairs is attributable to, inter alia, lack of expertise and knowledge to exercise their powers effectively. This is regardless of the training SGBs are given on financial management. The high rate of illiteracy among the parent members of the SGB make it difficult for them to master the art of managing finances that the training given offers. Most of the culprits who commit financial mismanagement in schools are members of the SGBs and principals who channel school funds to their personal accounts and abuse their power to conceal their corrupt acts (Botha 2019).

There are schools that are dysfunctional for the reason of principals either refusing or failing to acknowledge their own incompetence (Mahlangu 2018). Principals no longer occupy the role of chief decision-makers (Mahlangu 2018). In support of Mahlangu,



Naidoo (2019) argued that there is a noticeable continuous decline in student performance and low educational outcomes in public schools due to the poor leadership displayed by many principals. The role of the school principals is to carry out three interchangeable functions at school level. These are the human, the physical, and the financial resources. The issue that is of concern here is that there are no stringent criteria for the appointment of school principals. Neither are there any prerequisite qualifications required. Principals, however, do have the potential to lead and manage efficient and successful schools. Naidoo (2019) argued that there is a need for principals to be subjected to sound training and professional development programmes. This will result in them displaying exemplary leadership practices. This argument points to a lack of capacity on the part of principals in the three management focus areas cited above, including the management of financial resources. The need for principals to be subjected to training points to an understanding that is not up to scratch in regard to finance management skills, including budgeting and financial controls. In support of Naidoo (2019), Sebidi (2019) recommended that SGBs of the Mpumalanga Province in South Africa should be adequately trained. This is necessitated by high rates of adult illiteracy which results in parents being unable to play a meaningful role in school governance. The high rates of adult illiteracy in rural schools have a ripple effect of hampering improvement in the education of learners. The high rates of illiteracy on the parent component of the SGB also makes it difficult for SGBs to hold the principal accountable for financial mismanagement.

The lack of financial information and knowledge has caused some principals to be subjected to forensic audits by the DBE and other Chapter 9 Institutions as Auditor-General of South Africa (Hlongoane 2019). Principals have been accused of mismanaging school funds through misappropriation, fraud, pilfering of cash, theft and improper control of financial records. According to the 2014 and 2015 Corruption Watch report, over 1000 cases of corruption in schools had been reported since 2012. Corruption in schools constituted 20% in 2014, and 16% in 2015 and 2016, which was the highest number of all corruption cases reported (Hlongoane 2019). Charges levelled against a school principal in the Gauteng Province included payment of levies for his personal home

using school funds, installation of a carport at his home, payment of personal flight tickets, and opening eight bank accounts.

Rangongo (2017) noted that the principals' practice of their legal responsibilities regarding financial management in public schools in Limpopo Province indicates that there is a lack of knowledge of legislation. There was a culture of non-accountability, non-adherence to prescripts, and reluctance to implement even the little that principals know. Reasons for reluctance to implement prescripts to the letter include the fear of threats, intimidation and victimisation by teacher unions. Teacher unions, especially SADTU, tended to be hostile to departmental officials in defending their members when issues of maladministration regarding finances have been reported. Lack of transparency and openness when dealing with finances proved to be a dominant characteristic feature of the principals' handling of finances. The signing of blank cheques and lack of proper monitoring of control of expenditure led to acts of fraud and corruption on the part of principals, finance officers and SGBs.

Every school is required to draw its financial policy. The drawing of that financial policy occurs with the guidance and leadership of the principal. Ndou and Menlah (2015) found that school financial policies were conspicuous by their absence in most schools in the Vhembe Education District in the Limpopo Province. Schools relied on the PFMA, the SASA and 2009 prescripts for the use of school funds for the management of their finances. These documents fell short in terms of equipping principals and SGBs with adequate requisite skills for the management of finances. They provided only the guidelines, and not the specifics, for the circumstances of individual schools. SASA stipulates that every school must have its own school financial policy based on the PFMA. This makes the development of a school financial policy to be a compliance matter rather than something that schools can opt to do or opt not to do as they please.

Bush and Glover (2016) found that Gauteng principals showed that they regarded financial management as their main developmental need. This need was made complex by the involvement of SGB members in financial management as required by the legal framework. The perceptions of secondary school governors in Gauteng are that problems in financial management arose from imperfections in cascading training, variations in the

frequency and attendance at training sessions, the quality of the training on offer, and general apathy among SGBs (Bush and Glover 2016). This finding points to a gap that may be prevailing on the principals' understanding of budget and financial controls in schools generally.

Naidoo and Mestry (2017) gave an account of a school in Mamelodi where almost R60 000 was stolen from its coffers by corrupt teachers. The forensic audit undertaken by the Auditor-General found that large cash withdrawals were made from the school's bank account without any formal procedure. According to the deputy chairperson of the SGB, school fees collected by teachers were not deposited into the school's bank account. Another irregular practice was the use of counterfeit receipts in the collection of school fees. This matter was subsequently referred to the National Prosecuting Authority who took serious steps to punishing the perpetrators. This case confirmed that the SGB had a poorly designed financial policy. Again, this is an indication of an apparent scourge of corruption and mismanagement of school funds prevailing in South Africa.

Stories of school principals and teachers being chased away by parents on allegations of corruption continue to make headlines in print media and other media houses. Angry parents blocked the gates of a Primary School in the Mogale City of Kagiso, accusing the principal of corruption (Daily Sun, 27 January 2020:1). They were demanding the intervention of the MEC Panyaza Lesufi after the school had not received stationery. The principal had allegedly refused to utilise the services of a local supplier in favour of an outsider he was suspected of having connections with. The principal utterly refused to sign the documents in which the parent community through the statutory structures in the school recommended a local supplier. The school community had taken a stand to empower a local service provider, but their will was not to materialise.

A parent at another Primary School in Cape Town expressed dismay that the principal remained at the helm despite the recommendation that she be suspended (Cape Times, 31 January 2020:1). The parent felt that the principal was treated with kid gloves by the Provincial Department of Education. An investigation into financial mismanagement had ensued against the principal. This was after a budget of R1.2 million for additional remuneration to staff was voted on and passed by a majority of only one parent. This

approval was done in terms of Section 38A of the SASA. The approval meant that the principal was receiving a top-up allowance of R10 250 for the past three years. Even though the budget was approved by parents, some parents queried the school's transparency on its budget and the above-inflation-rate fee increase of 9.93%. They were suspicious of a clandestine manipulation of some SGB members by the principal for personal financial gains. The outcome of an internal investigation was that the principal should be suspended pending further investigations. Apparently, the fact that budget was approved by parents in terms of Section 38A of SASA made it difficult for the Western Cape Department of Education to suspend the principal. Issues like this make the budget and financial systems of the DBE questionable in terms of effectiveness; hence this research.

The findings revealed in the discussions above point to a possible lack of understanding on the part of school principals. This lack of understanding relates to the knowledge of budget and financial control systems as set out by the DBE for schools. That lack of understanding could possibly be coupled with an underestimation of the consequences of not applying the rule of law to the letter on the part of principals. The consequences alluded to are too ghastly to contemplate for both the school principals and their SGBs; let alone the learners who stand to benefit from their sound financial management skills. Maybe it is prudent for me at this point to reflect that the issue of fraud, corruption, misappropriation of funds, theft, money laundering, and financial mismanagement in government institutions are social ills that beset the functionality of the State in South Africa and other countries in the world. The idea behind this reflection is to demonstrate that the negative perceptions that school communities have around the management of finances in their respective schools should not be seen as unfounded. After about a year of the work of the State Capture Commission in South Africa, in January 2020, Deputy Chief Justice Raymond Zondo was addressing the media about the State Capture Commission's request for a time extension on its work. "What I have realised through my involvement with this commission ... is that corruption is very deep in our society, there is a lot of corruption," Zondo said adding that what had been unearthed at the commission was only a "tip of the iceberg" (The Citizen, 24 January 2020:1). These comments by the

Chairperson of the State Capture commission attest to the prevalence of corruption in the country that has apparently reached alarming proportions.

### **3.3.2 The African Continent Outside South Africa**

Misuse of school funds is not unique to South Africa. Waititu, Njeje and Kirimi (2019) alluded to the fact that the management of school funds has been a challenge in Zimbabwe. School principals and school development committees have failed to properly manage funds and coordinate activities in schools. This is ascribed to poor or no training by the Ministry of Education. It is noted that school heads in Mashonaland East Province have had cases of mismanagement of funds and abuse of teacher incentives. Waititu et al. (2019) explicitly stated that school heads have cases of financial mismanagement that are attributable to ignorance. In support of Waititu et al. (2019), Teshome (2017) asserted that the lack of necessary skills and knowledge in leadership and management constitutes one of the major causative factors to principals being unable to manage schools' finances. He made this observation about principals of the Assosa Zone in Benishangul Gumuz Regional State in Addis Ababa.

In the same vein; Alio, Chui and Githui (2019) conceded that there is evidence that preparation of school budget reports lack credibility. These reports show lack of accountability, transparency, financial prudence, efficiency and adherence to financial policy regulations. The picture in budget reports is one of inadequacies in effective oversight. Reporting of budget implementation fails to make sure that public funds are managed prudently to minimise misappropriation and wastages. The budget practices embraced by public schools in different parts of the world fall short in yielding the desired efficiency and effectiveness in financial management. Alio et al. (2019) were firm in saying that schools rarely adhere to budget reporting practices that are geared towards improving financial management in schools.

The lack of knowledge in finance by both school heads and school development committee members has led to financial malpractices (Wushe, Ndlovu and Shenje 2014). These malpractices include signing cheques in advance, paying with hard cash, making loans from the school funds, and accepting money without the issuing of receipts. This observation was made in respect of public schools in Harare in Zimbabwe. Lack of

managerial skills in finance inevitably led to a shortage of critical resources in schools. Wushe et al. (2014) blamed this on headmasters who wielded power on school development committees who were either illiterate or completely non-literate. Their view is that without formal training headmasters found themselves with challenges they could not cope with in managing school finances.

Othoo, Olel and Gogo (2019) gave an account of shortages and improper utilisation of financial resources that hinder educational outcomes in educational institutions. Schools experience a lot of problems. These include strikes, school nutrition of poor quality, lack of learning facilities, school fees hikes and inadequate non-teaching staff.

Okaforcha and Okeke (2019) contended that no serious efforts have been made in Nigeria to solve the problem of financial management. Financial mismanagement and embezzlement of school funds have turned out to be a common occurrence in schools. The state of public education in Nigeria in general, and in the Anambra State in particular is disappointing (Okaforch et al. 2019). Despite huge sums of money being pumped into public education, the outcome has been glaringly poor. As a result, students from public schools could not compete favourably in academics, character, and industry with those in private schools. In each school a bursar is appointed to head the financial section of the school. However, the principal is the accounting officer of the school. It is the duty of the principal to supervise and control the operations of the bursar. It is for that reason that blame is placed squarely at the doorstep of the principal for the state of affairs in so far as financial management is concerned. Proper budget implementation, and school performance as a whole, is the competence of the principal. The status of facilities and finances in these schools is characterised by decay, underutilisation and embezzlement.

The other issue that is coming up sharply from the studies that have been conducted on the state of financial management in schools is one of underfunding. It appears that schools are afforded a funding that is too inadequate for them to meet the educational needs of the learners. This is a situation that makes the ground even more fertile for financial mismanagement to thrive than it already does. The National Policy on Education in Nigeria recognises education as an expensive social service that requires adequate financial provision (Adelodu 2020). However, schools find it extremely difficult to achieve

their educational objectives due to underfunding. This is something that has led to a series of industrial actions by academic and non-academic bodies to force the government to see the dangers of underfunding. Underfunding has been identified as one of the major causes of financial mismanagement and corruption. In support of Adelodu (2020), Mwanasiti (2019) asserted that head teachers' mismanagement of resources is associated with poor provision of sufficient materials and financial resources for both teachers and learners.

Nnebedum and Ofojebe (2020) recommended an increased budget allocation by government for regular training of principals on financial management. Principals in unity schools fall short of the skills to source alternative funds to augment the school finance. Capacity building needs of principals in Nigeria include the keeping and reporting of financial records, accounting for fees collected and issuing of receipts. Cases of financial misappropriation and mismanagement of school funds are attributable to poor auditing, budgeting and accounting practices.

Ololube (2016) states that the mismanagement and misappropriation of funds within the educational system has led to the dysfunctional and unethical practices that have generated limitations across Nigeria's educational system. In support of Ololube (2016), Mabagala (2016) endorsed this sentiment by saying that in Tanzania cases involving teacher financial mismanagement were prevalent in different forms. These forms include both the misuse of money collected for student fees and the money allocated by the school authority to various departments for sports and games. One teacher in a school was taken to court because of mismanagement of school funds.

Munge, Kiman and Ngugi (2016) referred to the management of finances in the Nakuru County of Kenya noting that school funds are sometimes mismanaged and misappropriated by those in charge. They further noted that school principals and SGBs are entrusted with the responsibility of ensuring funds are well managed in the school. This is done by way of proper and adequate budgeting, procurement of goods and services; and ensuring high levels of accountability and transparency in all activities. Emphasis should be on prudent financial management in schools to ensure resources are allocated adequately to enhance achievement of school objectives.

Misappropriation of funds and financial mismanagement can be ascribed to several factors (Myende et al. 2018). These include, inter alia, a lack of accountability with respect to the generation and distribution of financial resources, confusion about who is responsible for financial management (principals or school governing bodies), lack of financial management skills and knowledge amongst principals and SGBs, disregard of the law, as well as treating schools as 'cash cows'. Wango and Gatere (2016) asserted that fraud and corruption are cited as the major causative factors to misappropriation and mismanagement of school funds in Kenya. Komalasari and Saripudin (2015) took this view further by saying that corruption is a criminal action that has occurred widely and assumed to be a very serious disease. They insist that corruption is not only a damage to state finance, but also becomes a violation on social and economic rights, undermines democracy, causes damage to law regulation, deteriorates development, and dims the future of the nation. Fraud is an intentional deception made for personal gain or to damage another individual (Wango and Gatere 2016). They further claim that fraud is a crime, and a civil law violation. All these factors amount to challenges affecting sound budgeting and proper management of finances in schools. Calderon and Ancho (2018:95) defined corruption as "the behaviour of persons entrusted with public or private responsibilities, who neglect their duties to achieve unjustified benefits". In addition, they identified certain activities classified as corruption in education as follows: (1) channelling funds into personal use; (2) patronage; (3) bribery and extortion; (4) giving preferential access to services or goods; (5) influencing outcomes and (6) favouritism irrespective of merit.

### **3.3.3 Outside the African Continent.**

Schools in countries outside the African Continent are also not immune to financial mismanagement. This is regardless of whether the school is government or privately funded. For the reason of the increased risk of financial mismanagement, there is a need for greater scrutiny and oversight on schools (Martin and Dunlop 2019). All schools are subject to financial management regulations to avoid the misuse of funds. State funded school in England are required to complete the schools financial value standard and assurance document. The Local Authority is at liberty to intervene in the financial management of schools any time they deem necessary to do so.



The plague of underfunding and financial mismanagement has not spared the countries outside the African Continent. In the rural areas of Bangladesh in Southern Asia, government cannot provide the requisite teaching materials due to financial constraints (Nuby, Ab Rashid and Hasan 2019). One of the main defaults for South West European Areas is the mismanagement of financial resources (Korres, Kokkinou, Michallidis, Louca and Papanis 2019). Huge loans backed by the International Monetary Fund (IMT) had to be secured to salvage the situation. Workers staged strikes; closing airports, government offices, courts and schools in protest against fraud and corruption.

There is a need for principals to be taken through programmes of professional development on financial management in the General Santos City of the Philippines (Espinosa 2017). This finding points to a lack of knowledge and skills for finance management on the part of school principals in the Philippines. Financial mismanagement in schools can therefore not be ruled out as something that is unique to the African Continent in general, and in South Africa in particular. It is a global phenomenon. This finding emanates from an investigation of the principals' understanding of financial management in schools. It is based on an analysis of perceptions of 11 participants on attitudes, understanding, knowledge, values, feelings and experiences about their school financial management. In the Philippines, just as in some States in the African Continent, it is the government that provides for the budgetary needs of public schools. Similarly, Kenayathulla, Subramanium, Ghani and Abdulah (2018) also described Tamil schools as encountering problems in managing school finance. Just like in South Africa, schools in Tamil receive financial resources in terms of per capita grants. In addition to that there are food supplements as well. In a study that was conducted in 46 Tamil schools in the State of Perak in Malaysia, Kenayathulla et al. (2018) asserted that the principal as the school administrator is fully responsible for ensuring efficient school financial management. However, due to budget that is not planned efficiently by school leaders some critical school programmes end up not being conducted. These include enrichment activities and remedial programmes. These programmes suffer as a result of incompetency in financial management on the part of school principals. Financial Management in government primary schools includes budget, expenditure, asset management, usage and recording of financial resources.

In support of Kenayathulla et al. (2018), Radzi, Ghani, Siraj and Afshari (2018) emphasised the responsibility and accountability that the principal in Malaysia is charged with by saying that the country opted for decentralisation. Decentralisation strengthened the concept of 'Let managers manage'. In terms of decentralisation, the principal's financial management responsibilities include budgeting, granting the money, accounting, financial reporting, evaluating, auditing and internal control. Decentralisation has been identified as a tool for more effective decision-making. The enabling strategy that has been adopted in this regard is delegating autonomy and responsibility to the lower management level. The financial management of a school is largely dependent on the principal's capacity in respect of budget preparation, execution and financial accounting (Pandya and Shah 2018). This assertion is made in respect of schools in the Gujarat State in India. Pandya et al. (2018) further asserted that improper financial management in schools affects quality education. The positive spin-off of sound financial management is efficient and effective administration in an organisation. Sound financial management entrenches the autonomy and the reputation of the organisation. It is a vehicle towards the attainment of excellence. The preparation of budget should therefore not be a one-man-show of the school principal. It should be a product of collaboration by all stakeholders in the school as an education institution.

School Heads in Khyber Pakhtunkhwa in Pakistan do not possess financial management skills (Khattak, Ahmad, Din and Khan 2017). Efficiency is the ratio of input with the output, both of which must tally. Efficiency in female headed secondary schools is lacking in Pakistan. There is free education, but female education is not up to scratch. Female heads do not produce the desired results in the schooling system. This boils down to the point that the researcher made earlier on that there can be no quality education without a sound financial management system. School heads in Pakistan are responsible for administration, instructional leadership and conflict resolution. The school head is a person who plans, organises and controls the school. Lack of capacity to manage on the part of the school head has far reaching consequences for the functionality of the school. The weaker the leadership, the more the chances for the functionality of the school to be decline are. Cost-effectiveness is of utmost importance, especially with the limited resources for teaching and learning that developing countries are faced with. Lack of

adequate funding for schools is indeed a thorny issue that seems to be resonating across almost all the countries of the world (Aliyu 2018). In the Kaduna State of India, it was found that principals resorted to exploring other sources of funds. These include PTA levies, sourcing funds from school farms, workshops, students' arts and crafts, school poultry, school magazines, speech and prize-giving days, and canteens. There were also several factors militating against financial management such as ghost workers, untimely disbursement of funds, lack of ICT training and neglect of internal auditing. Financial management thus entails the application of conventional principles to curb wasteful expenditure. It implies liability to be called upon to account for funds generated. School funding in the Kaduna state depends on school fees. Despite all the fundraising measures alluded to above there are school activities and programmes that cannot be implemented for lack of funds. A budget is a policy document that offers a comprehensive overview of a government's financial plans and includes proposed expenditure, revenues, deficit, or surplus and debt (Moulick and Taylor 2017). He goes on to say that the public sector is full of organisations that face hard budget constraints. Schools and other public institutions must therefore balance spending increases against revenue growth. It comes as no surprise, in the light of this assertion therefore, that bureaucrats will always advocate for budget maximisation in line with Niskanen's theory. The quality of management may contribute to organisational efficiency. Schools that can budget more effectively are likely to have better student outcomes. But that is not always the case. According to Niskanen's theory, budget maximisation leads to increased salary, increased prestige and power; but not necessarily increased efficiency as envisaged by the bureaucrat.

Pike, Pryor, Mazerolle, Stearns and Casa (2016) observed that budgetary constraints were the main reason cited for schools being unable to provide AT services in US secondary schools. Schools in New York relied on sport coaches and other unqualified personnel to provide medical care. Athletics is considered an integral part of the school curriculum in the US. It is however hampered by catastrophic sport injuries which require a huge allocation of budget for medical emergency services. Many secondary schools face budget deficits for education, as evidenced by the combined 140 billion US dollars shortfall in 40 states out of 50. Considering that US is made up of the most developed

countries in the world, the picture is a very bad one for school budgets. In support of Pike et al. 2016, Michel (2018) revealed that music education was reduced or eliminated by school administrators in many US schools due to budget constraints and other issues related to funding and resources.

In concurrence with Pike et al. (2016), Kumi-Yeboah and Smith (2018) stated that budget deficits made it difficult for schools to purchase and supply textbooks to students. This was in respect of schools in 26 states in the United States. This led to many of the schools reducing drastically on their curriculum offerings. The situation was further exacerbated by a shortage of teachers which, on its own, was the result of budget deficits for schools. Over the past five years, CPS suffered perennial budget crises, the largest of which was a \$1 budget deficit in FY2015-2016 (Farmer, Baber and Poulo 2017). To make up for these annual deficits, CPS officials embarked on a number of measures that severely impacted public education across the entire city. Million-dollar budget cuts on almost every school across Chicago were imposed. These huge budget cuts forced the schools to reduce on arts, gym, language, history and literature classes that they were offering. Supplies in many schools were conspicuous by their absence. This resulted in teachers supplying their own classrooms out of their own pockets. In some instances, parents resorted to donating basic supplies like toilet paper. Schools also had to reduce their teaching staff, support staff and wrap-around service professionals like counsellors, clinicians, paraprofessionals and nurses. Under this resource strain, CPS even resorted to closing dozens of schools. While the most vulnerable students were bearing the brunt of the cuts, all schools were impacted by budget cuts. Schools suffered a serious lack of the resources they needed for all Chicago children to receive education.

The budget situation that hampers school functionality in developed countries currently is no different from that of developing countries in the African Continent. Government subsidy which is meant to cater for tuition and operational expenses in schools has been found to be inadequate (Adan & Keiyoro 2017). This is about the situation in public secondary schools in the Isiolo North Sub-County of Kenya. Because of this situation, schools were urged to initiate income generating projects to support their budget deficits. Such projects were expected to help schools generate additional resources, cut down

operational costs, and finance other critical curriculum offerings. It was found that these projects yielded positive results, provided the principals and staff were given proper prior training on Project Management.

Balhao (2016) made a very bald statement in stating that, “funds apportioned by the government to schools will never be enough to carry out planned activities effectively”. This is a finding emanating from studies in respect of public secondary schools in the Khomas Region in Namibia. Balhao (2016) also made a finding that principals do not have the financial knowledge and skills to efficiently manage various financial resources. Such resources include sponsors, donors, alumni, crowd funding, thrift shops, as well as investing these funds for sustainable income. Principals should receive in-depth training and have more authority in the financial decision-making in schools. In support of Balhao (2016), Sauti (2019) added that financial aids supplied by government to schools arrive late at schools and are completely insufficient.

There is a high incidence of financial deprivation in Zambia, with roughly 75% of the population living below the international poverty line (Baum and De Blurar 2017). As a way of improving the living conditions of the citizens, the Zambian government prioritised education as one of its key objectives. Government took it upon itself to make education available to all its citizens. However, the impediment to the realisation of this noble cause is limited financial resources. This forced the government to come up with ways and means to provide education by establishing partnerships with private sector providers. In line with this strategy; any person, community or organisation is allowed to apply to set up a school. Out of this approach, three categories of schools started to mushroom and grow by leaps and bounds. These are: Private schools owned by religious groups and individuals who receive no subsidies from government, community schools run by parents who receive grants from government, and grant-aided schools owned by private individuals who receive grants in cash, teaching staff and learning materials.

Du Plessis and Mestry (2019) observed that most rural schools in South Africa are under-resourced due to budgetary constraints. They do not have water, sanitation, electricity; and classrooms are in a terrible state. Education authorities cannot provide schools with everything required to provide children with basic necessities. In South Africa, the funding

provided by the state is insufficient to address the needs of the schools (Mestry and Berry 2016). SGBs lack the knowledge and skills needed to make ends meet with a limited budget. They resort to allowing principals to take the lead in all processes relating to the management and monitoring of funds in the school. These responsibilities relate to receipt and disbursement of funds, keeping of financial records, and preparation of budgets.

For the purpose of mitigating the impact of budgetary constraints in schools, the DBE provided schools with guidelines for financial management (Dibete and Potokri 2018). Financial management includes three tasks: Planning which is basically the drafting of budget, as well as organisation and controlling (in the form of auditing). Budget is a document that contains the figures relating to all probable income and expenditure of the school for the coming year. It guides how the spending of raised and allocated funds should be executed in the coming year. Because of the poor socio-economic background of the communities in which the 'no-fee schools' fall, they have their funding provided by the state. This is in line with the NNSSF. All schools, whether 'fee paying schools' or 'no-fee schools', are encouraged to do fundraising. They can do this by hiring out school property, establishing tuck shops, and selling vegetables and craftwork that children are able to produce through the subjects that the school offers. They may also receive donations given voluntarily by private sponsors.

Financial organisation can be described as an activity aimed at combining all means available to render a service regarding the finances of an organisation (Dibete and Potokri 2018). Such activities include the drawing up of a school financial policy, setting up structures to handle the use of funds, and delegation of functions. Boma (2018) defined financial controlling as an established device to promote checks and balances in organisational finance management. It specifies principles, rules and regulations that the supervisory body will use to ensure the desired level of performance. Financial controlling is a process of monitoring the activities of each individual, or committee in the school to ensure effective and efficient utilisation of financial resources (Dibete and Potokri 2018). Section 30(1) of SASA mandates the schools to establish committees, including a finance committee. The finance committee should include the principal, the SGB chairperson, a treasurer, and a finance officer. It serves as an advisory body to the governing body on

financial matters. The financial committee oversees the implementation of the financial policy. The financial policy must spell out in legal detail the responsibilities of the parties involved in the management of finances. It must specifically indicate who each party is accountable to, as well as what their liabilities are. The control of school finances is done through auditing which may both be external and internal. Nobody may deposit the money that belongs to the school in any bank account other than the one which exists in the name of the school.

### **3.4 KEY STRATEGIES IDENTIFIED FOR EFFICIENT FINANCIAL MANAGEMENT IN SCHOOLS**

From the discussions above, it is true to say that financial mismanagement is rife in schools in many countries of the world. However, from the studies that have been conducted it is also equally true to say that there are pockets of excellence that have been identified. Baaru (2019) stated that the replacement of School Management Committees (SMCs) with Boards of Management (BOMs) brought about major reforms in the management of finances in schools in Kenya. The BOMs introduced internal controls that resulted in enormous improvements in financial management. They introduced checks and balances that ensured that financial resources that were available to institutions were used optimally to advance their core objectives. The BOMs were mandated to receive, collect and account for any funds accruing to the institutions. They put an end to political interference whereby politicians placed their cronies in those bodies with undue disregard for their academic qualifications. The appointment of suitably qualified personnel is the strategy that Kenya used to ensure efficient financial management in schools through the BOMs.

Under Bangkok Metropolitan Administration in Thailand, it is imperative for persons involved in financial management to study the rules and regulations to ensure that budgetary operations are accurate (Rewatto and Intarak 2019). Budgeting is made to achieve its goals and excellence in three ways: participation of personnel, timely implementation of planned activities, and verified evidence of implementation. Regular evaluating and reporting, decentralised decision-making, and use of technology to process financial transactions have been adopted as policy. Compliance to policy has

been escalated to the level of non-negotiable for schools. Proper inspection of schools for compliance to the guidelines provided is conducted on a regular basis. The strategy for Bangkok schools is in the main one of mandatory study of the rules and regulations for budget and financial controls. Adherence to rules and regulations is enforceable through law.

It appears that decentralisation of power and authority to schools is becoming a popular strategy for ensuring efficiency in management in general. Public education worldwide has given impetus to periodic trends where school management emphasis shifted from centralisation to decentralisation (Martin 2019). This is influenced by industrial and commercial organisations. School-Based Management (SBM) is defined as decentralisation of decision-making authority from central to individual schools (Martin 2019). Its origins are on the national policy of decentralisation that was set by the Philippine Government Code of 1991. SBM is premised on the involvement of parents and local community members in school decision-making to improve schools. In the Alfonso Lista District of Philippine, government allots a lot of money to schools. SBM has yielded positive results in the improvement of financial management in schools. Decentralisation of power and authority can be considered an effective strategy to enhance efficient financial management in schools. This is provided it is properly guided and monitored.

#### **3.4.1 The Importance of Financial Management and Control**

Studies that have been conducted show that financial management and control are the key instruments by which public and private institutions are able to ensure economic outcomes and financial benefits through return on investment and reduction of costs (Dey, Malesios, De, Chowdhury and Abdelaziz 2020). In the case of schools, financial management and control are systems through which the principals and SGBs can utilise the moneys allocated by the state in a manner that optimally benefits the intended beneficiaries who are the learners and service providers. It is through efficient financial management and control that the best school requisites for teaching and learning can be procured. It is through efficient financial management and control that poverty alleviation programmes such as School Nutrition and Scholar Transport can be executed as



expected. Lean management practices and sustainability-oriented innovations are just but some of the manifestations of return on investment and reduction of costs strategies that can be deployed to achieve financial benefits and economic outcomes. The main purpose of these strategies is to achieve 'zero-waste' in the operations of the institution, as well as the highest quality of benefits from the available resources.

Effective financial management and control practices result in strengthened and efficient supply chain management practices (Bimha, Hoque and Munapo 2020). Through the best practices in financial management and control, issues of fraud, corruption, financial misappropriation and embezzlement of funds can be prevented and combated. It is through internal financial management systems that government is able to secure financial statements and quality financial information that is reliable from state institutions (Ahmad and Mas'ud 2020).

### **3.4.2 Sources of Financing Education**

The main source of funding for education in South Africa is the state through the NNSSF. The Minister of Basic Education, in terms of the SASA, is mandated to determine the NNSSF (South Africa: SASA, 1996). The poverty levels occasioned by apartheid policies and the injustices of the past, particularly among black communities, escalated to a point where parents could not afford to finance the education of their children. It is for that reason that the Minister is mandated, in terms of the law, to fund public schools out of public revenue. Schools are categorised into 5 (five) quintiles. Schools that are considered the poorest of the poor, in terms of the poverty ranking, fall in Quintile 1. The range of quintiles, from the poorest cohort to the wealthiest, is from 1 to 5. All schools in Quintiles 1 to 3 are declared poor schools and therefore 'no-fee schools'. The per capita allocation of funding for learners across the quintiles is done on a sliding scale, with learners in Quintile 1 enjoying the largest share. The education of children in 'no-fee schools' is funded in full by the state. Schools in Quintiles 4 and 5 are declared wealthy schools. They get a subsidy that is minimal from the state; otherwise, parents in these schools are responsible for the education of their children. Schools in Quintiles 4 and 5 charge school fund from parents as their source for school funding. All schools are free to embark on programmes of fundraising through concerts, entrepreneurship days, selling

agricultural produce and art work from the practical work that children are required to do in Agriculture and Arts subjects. Other initiatives like the renting out of school facilities like the school hall and sports grounds also play a major role in fundraising. Schools also source their funding from the advertisements that businesses make by posting large billboards on their premises.

### **3.4.3 Factors Responsible for Increases in Educational Expenditure in Schools**

The increases in prices of textbooks and stationery, as the basic requirements for teaching and learning, constitute the fundamental factors for increases in educational expenditure. The inflation rate which tends to increase annually is at the core of these increases. Political considerations which have led to the State in South Africa coming up with programmes like School Nutrition and Scholar Transport to make education accessible to children regardless of their socio-economic background are the other causative factors for increases in educational expenditure. School Safety measures that schools are required to put in place for the safety of the children and staff do have their contribution to educational expenditure increases. Criminality has forced schools to install security features like cameras and burglar alarm systems. Schools also have had to establish Sick Bays and procure First Aid Kits in order to assist learners who either fall sick or get injured while at school. All these School Safety measures lead to increases in school expenditure. The need for children to participate in a wide variety of Sporting Codes and Music is another critical factor that results in increases in educational expenditure. Most of these Extra-Curricular Activities require expensive equipment for children to participate in. There is also a high demand for the State of the Art Infrastructure for schools, especially in the wake of the Covid-19 pandemic that is prevailing currently. There is a need for schools to be provided with adequate Classroom Space and decent furniture for Social Distancing. Water and proper sanitation has become a non-negotiable for schools to operate, if the Covid-19 Protocols are to be observed as required. The Covid-19 pandemic has necessitated a situation where the state must provide the schools in the rural areas with water tanks and flushing toilets. There is also Personal Protective Equipment in the form of face masks and hand sanitisers which is mandatory for every

learner and staff member in the school which the state has to provide. All these Covid-19 compliance requirements have inevitably led to increases in educational expenditure.

#### **3.4.4 The Safekeeping of Source Documents and the Handling of Cash**

The Safe Deposit Box is one tool that is widely used by Finance Officials in schools for the safekeeping of source documents and cash. Alternatively, a Strong Room or Safe can be used. It is extremely important for the Safe Deposit Box or Safe or Strong Room to be fireproof, and to have a secure locking system that is South African Bureau of Standards (SABS) approved. For the purpose of accountability, only the finance officer of the school should keep the keys to the Safe Deposit Box. Ideally, only one person should be held responsible and accountable for the safekeeping of funds (Messer 2020). To save the documents from sustaining damage through tear, sunlight or accidental spills as the case may be; it is advisable to insert the documents in plastic page sleeves. Receipts, Cash Payment Slips, Invoices, Cheque Books, cancelled cheques, purchase orders, Financial Statements, and audit reports are some of the documents that should be kept in the Safe Deposit Box. Filing documents in binders that are labelled helps the finance officer to easily identify a document that is to be retrieved for use from the Safe Deposit Box. A source document is the original document that contains all the information that supports the transaction entered into an accounting system. A Register that is updated on a daily basis for all items stored in the Safe Deposit Box should be kept by the finance officer of the school. The updating of this Register can be done just before end of the school day. It may also be important for the finance officer to reconcile their records with those of the individuals who may have deposited some documents in the Safe Deposit Box in the course of the day.

#### **3.4.5 General Problems with Financial Management in Schools**

One of the major problems in regard to financial management in schools is the dual accountability of the principal. In terms of Section 16A of SASA the principal is the legal representative of the HOD in the governing body as stipulated in Section 23 (1) (b) and Section 24 (1)(j) of the Act. The principal acts on behalf of the HOD as an administrator in the school. Their responsibility is “to safeguard expenditure” in so far as finance management is concerned. The principal is therefore accountable to the Head of

Department as the employer, only in their professional capacity. The principal is by no means the accounting officer of the school and is not accountable to the DBE when it comes to financial mismanagement. This is precisely because, Section 20(g) dictates that it is the SGB that must “administer and control the school’s property, and buildings and grounds occupied by the school, including hostels”. Section 21(1)(c) specifies that the SGB must “purchase textbooks, educational materials or equipment for the school”; and (d) to pay for services to the school”. The implication of these sections is that it is the SGB that is accountable for the financial management of the school in terms of the law; and not the principal. In regard to financial management, the principal is accountable to the SGB, and not the HOD. Section 16A of SASA, lists the functions and responsibilities for which the principal as employee of the DBE, and in his official capacity as contemplated in Sections 23(1) and 24(1)(j) of the same Act, is accountable to the HOD. The principal is however, in terms of Section 16A of the same Act, also accountable to the governing body for the implementation of statutory functions or policies of the governing body regarding admissions, language, religion and school funds that are delegated to him or her in terms of SASA. The principal is therefore responsible for the day-to-day administration and management of school funds because of this mandatory delegation. However, when things go wrong, it is the SGB that is held liable. The danger with this situation is that principals are generally better informed with regard to the delegated tasks than the SGBs. This means that the principal is in a position to wield power over members of the SGB who are either illiterate or have little knowledge in regard to the handling of school financial matters. They are in a position to do this even for selfish and personal gains. When financial mismanagement occurs in the school, the principals remain off the hook for as long as they acted according to the lawful instruction of their respective SGBs. The principal can only be charged with misconduct for failure to advise the SGB properly on financial matters as directed in SASA. This is a matter that came as a shock to departmental officials in the famous Schoonbee Case; *Schoonbee and others v MEC for Education, Mpumalanga and Another* (2002) (4) SA 877(t). Following a forensic audit on the school’s finances, the Principal and the Deputy Principal in this matter were suspended by the Mpumalanga Provincial Department of Education for allegedly mismanaging school funds. To the dismay of the departmental officials, the Judge of the

High Court set their suspension aside and instructed that they be reinstated to their respective positions with immediate effect. As ground for the decision, the Judge stated that the employer was not entitled to hold the principal and the deputy principal liable for obligations entrusted with the SGB in terms of the law. This is cause for confusion and chaos in so far as financial management is concerned in schools. It creates a fertile ground for principals to manipulate the SGBs, who sometimes do not have the necessary expertise for financial management, for selfish and personal benefits.

There is allegedly also a rampant corruption in the form of misuse of school funds in schools. The misuse of school funds is allegedly done by school principals, right under the watch of, or in collaboration with the SGBs. Corruption in schools is believed to be so rampant that teachers even use the money allocated to schools for school nutrition to provide food for themselves and their families. Others are accused of going to the extent of falsifying invoices to procure goods and services for their personal and family needs. They allegedly use school funds to maintain their families, their cars and houses. School communities also believe that there are teachers who use school funds for their own entertainment, including the buying of alcohol. This is particularly the case when teachers are out on school tours or field excursions with the learners.

The other problem in regard to financial management in schools is that the funding by the state is never adequate for all the needs of the school. Teacher Unions are always at logger heads with the DBE for the reason of a persistent shortage of textbooks and stationery. Complaints over basic necessities such as water and ablution facilities are the order of the day. Learners who deserve to benefit from scholar transport are sometimes not transported for the reason of shortage of funds.

The training of principals and SGBs on issues of financial management is never offered on a full-scale basis. They are subjected to crash courses which do not equip them fully with the necessary skill for efficient financial management. Sometimes the induction of newly appointed principals takes too long before it is rolled out, subjecting them to a situation where they mess up with the management of school funds. When it is finally rolled out, it is in the form of the crushed courses alluded to above. There is also a shortage of staff in schools, a situation which undermines the division of responsibilities

when it comes to procurement processes. Persons who were responsible for the drawing of specifications for a particular good or service should not be same persons who serve in the finance committee that takes decisions on the choice of suppliers and their subsequent payment.

### **3.5 “FRAUD AND CORRUPTION” AS RAMIFICATIONS OF GAPS IN THE PRINCIPALS’ PRACTICE OF BUDGET AND FINANCIAL CONTROL SYSTEMS IN PUBLIC INSTITUTIONS**

#### **3.5.1 Causes of Fraud and Corruption in Public Institutions**

##### **3.5.1.1 The four elements of the Fraud Diamond Theory**

Rustiarini, Sutrisno, Nurkholis and Andayani (2019) attributed the reasons for government employees to commit fraud to four elements which they explain by way of what they refer to as the Fraud Diamond Theory. According to this theory, the four factors that lead to the commission of procurement fraud by public officials are pressure, opportunity, rationalisation and capability. The four factors are the elements of the Fraud Diamond Theory. These are the factors that trigger the commission of fraud and corruption by employees, both in the private sector and government sector. The pressure alluded to relates to personal problems such as the cost of marriage, divorce, medical bills affecting the individual official concerned. Other problems relate to such factors as bankruptcy, uncontrolled debt, individual egocentric motivation such as the desire to get prestige or a higher paying job, obsession with power, and the fear of losing social status.

By opportunity is meant the total set of circumstances that make the climate conducive for the commission of fraud and corruption. Opportunities exist when the financial control systems present flaws that make it easy for employees to commit fraud and corruption. Fraud is not likely to occur where there is no opportunity, even if the individual has high pressure to commit fraud. Rationalisation occurs when employees are able to come up with reasons that sound acceptable enough to justify their flouting of procurement measures that are procedural and lawful. Ex-post facto approvals, which mean the approval of procurements that have already been made, are clear examples of loop holes in the procurement systems of government institutions. Such approvals are common in

instances where institutions find themselves having to procure and acquire goods or services as a matter of urgency as a result of a disaster that catches the institution off-guard. Lastly, individuals who are motivated to commit fraud must also have the capability to exploit existing fraud opportunities. Capability is thus another attribute that each fraud perpetrator must possess to be able to commit procurement fraud. It takes virtues like courage, self-confidence, audacity and fearlessness to break the law on the part of the employee to commit fraud and corruption. Employees with capability to commit fraud and corruption are usually endowed with intelligence that is high enough to help them come up with strategies for a calculated risk.

Perpetrators of fraud are usually internal procurement staff members who work within the organisation. They collude with outside suppliers to deceive the employer in exchange for personal benefits such as kickbacks, bribes, gifts or other benefits.

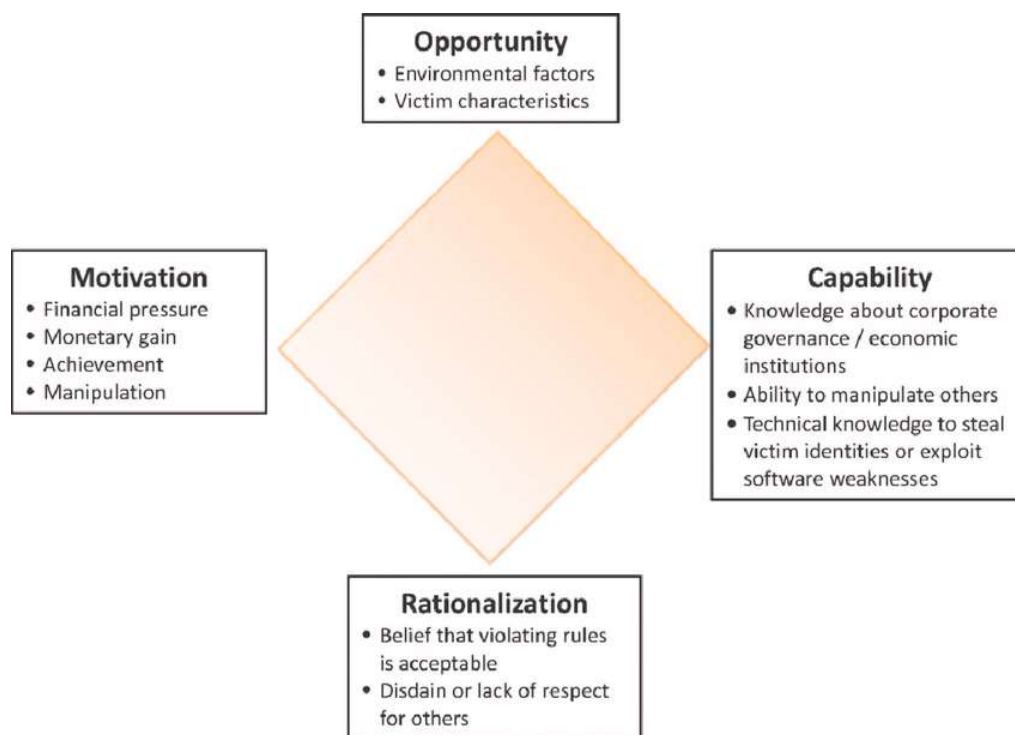


Figure 1.1 Graphical Representation of the Fraud Diamond Theory

Source: (Rustiarini et al. 2019:5)

### 3.5.1.2 Politicisation of the civil service

Desta (2019) identifies one of the main underlying causes of corruption in the civil service of developing countries as the politicisation of the civil service. The author asserts that this politicisation is further aggravated by poor pay, lack of accountability and transparency, weak law enforcements mechanisms, lack of merit-based career advancement, and excessive/ opaque regulations. Cadre deployment championed by politicians leads to corrupt practices such as bribery, embezzlement, fraud, extortion, abuse of power, conflict of interest, insider-trading, abuse of privileged information, favouritism, collusion with business interests, procurement contract/bid rigging and influence peddling (Desta 2019). Similarly, Shava and Chamisa (2018) stated that the increasing deployment of politically connected individuals in local municipalities and other public entities has a serious effect on levels of corruption in government. In South Africa, ever since the inception of the cadre deployment policy, numerous cases of corruption such as the abuse of public funds and poor development of local communities have been documented (Shava and Chamisa 2018). Therefore, cadre deployment has contributed immensely to increased corruption and has proved to be a major obstacle to the realisation of the goals and objectives of a developmental state in all spheres of the economy. It is through cadre deployment that candidates that do not have the requisite qualifications are appointed into senior positions at the expense of competency levels expected of appointees in those positions. In support of Desta (2019), Muzurura (2019) described corruption as a multidimensional phenomenon that encompasses abuse of power, misappropriation of public resources, fraud, bribes, collusion, and other rent seeking activities undertaken for private gain, monetary and non-monetary, by both the politicians and the civil service. Hence, Mutangili (2019) portrayed the picture very well by saying that corruption in government institutions is persistent in all countries of the world because institutions such as the legislature (politicians so to speak) have become the major perpetrators of corruption themselves. They are in fact the conduits through which corrupt activities flow. In addition, the rule of law and adherence to formal rules are not rigorously observed, patronage becomes the standard practice, the independence and professionalism of the public sector gets eroded, and the average civilian finally



accepts corruption as an inevitable facet of life; all because of political influence (Mutangili 2019).

#### 3.5.1.3 Moral degeneration and deterioration in ethical standards

Yap, Lee and Skitmore (2020) pointed out that “Lack of ethical standards” is rated the third most critical cause contributing to corrupt practices. They argue that a number of causes are perceived to be significant, with the most critical causes being avarice, relationships between parties, lack of ethical standards, an intense competitive nature, and the involvement of a large amount of money.

Moral degeneration and greed among politicians and government officials have been singled out as some of the causes of corruption (Kabiru 2019). Moral decay manifests itself in the form of the absence of a culture of integrity, honesty, sincerity, hard work, love for others, and commitment to serve as best as possible the interests of the people on the part of civil servants. Moral decay and deterioration in ethical standards have become the major cause of fraud and corruption in developing countries. This results in the abundance of the natural and the human resources that many of these countries are blessed with being grossly compromised. Guerrero-Dip, Portales and Heredia-Escorza (2020) argued that personal ethical standards are a major causative factor in the commission of fraud and corruption, and key to those ethical standards is to know what constitutes, and what does not constitute good behaviour; and to understand it as essential to do good all the time. Guerrero-Dip et al. (2020) referred to this knowledge and understanding as the moral “compass” of acceptable ethical standards by which peoples’ actions should be directed. Deterioration in ethical standards thus implies two things: Firstly, a deliberate intent on the part of the individuals concerned not to do good even though they know what good entails; and secondly, a deliberate neglect of the understanding they have of why it is essential to do good at all times. It implies refusal or unwillingness to be guided by the moral “compass” of ethical standards referred to above.

#### 3.5.1.4 Flawed legal systems and lack of accountability

In most countries of the world, the scourge of fraud and corruption is attributable to a flawed legal system and a lack of accountability which is exacerbated by ineffective law

enforcement within bureaucracies (Yap et al. 2020). In support of Yap et al. (2020), Sagar (2019) ascribed the scourge of fraud and corruption to lack of accountability, opportunity to commit crime, peer support, greed, loopholes in legal structures, and lack of appropriate reporting mechanisms. Inadequate supervision and lack of internal auditing lead to white-collar crimes. Corruption which has become endemic in developing countries is mainly because of the lack of accountability of governments, lack of oversight, inactive civil society, and lack of anti-corruption action plans (Nurunnabi 2020).

In all developing countries, laws that are aimed at curbing and combating fraud and corruption do exist, but there is either lack of will or capacity to enforce them. Alternatively, it may be that these laws have loopholes that make it difficult for law enforcement agencies to apply law effectively. After the alleged state capture in South Africa became public knowledge, it was a shock to discover how broken down the crime-fighting agencies really were (Storm 2020). For instance, it came to light that the weak leadership in institutions such as the National Prosecuting Authority (NPA) grossly undermined the effectiveness of the broader criminal justice system in South Africa. The frail management of the NPA could have been the result of "the concentration of powers given to the president to appoint and remove an official" (Storm 2020). This is possibly one of the flaws in the legal system that may have contributed to the NPA not implementing consequence management on perpetrators of fraud and corruption the way it should have done. Maybe there is a need to revisit the legal framework that regulates the appointment of the Head of the NPA and Heads of Chapter 9 Institutions like the Public Protector (PP), the Auditor-General (AG), the South African Human Rights Commission (SAHRC), etc. The function of the Chapter 9 Institutions is to guard and strengthen democracy as contemplated in Chapter 9 of the Constitution of the Republic of South Africa. Chapter 9 Institutions are accountable to the National Assembly. Heads of the Chapter 9 Institutions are hired or fired by the State President on the recommendation of the National Assembly. The other solution may be to have the combating of fraud and corruption made to be the competence of an independent body that has no connection whatsoever with the state. Otherwise, for the state to be a player and a referee at the same time is possibly the cause for the problem with law enforcement as envisaged.

### 3.5.1.5 Economic hardships and performance-based compensation of employees

Jaakson, Johannsen, Pedersen, Vadi, Ashyrov, Reino and Sööt (2019) referred to economic hardships as another root cause for fraud and corruption, particularly in so far as it relates to private-to-private organisations. There are two dimensions involved in this economic hardship. The first is that the employees of a particular organisation will do everything they can to receive the preferential treatment of another organisation that their organisation does business with. Various pharmacies for instance will rely on one supplier organisation for pharmaceutical supplies. When that supplier organisation has a limited supply of a particular item, it will reserve that item for that one pharmacy it prefers over others. In order to enjoy this kind of treatment, the employees of the receiving organisation will resort to corrupt measures, including bribery, to win the preferential treatment of the supplier organisation. This happens when organisations also set aggressively high performance targets for their employees. The second dimension relates to the way the employees are compensated. Performance-related-compensation can lead to fraud and corruption. In cases like these, the amount that the employees receive as remuneration is based on the level of performance that the employees are able to demonstrate. Again, in this case, organisations set high performance targets for employees. Employees, in circumstances like these, become so exhausted from having to double or triple their efforts to meet the set targets that they resort to bribing. In this regard; they resort to bribing so as to solicit preferential treatment from the clients or suppliers. It is a situation that creates an environment in which employees are inevitably tempted to cheat. This is precisely because exhaustion reduces an individual's self-control, which is necessary if one wants to resist temptation to act dishonestly. Employees tend to feel that in order to receive the highest remuneration possible, they have no choice but to breach the ethical standards set by the organisation (Jaakson et al. 2019).

## **3.5.2 The Effects of “Fraud and Corruption”**

### 3.5.2.1 Impediment to service delivery

One of the greatest setbacks of fraud and corruption is that it hampers service delivery because of the collusion between corrupt individuals in the system and those in the civil society and the private sector (Kanyane and Sisi 2019). Officials in the supply chain

management division of institutions are the main culprits in the perpetuation of the acts of fraud and corruption. Money that is supposed to be channelled through to address the needs of the people on the ground is redirected by corrupt officials in the organisations to serve their selfish personal interests. There is a dire need in developing countries for the majority of the people to be provided with houses, water and sanitation, electricity, health facilities, school infrastructure, roads, job opportunities and social grants such as old age pension and disability grants. Many of these services hardly reach the intended beneficiaries for the reason of fraud and corruption. Kanyane and Sisi (2019) observed that corruption strangles economic growth and severely hurts the poor; and it undermines public support for development assistance by creating an erroneous perception that all assistances are corrupt. In support of Kanyane and Sisi (2019), Mlambo (2019) expressly stated that the African Continent has witnessed vast amounts of corruption activities which have led to most African states remaining underdeveloped, unindustrialised, marginalised and lacking basic socio-economic development in the post-colonial era. Sarkar (2020) said that corruption negatively affects development by distorting markets through the interruption of a fair competition.

#### 3.5.2.2 Erosion of public trust in public institutions

It is evident that there is misgivings and mistrust from the community towards public officials in all spheres of government as can be seen in the violent community protests directed at government officials, councillors and municipal officials (Masuku and Jili 2019). It is either that public projects are left uncompleted, or a poor quality of services is delivered to the people because of huge amounts of money that are stolen by corrupt individuals, leaving the welfare of the citizens suffering a huge blow (Masuku and Jili 2019). It has been revealed that corruption of this nature erodes the trust of people in public institutions. It is no wonder that when it comes to the provision of education, parents who can afford financially chose to send their children to private schools. They have lost all confidence in public schools. Corruption promotes national and global inequalities which destroy trust between the haves and the haves not, hence the persistent clashes and conflicts between the two sides.

Sapsford, Tsourapas, Abbott, and Teti (2019) emphasised that corruption destroys trust in the institutions of government and the overall rule of law. It divides the society into those who extort bribes or dispense favours and those who are required to pay bribes and are excluded from favour – in other words, there is a breakdown of social inclusion (Sapsford et al. 2019). Corruption breaks down trust between people, as well as trust in social institutions. It breaks the strings that hold contemporary societies together; and it leads to an aggressive attack on social cohesion.

### 3.5.2.3 Decline in accountability and good governance

Kumar (2020) defined accountability as a ‘process of being called to give account to some authority for one’s actions’ or a process of giving an account’ and can be seen as ‘answerability. When corruption is instigated and perpetrated by those who are entrusted with the responsibility to detect it and bring the perpetrators to book, accountability becomes very difficult to accomplish. Good governance becomes grossly compromised. The word accountability carries with it an element of control. That control is greatly weakened when the person who is supposed to exercise it becomes the very person who violates its effective implementation. This has a ripple effect of loss of trust and confidence on the part of investors, decline in the economy, and reduction in employment.

Epstein and Gang (2019) alluded to a “culture of evasion” that damages state authority. For the reason of corruption, many people begin to evade tax payments which they know will be abused, and thus limiting the state’s economic development capability. Loyal taxpayers end up taking a resolve to withdraw from paying tax because they know that the money they pay towards tax is going to be abused. In the face of extensive corruption, it is challenging for the state to establish and implement policies that reflect good governance. In an environment like this, there can be no government that is accountable and transparent, efficient and effective, and following the rule of law (Epstein and Gang 2019). The rich and the poor become polarised. The rich are labelled as selfish capitalists who earn their fortunes from preying on the blood of the poor and people begin to hold divergent views on what is the appropriate level of enforcing proper payments of taxes due and what is not.

#### 3.5.2.4 Loss of morale on the part of the citizenry

Emara (2020) described corruption as one of the causes of brain drain and has a negative and significant effect on human development in both the short and long run, meaning that increased corruption weakens human development. Corruption in public institutions results in less supervision of staff which in turn causes gross negligence and low morale on the part of employees. Employees derive a lot of motivation from knowing that they are supervised, and that good performance will be recognised and even incentivised while poor performance will be denounced and discouraged by all means possible. Lack of recognition of good performance results in loss of morale on the part of employees, particularly those who do everything in their power to meet the expectations of the employer. In the same vein, lack of consequence management for poor performance has a negative effect of discouraging dedicated employees from performing to the best of their ability.

MacLean-Abaroa (2019) held the view that the persecution of corrupt individuals deflects the focus of attention from the causes of corruption to the symptoms, leaving the prevailing corrupt conditions or systems intact. This is yet another cause for low morale on the part of employees. The author cites a situation in Bolivia where a bankrupt institution was ravaged by the hyperinflation of the early 1980s that had depleted most of the city's revenues, leaving the employees practically unpaid for months. The cause of bankruptcy in this institution was blatant corruption. A drastic decline in the morale of the employees became the inevitable consequence of corruption. Consequently, most employees turned to the same corruption that had made them to be despondent to gain a living. A vicious cycle of corruption and low morale among the employees prevailed. Institutional reforms regressed and the nation lapsed back into its customary habits of corruption.

Tax evasion by citizens is a good example of a manifestation of low morale to do good caused by corruption. Augustine and Enyi (2020) stated that corruption has been reported to play an important role on tax compliance behaviour. The trust of taxpayers is greatly enhanced by governments that are seen to be fair and not corrupt. When taxpayers have trust in government, they exhibit unquestionable willingness and preparedness to pay tax.

The government trust referred to relates to corruption perception that taxpayers have in the form of bribery and abuse of power for personal advantage. Augustine and Enyi (2020) also postulated that most developing countries suffer loss of tax as a result of bribery and corruption. Dishonesty and immoral behaviour on the part of officials responsible for tax collection and utilisation lead to low morale on the part of taxpayers.

#### 3.5.2.5 Loss of institutional and personal reputation

Marchini, Mazza and Medioli (2020) maintained that the financial gains generated through corrupt activities do not justify the loss of freedom, dignity, integrity and reputation that corrupt officials suffer in the event of the law catching up with them for their corrupt deeds. In business circles investors tend to shift their income generating deals towards less corrupted countries and so, high bribery reduces the incentive to attract foreign income. The same kind of scenario is true of schools which are non-profit organisations. Parents tend to take their children to schools where there is no history of fraud and corruption. Urinboyev (2019) emphasised the point that money is not everything in the village; but respect, prestige and reputation are equally important. No amount of money can justify the social sanctions of gossip, ridicule, isolation, loss of respect, loss of dignity, and loss of integrity and esteem. Rabbiosi and Santangelo (2019) added that corruption does not only rob officials in the most senior echelons of their organisations of their hard earned reputation, but also the income and the assets that they had accumulated by way of legal and lawful means. This is because of the huge legal costs that they have to incur when the long arm of the law catches up with them. Others even end up in jail for many years as a result of being found on the wrong side of the law because of fraud and corruption. When in jail, they are no longer able to generate any further income and their families suffer immensely.

### **3.6 GOOD PRACTICES IN BUDGET AND FINANCIAL CONTROL IN ORGANISATIONS**

#### **3.6.1 Public Value Management (PVM)**

PVM relates to an approach in budgeting that admonishes public organisations to not focus narrowly on achieving targets or protecting politicians, but to strive for desirable societal outcomes, such as welfare, well-being and equity (Douglas and Overmans 2020).

PVM champions the involvement of stakeholders in budgeting processes. In other words, PVM is all about participatory democracy in the budget processes of public institutions. The SASA stipulates that the governing body of a school must draw up a budget for the following year. Section 38(1)-(3) of SASA directs that the principal must convene a parents' meeting. The purpose of the meeting is for the principal to present the budget for the following year to all the parents, for their inputs and subsequent approval. Through SASA, the law thus ensures that budgeting processes in schools fall in line with the principles of PVM. Transparency and inclusivity in decision-making processes are part the key principles that underpin PVM. The shift from status to action in PVM creates space where public officials, managers and citizens interact in order to share objectives, ideas, rules, and resources within the public value creation (Magliacani 2020). The Budget Process that embraces PVM as its approach thus becomes participatory in nature. The public participation in the budget processes of schools in terms of Section 38 of SASA is in line with PVM theory. Public value budgeting promotes coordination and integration between public funds and community resources, involvement of societal stakeholders in the budgetary process and more continuous tweaks and changes to the budget (Douglas et al. 2020).

### **3.6.2 Performance Management and Accountability**

As good practice, South Africa has put in place systems for performance management for teachers and non-teaching staff in schools. The systems are known Integrated Quality Management System (IQMS) and Performance Management and Development System (PMDS) respectively. IQMS is informed by Schedule 1 of the Employment of Educators Act 76 of 1998 (EEA), whereby the Minister is required to determine the performance standards for educators, as well as Collective Agreement No. 1 of the Education Labour Relations Council (ELRC) of 2003 (South Africa: EEA, 1998). The Public Service Commission (PSC) is mandated in terms of Section 196(4) of the Constitution of the Republic of South Africa to monitor and investigate adherence to applicable procedures, propose measures to ensure effective and efficient performance in the public service (South Africa: Constitution of the Republic of South Africa, 1996). Informed by this mandate, the PSC conducted a range of studies on the implementation of PMDS and compliance thereto. Both the IQMS and PMDS provide for public officials to apprise the



employer of areas in need of development on their part as employees, and to be subjected to capacity building programmes in respect of those areas. The idea behind these systems is to make it possible for the employer to fulfil the requirement of holding the employees accountable for non-performance. School principals are generally not financial managers. They are professionally qualified teachers who get promoted to positions of being principals of schools by virtue of leadership qualities that they display during selection and appointment processes to promotion posts which include, inter alia, interviews and advanced professional and academic qualifications considerations.

Wangrong and Xiaobo (2018) distinguished between financial accounting and management accounting. Financial accounting, on the one hand, is the area of accounting that is primarily concerned with the preparation of financial statements for use by creditors, investors and other users outside a business. This is expertise expected of financial experts such as accountants and auditors. Management accounting, on the other hand, is primarily concerned with generating financial and non-financial information for use by non-financial managers such as school principals in their decision-making role within the organisation. This makes the management accounting to be a competence that school principals can employ to efficiently exercise their financial management responsibilities. These responsibilities include resource allocation, financial record management, monitoring and evaluating spending trends, financial risk management and the compilation of budgets. Statutory institutions such as the AG and the PSC are there to play an oversight role over state institutions to ensure the efficient implementation of management accounting practices. Schools are part of such state institutions. Schools are expected to develop financial policies and regulations that emanate from the PFMA 1 of 1999. The key objectives of the Act are: to modernise the financial management systems of public institutions, to hold the managers accountable, to ensure the timely provision of quality financial information, and to eliminate waste and corruption in the use of public assets and financial resources.

Mechanisms such as annual reports, performance management and development systems are there to ensure that public service is accountable. Accountability is the liability assumed by all those who exercise authority to account for the manner in which

they fulfil financial responsibilities entrusted to them (Wangrong et al. 2018). Accountability carries with it a relationship of conferring responsibility on the part of the employer, as well as reporting back on expected and agreed upon performance on the part of the employee. The agreement could either be explicit or implicit between supervisors and subordinates. Accountability constitutes an integral part of performance management as one of the best practices in budget and financial controls.

### **3.6.3 Centralisation and Decentralisation of Budgetary Systems and Financial Controls**

In many countries of the world, centralisation of budgetary systems and financial controls, on the one hand, has proven to be a good practice for the enhancement of efficient and effective financial management in public institutions. This is in direct contrast with the approach that South Africa has adopted for schools through the advent of Section 21 schools, which by their very nature are self-managing schools. Financial management, through the advent of Section 21 schools in South Africa, has assumed a high degree of decentralisation of responsibilities and accountability. When the political-administrative system in Greece appeared to be incapable of integrating available knowledge and expertise, the loose and decentralised budgetary system was centralised and tightened (Calliope 2020). This major reform played a significant role in addressing fragmentation, lack of reliable data and transparency in financial management. By early 2010 in Greece, public debt and fiscal deficit had risen to a point where further borrowing in the international capital markets had turned out to be completely impossible. To mitigate this challenge, the state took it upon itself to centralise financial management, including issues of budgeting, disbursement of funds and monitoring of financial controls. The strategy played paid off by going a long way in turning the economic situation of the country around. Esther, Mubaraq, Ademola, and Daudu (2020) held the view that, in centralisation, the decision-making power resides exclusively at the top. This makes the climate conducive for formalisation and standardisation of management mechanisms so as to ensure that employee activities lead to achieving organisational goals. For centralisation to work effectively, it has to be coupled with internal controls. Internal Controls are discussed in more detail in paragraph 3.7.4 below. The purpose of internal controls is to ensure the reliability of the financial and management reports, compliance

with relevant laws and regulations to enhance the optimum integrity of the institution (Esther et al. 2020).

On the other hand, decentralisation of budgetary systems and financial controls has its own advantages; and is in its own right a good practice as well. The decentralisation of budget decisions from the central office to the schoolhouse has emerged as a system-changing strategy to give principals the flexibility to allocate their resources to areas most likely to improve educational outcomes (Zeff 2020). Budget decentralisation assists the principals of low-performing schools who are eager to apply new approaches to employ innovative strategies that lead to improved learner performance. Such approaches include week-end classes during which learners are provided with food, hiring of better qualified teachers to assist struggling learners with extra tuition, procurement of quality study materials (including technological gadgets), etc. Decentralisation of Budget and financial controls is a way of putting into practice the democratic ideal of the government of the people by the people, and for the people. The fact that the SGBs in South Africa are entrusted, through SASA, with the responsibility to manage all the financial affairs of the school is a manifestation of participatory democracy in the management of state funds. Koval (2020) regarded the principle of decentralisation of budget and financial controls to schools as a way by which state authorities institute the democratic values whereby people are encouraged to work together as one for the achievement of common objectives. Decentralisation provides platforms for people to participate in decision-making on matters that affect them. They take ownership and accountability for the decisions that they take on the basis of responsibilities and functions decentralised to them through laws and regulations.

#### **3.6.4 Internal Controls**

Internal Controls are good practices in so far as budget and financial controls are concerned. Boakye (2019) made an important assertion that fraudulent practices can never be prevented but can instead be managed when adequate control measures in the form of internal controls are instituted. Similarly, Ahmed and Nganga (2019) pointed out that Internal Control Practices have been established to influence financial performance in the government sector since governments have been facing a myriad of challenges in

terms of financial performance. Internal controls help to detect fraudulent practices and financial wrongdoing provided both the management and other employees within the organisation comply with the regulatory framework that has been put in place. Internal controls are defined as laws that safeguard the assets of an organisation, provide dependable financial reporting, enhance compliance with regulations and laws and achieve efficiency operations (Ahmed and Nganga 2019). Internal controls thus assist in the prevention of errors and losses through monitoring and ensuring strict adherence to pertinent laws and regulations. Hence, Afriyie, Kong, Danso, Ibn Musah and Akomea (2019) categorically stated that internal controls are critical to guarding an institution against fraud, error, and devastation. They further state, however, that internal control mechanisms need to be relevant, because the organisation cannot comprehend the effectiveness of the system if they are out of touch with the operations on the ground. This means that in South Africa, the internal controls and regulations promulgated for ensuring sound budgeting and financial controls in schools should be relevant to the day-to-day operations in schools. A high internal control system is expected to lead to the automation of most of the accounting functions such as general ledger, cross checking, etc. (Puasa, Smith and Amirul 2019). The effectiveness of such a system may also be assessed in terms of the high quality of the information it generates which should also enhance better decision-making.

### **3.6.5 Consequence Management for Corrupt Officials Who Flout Laws and Regulations for Budget and Financial Controls**

Asiyai (2020) described corruption as one of the global issues impeding systems effectiveness which has permeated the education system in Africa. Fraud and Corruption thrives very well where there is no consequence management for non-compliance with laws and regulations for budget and financial controls in schools. Failure to execute effective and appropriate budget and financial controls amounts to financial mismanagement. Botha (2019) described financial mismanagement in schools as a serious form of misconduct, of which the consequences rest on both the principal and the SGB. In terms of Section 20(g) of SASA, the SGB is accountable to the state, and is liable for financial mismanagement in schools. The principal is however, in terms of Section 16A of the same Act, also accountable to the governing body for the implementation of

statutory functions or policies of the governing body regarding admissions, language, religion and school funds that are delegated to him or her in terms of SASA. Wagner and Walstad (2019) found that there is no immediate penalty or consequence if the principal or SGB flout laws and regulations for financial management in schools. Many times, people involved in the commission of financial mismanagement in schools easily get away with crime. Mphethi (2020) noted that SGB members lack knowledge and skills related to finances which result in them being unable to establish financial committees, develop school financial policies, or even hold the principal accountable for non-compliance. By virtue of their literacy levels which are by far higher than those of the Parent Members of the SGBs, the principals and teachers who serve in the SGBs and finance committees in schools are the ones well equipped with skills to orchestrate and execute the corrupt activities of fraud and theft of school funds. In terms of the Fraud Diamond Theory as was discussed in paragraph 3.6.1.1 above, teachers are the ones who possess all the four requisite attributes (pressure, opportunity, rationalisation and capacity) necessary for the commission of such crimes. With corruption in schools being rampant in schools across the globe as was discussed in 3.4 above, there is a dire need for practical solutions to combat crime and bring perpetrators to book through effective consequence management strategies. These include administrative strategies like ensuring that teachers are paid good salaries that are commensurate with the standard of living in society, formation of anti-corruption clubs, proper value re-orientation, character education, and check mating the movement of teachers during school hours (Asiyai 2020). In support of Asiyai (2020), Vyas and Wu (2020) advocated for the distribution of handbooks on corruption, ethics and integrity in public administration. Teachers can also be encouraged to pioneers of debates and essay writings on fraud and corruption related topics. This will help sensitise staff and students about corruption and the evils associated with it.

The issue of disciplinary measures against perpetrators of fraud and corruption is critical if consequent management is to be effective. This should be done to make sure that perpetrators are brought to book, and that the sanction imposed on those found guilty of fraud and corruption serve as deterrents to potential offenders. It is very important that schools should have a supervisory and disciplinary panel to monitor and check role players in the school activities who are conflicted in terms of their business interests

outside the school (Saidu and Micah 2020). In the same vein, the government should structure its Education Service Delivery Model (ESDM) so as to cater for the appointment of financial inspectors who will pounce on schools without prior notification on a regular basis to monitor compliance to budget and financial controls (Saidu and Micah 2020).

All teachers serving in Public Schools in South Africa are registered with the South African Council for Educators (SACE). The function of SACE is the registration of the teachers with the Council, discipline of teachers, and professional development of teachers. SACE is regulated in terms of the South African Council for Educators Act, Act No. 31 of 2000 (South Africa: SACE, 2000). The conduct of educators is regulated in terms of the SACE Code of Professional Ethics. SACE has a duty to determine whether an educator is fit and proper to be an educator and reserves the right to strike the educator off the roll if found to be unfit and improper to be an educator. In terms of the Act, an educator accused of fraud and corruption may be subjected to a disciplinary hearing which may lead to the teacher being removed from the roll as a teacher, if found guilty. This is an example of the ghastly consequences that teachers who are found guilty of fraud and corruption may have to face. Non-teaching staff and parent members of the SGB who are accused of fraud and corruption can be subjected to the processes of the Criminal Justice System. This may lead to them being sentenced to jail terms which serve as deterrents to possible offenders. It is therefore incumbent upon community members in general to assume the responsibility of embarking on whistleblowing as soon as they realise that someone is involved in acts of fraud and corruption.

### **3.7 CONCLUSION**

Judging by the discussions on literature review above, it seems that there are three issues emerging. The first is that education is an essential tool for the empowerment of the peoples of the world. Different countries prioritise education for the objective of the liberation of the mind. Across the globe, it is through education that the socio-economic and political ills besetting the welfare of the people can be addressed. Secondly, the provision of quality education requires a lot of funding which parents, in general, cannot afford. That is why in most countries, the state has taken it upon itself to fund schools. Even with the state having taken responsibility for the funding of schools, school funding

is never adequate for the attainment of all the desired learning outcomes in schools. Thirdly, the functionality of schools across the world is hampered by failure of those in charge to exercise efficient financial management. There are a number of factors that this inefficiency can be attributed to. These include, inter alia, lack of knowledge and skill to budget and exercise financial control as prescribed in law, negligence and corruption. There is therefore a need for governments to adopt stringent measures to subject school principals and governors to extensive training on financial management. There should be stricter measures for oversight and monitoring to ensure compliance with budget and control systems that have been put in place. Consequence management for non-compliance with laws and policies should be a non-negotiable for principals and governors of schools.

## CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

### 4.1 INTRODUCTION

The research approach that has been adopted by the researcher in this study is the qualitative approach. The focus on this chapter is two-fold. Firstly; it is on the categories of a qualitative study that have been employed by the researcher on data collection and analysis. These include the exploratory, the descriptive, the qualitative approach semi-structured interviews, the grounded theory approach and the interpretive qualitative approach. Lefèvre, Moro and Lachal (2019) identified three stages of a qualitative study as data collection, data analysis and the writing up of the results. Data collection entails population and sampling, as well as data collection methods. Purposive sampling was used in this study. Purposive sampling is one way of achieving the objective of dealing with a manageable amount of data (Ames, Glenton and Lewin 2019). The approach allows for the achievement of a good balance between the quality of the analysis and the range of settings and populations within the studies (Ames et al. 2019). Purposive sampling helps the researcher to achieve a range of settings, a rich data, as well as findings that match the objectives of the study.

Purposive sampling means the selection of participants who, in their capacity as practitioners on the subject under review, can describe in detail their personal experiences during semi-structured interviews. Data analysis occurs in two stages: the descriptive followed by the detailed interpretative. The writing up of results takes the narrative form which includes both direct quotations from the interviews and the interpretations of the researcher. Secondly; the focus is on the research paradigms that informed the data collection techniques that the researcher adopted. Kankam (2019) argued that paradigms determine the researcher's standing points and approaches to the field under investigation. The differences in the application of research paradigms in information research do not rely on philosophical assumptions alone, but also on the practical consequences of the inquiry and the interpretation of the findings (Kankam 2019). The paradigms that receive attention in this study are: constructivism, pragmatism, interpretive paradigm.



## **4.2 THE CATEGORIES OF QUALITATIVE STUDY USED IN THIS RESEARCH**

### **4.2.1 The Exploratory Qualitative Study**

A study is exploratory qualitative in nature when open-ended questions, followed by a TA, are used in semi-structured interviews for data collection and analysis (Isaac and Eid 2019). Similarly, Tubaishat (2019) described a qualitative exploratory study as one that can be conducted using semi-structured interviews with participants. Semi-structured interviews based on a topic allow a more open and individual approach to complex topics while still maintaining a sense of security for the participants and giving a clear structure to the discussion (Fiedler, Pförtner, Nietzsche, McKee and Pfaff 2019). This is the approach that the researcher used in this study. The aim of the study was to establish the understanding that principals have of the budget and financial control systems that are applied in schools. That purpose was established by way of exploring the personal experiences of the various stakeholders on the subject through semi-structured interviews. Field notes were taken during the interviews and later analysed thematically. In support of Tubaishat (2019), Godinho, Murthy and Ali Mohammed (2019) added that a conceptual framework can also be developed by establishing themes from the experiences that emerge from the inputs by participants. This is the approach that the researcher adopted in this study. Stakeholders that were participants in this study included principals, as well as the finance committee as one of the sub-committees of the SGB.

### **4.2.2 The Descriptive Qualitative Study:**

Descriptive Research is a research used to define, explain, and give a detailed clarification of behaviours and phenomena as what they are (Salsabia, Rahayu, Kharis and Putri 2019). A qualitative research is research which aims to understand phenomena, behaviours, perceptions, motivations and actions by describing them through words and languages, on a specific context which is scientific (Salsabia et al. 2019). Analysis of data content in this study was done by coding and interpreting the data on principals' understanding of budget and financial control. Themes were developed by the researcher. Emerging phenomena from participants' responses were then described according to the understanding that participants had of them. Davis, Temple-Smith and

Lim (2020) advocated the use of closed-ended questions to solicit qualitative responses that can be analysed using a descriptive qualitative approach. Semi-structured interviews were used to source data that led to detailed descriptions of the principals' practice of budget and financial control in schools.

#### **4.2.3 Semi-Structured Interviews**

A semi-structured interview is all about a verbal interchange between the interviewer and the interviewee/s wherein the former tries to elicit information from the latter by asking questions (Walker, Naicker, Kara and Palmer 2019). While the questions asked are predetermined, the participants are at liberty to elaborate on issues they feel are important. Brown and Danaher (2019) emphasised the values of **C**onnectivity, **H**umanness and **E**mpathy as critical in the usage of semi-structured interviews. Brown and Danaher (2019) refer to these principles as the CHE principles. The CHE principles serve as a guiding framework for maximising the ethical and methodological advantages of semi-structured interview research practices. Effective rapport-building and reciprocal respectful relationships with participants in the research decision-making processes and actions are of great significance to the findings made through semi-structured interviews (Brown and Danaher 2019). Semi-structured interviews can be conducted in multiple ways (DeJonckheere and Vaughn 2019). They can be face to face, through telephone, through text, through email, with individuals or group, as well as brief or in-depth. They take the form of a dialogue in which the researcher and participants are guided by flexible interview protocols supplemented by follow-up questions, probes and comments. For the reason of their flexibility, they were used extensively by the researcher in this study.

#### **4.2.4 The Grounded Theory Approach**

The term 'theory' relates to a principle that is produced by the research, and 'Grounded' means that the theory has emerged from data collected during the investigation (Lambert 2019). The grounded theory research aims at obtaining organised, believable ideas from practical investigations. Camargo (2019) asserted that the grounded theory is not a journey to embark upon lightly; and as such one has to be prepared to challenge a number of one's own assumptions and beliefs, and be prepared to be changed from the experience, in the field and in the writing. The purpose of this study was partly to come

up with principles that should guide the exercise of budget and financial control by principals in schools. It was the intention of the researcher to come up with a particular concept or process that will be suitable for budgeting and financial control in schools. This is where the grounded theory finds its relevance in this study. McCann and Polacsek (2020) described the uniqueness of grounded theory as evident in the way researchers elucidate concepts from the data, rather than entering the field with predefined concepts. This is the approach that the researcher consciously applied in this study. The researcher commenced the investigation in the field with an open mind to identify and discover principles that should inform efficient budgeting and financial control systems in schools. This is the essence of grounded theory approach in qualitative research. The development of a theory was based on data collected and analysed. The researcher did not embark on data collection and analysis with any predetermined hypothetical assumption to prove.

#### **4.2.5 The Interpretive Qualitative Approach:**

The interpretive qualitative research approach is one in which the researcher is actively involved in attempting to understand and explain social phenomena to data analysis (Meyer and Dykes 2019). It takes into cognizance that the meaning that the researcher assigns to social phenomena is a function of the circumstances. Methods of data collection and analysis that are flexible, context sensitive and largely concerned with the understanding of complex issues take the centre stage in this approach. The approach recognises that there is difficulty in making the research absolutely objective. The researchers utilise their own minds as their best tool for carrying out data analysis. This strategy is supplemented by the minds of the others in establishing the essence of ideas at their disposal. Descriptions, decoding, translation and coming to terms with meanings of social phenomena constitute a collection of interpretive techniques.

The interpretive research approach is thus subjective. This is in direct contrast with positivist researchers who emphasise issues of validity, reliability and generalizability. Reliability is a term used in quantitative research to indicate the extent to which a test yields the same results when repeatedly used to measure the same thing in similar situations (Ruedin and Morales 2019). Reliability is all about consistency and excellence

in results when research findings are subjected to test and retests correlations. Validity relates to the extent to which the findings represent the phenomenon that the researcher is claiming to be measuring (Ruedin and Morales 2019). Validity applies to both the research design and the method. It is an indication of the extent to which the instrument that is used measures precisely what it is designed to measure. Generalizability is a term used to indicate the extent to which research findings can be extrapolated to other situations (Kneale, Thomas, O'Mara-Eves and Wiggins 2019). The generalisability of research findings is highly dependent on having a well-defined population to which the researcher intends to infer the findings (Kneale et al. 2019). Reliability, validity and generalizability are characteristic features of quantitative research, rather than qualitative research. In quantitative research, researchers make use of statistical data to make research findings. The three terms are all about ensuring the objectivity of research findings which is very key to quantitative research. The terms that apply to qualitative research are trustworthiness and credibility. The two terms are discussed in detail in paragraph 4.7 below.

### **4.3 THE RESEARCH PARADIGMS:**

#### **4.3.1 Constructivism**

Constructivism is a theory that views learning as a process in which learners generate meaning and construct understanding based on their original knowledge experience (Qiu 2019). In support of Qiu (2019), Padirayon, Pagudpud and Criz (2019) stated that experience as our way of constructing our understanding of the world we live in is what constructivism theory advocates. That experience is often accomplished in the interaction of society and culture. Constructivism advocates student – centred learning which consists of four elements: context, collaboration, conversation and meaning construction. The teacher only plays the role of helping the learner to construct meaning. The theory recognises the learner as the centre of cognition and the active constructor of knowledge meaning. Slavin (2019) succinctly stated that the essence of constructivist theory is the idea that learners have a duty to individually discover and transform complex information if they are to take full ownership of the final product of that discovery and transformation. It is a principle that applies to qualitative researchers in the field just as it applies to

learners in the classroom. In the context of this study, the researcher assumed the character of the learner. The theory applied to the researcher just as it applies to the learner. In this study, the researcher made use of experiences shared by the participants to construct meaning and ideas about the principals' practice of budget and financial control systems in schools. In the same vein, the participants also used their experience as a way of constructing their understanding of their school environment. These experiences came about as a result of questions asked by the researcher and the discussions initiated by the researcher for the interviews with individuals.

#### **4.3.2 Pragmatism:**

Chang (2019) defined pragmatism as an approach that evaluates theories or beliefs in terms of the success of their practical applications. This definition is consistent with the view that the researcher has that pragmatism was at play in this study as well. The study sought to understand what the principals, in their understanding, believe works best in so far as budget and financial control in schools is concerned. Morgan (2020) argued that pragmatists recognise that no two people will ever have the same set of beliefs, because everyone has a unique set of experiences. It is on that score that principals were not expected by the researcher in this study to have one and the same view on the topic under review. The main issue for the researcher thus becomes the kind of combined actions in which people can put their heads together, using the extent of their shared beliefs as basis. Just as the individual must subject their preconceived beliefs to a test, so too must pairs of people or groups or communities subject themselves to a test. The researcher in this study endeavoured to find a common ground around which the individuals interviewed could agree. The emphasis during the interviews with individuals was on establishing common experiences. The researcher took into cognisance the fact that every person has their own unique truth. However; be that as it may, whether such truths are equally valid or not is something else. Pragmatism as a research paradigm assisted the researcher in this regard to determine what appears to be the best solution to the problem at hand. It was indicated in paragraph 4.2.4 above that the grounded theory was applied in this study. This is what makes the pragmatism paradigm important for the researcher. Pragmatism constitutes the basis for the grounded theory which seeks to establish a principle that works best to solve the problem at hand. Pragmatism is a school

of thought that says, 'whatever is practical and works, is the truth' (Mazlan 2020). According to pragmatism, no judgement is made as to whether the ideas are right or wrong, but the emphasis is on whether the ideas advanced can solve the problem. If the ideas can solve the problem, then those ideas are accepted as true. This is one of the paradigms that informed the theories and recommendations that the researcher produced out of this study.

#### **4.3.3 The Interpretive Paradigm:**

Christians (2019) asserted that the interpretive paradigm provides an alternative mode of public discourse in terms of which the interpretive model resonates with the attitudes, definitions and the language of the people being reported on or studied. Regarding the interpretive paradigm, interviewing is a meaning-oriented method of research that is used to answer predetermined research questions as it is considered to be the most relevant instrument that can be used to unearth 'beliefs and meanings' (Abbasova and Mammadova 2019). A limited amount of close-ended follow-up questions can also be asked spontaneously to encourage the participants to interpret their opinions in detail at some points (Abbasova et al. 2019). This paradigm was used extensively by the researcher in this study. Semi-structured interviews were used in the study.

Gunbayi (2020) referred to two main philosophies and four paradigms that guide researches in social sciences. The two philosophies are realism or modernism and nominalism or post-modernism. The four paradigms are the radical structuralist, the functionalist, the radical humanist and the interpretive paradigm. In support of Gunbayi (2020), Ardalan (2019) also pointed to the same four paradigms as critical for researchers in social sciences. For the purpose of this study, attention is paid only to the interpretive paradigm that has been applied by the researcher. Gunbayi (2020) affirmed that the interpretive paradigm is an approach that tries to understand the social world, as it is, from the point of view of the individuals that are directly involved in the social processes. Its features can be summarised as follows:

- The main feature of life is face to face relationships among individuals.
- To get to know how the society works, we need to grasp individual's descriptions of the situation.

- It is based on the view that the final reality of the universe lies in ‘soul’ and ‘thought’ rather than the perceptions of the senses.
- It is explanatory but covered. It is nominalist, anti-positivist, voluntarist and ideographic.

Based on the definition and the features of interpretive paradigm as stated by Gunbayi (2020), the researcher applied this paradigm in this study. The researcher sought to understand the principals’ understanding of budget and financial control in schools, as it is, from the point of view of principals and SGBs. The principal is the ex-officio member of the SGB in a school. From the interactions with these individuals the researcher was able to construct ideas about their views on the topic at hand.

#### 4.4 POPULATION AND SAMPLING

##### 4.4.1 Description of the Population Identified for Sampling: The Amathole East Education District (AEED)

The population from which the schools were sampled for participation in this study are all the schools in the AEED. The following table shows the number of schools per district per school category in the Eastern Cape Education Department in the 2020 academic year:

Table 4.1: Number of Schools/ District/ Category (Education Management Information System for Eastern Cape Provincial Department of Education)

District	ECD	LSEN	Primary	Secondary	Combined	Grand Total
ALFRED NZO EAST		3	91	31	96	221
ALFRED NZO WEST		2	393	66	153	614
<b>AMATHOLE EAST</b>		<b>1</b>	<b>369</b>	<b>86</b>	<b>300</b>	<b>756</b>
AMATHOLE WEST	1	1	390	118	33	543
BUFFALO CITY	11	11	265	100	31	418
CHRIS HANI EAST		1	224	56	200	481
CHRIS HANI WEST	3	2	231	83	89	408
JOE GQABI	2	3	160	46	136	347
NELSON MANDELA	18	16	221	93	19	367
OR TAMBO COASTAL		2	227	66	347	642

District	ECD	LSEN	Primary	Secondary	Combined	Grand Total
OR TAMBO INLAND	1	4	345	92	178	620
SARAH BAARTMAN	9	2	171	38	47	267
Grand Total	45	48	3087	875	1629	5684

From the table above (Figure 1.1), AEED is the biggest district in terms of the number of schools in the Eastern Cape. This is despite the district not having a single Early Childhood Development (ECD) Centre. This means that there is a possibility for a huge number of schools, and possibly the highest number of learners, to be adversely affected if mismanagement of school funds were to prevail in schools in this district. It would be a disaster for learners if a district as poor and huge as AEED is for instance, were to have a financial management that is not up to scratch in schools. That is one reason why the district has been selected for participation in this study. Secondly, AEED is a vast and a deep rural district with poor schools sparsely scattered over the six small magisterial districts of Butterworth, Ngqamakhwe, Centane, Dutywa, Willowvale and Elliotdale.

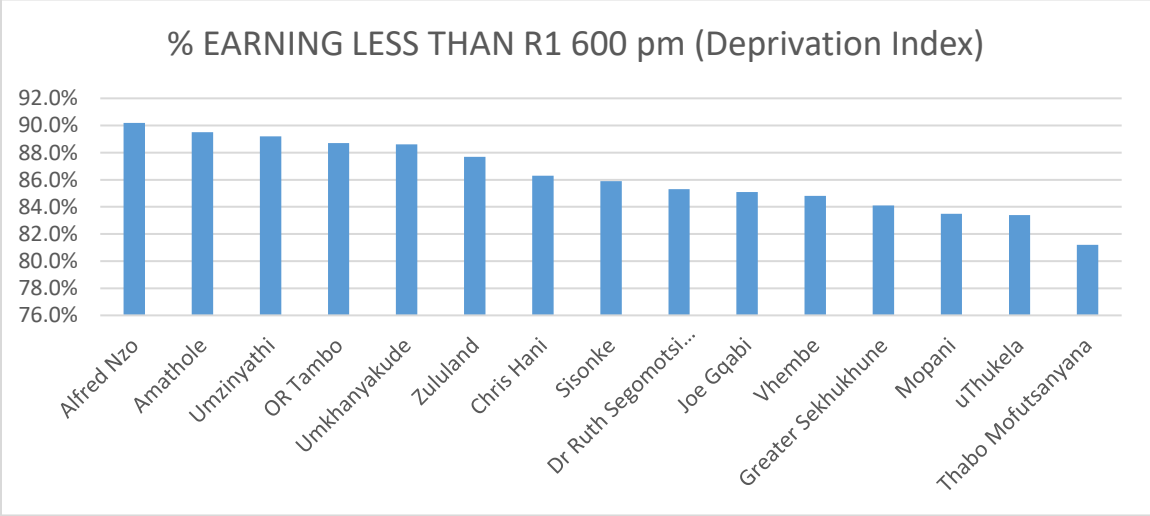


Figure 4.1: Deprivation index of the poor district municipalities in South Africa

Source: (Businessstech, 3 August 2016).



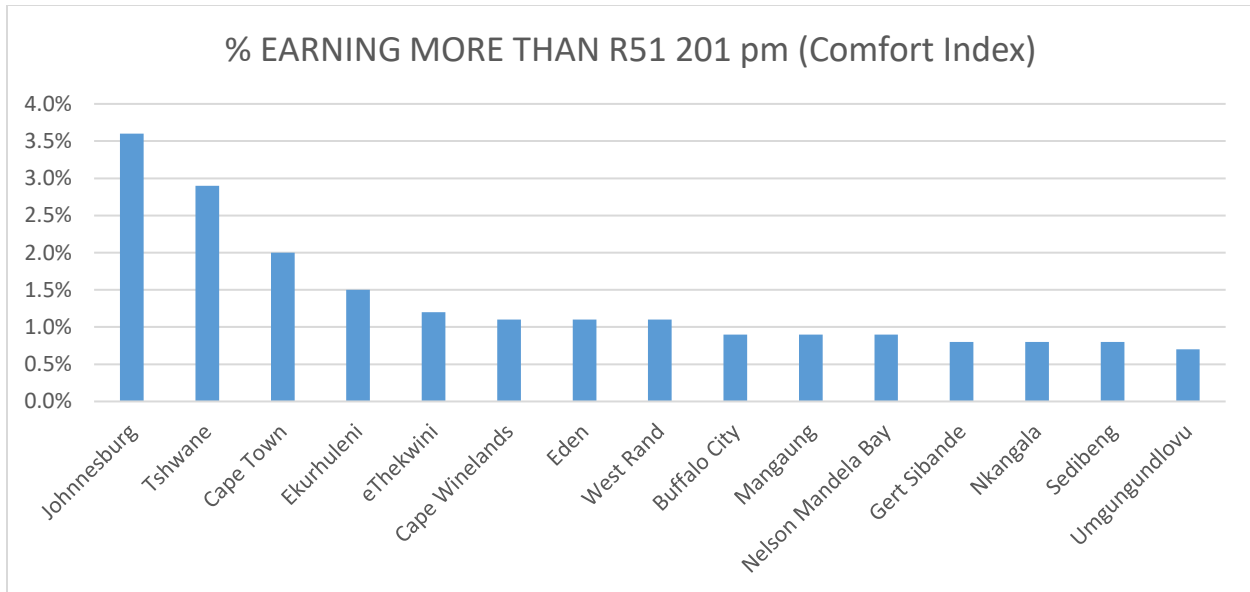


Figure 4.2: Comfort index of the rich district municipalities in South Africa

Source: (Businessstech, 3 August 2016).

Figure 1.2 is a Graphic Representation of the Deprivation Index of Poor District Municipalities in South Africa, from the poorest to the least poor. Figure 1.3 is a Graphic Representation of the Comfort Index of the Rich District Municipalities in South Africa, from the richest to least rich. Rich district municipalities have their comfort indices above 0.0%; while poor district municipalities have deprivation indices below 0.0%.

Figures 4.1 and 4.2 above show the latest deprivation/comfort index released by the Institute of Race Relations (IRR) (Businessstech, 3 August 2016). The poorest municipality in South Africa is Alfred Nzo at 90.2% deprivation ranking. It is followed by Amathole in which the AEED is situated, at 89.2% deprivation ranking. The richest municipality is Johannesburg in the Gauteng Province at 3.6% comfort ranking, followed by Tshwane at 2.9% comfort ranking. These are the results of the 44 District Municipalities and eight Metropolitan Municipalities in the country assessed by the IRR in 2016. One of the key indicators of the index is income levels of the individuals across the country. The higher income levels signify a more comfortable standard, while low income levels indicate more deprived communities. The index looked at individual monthly income (including social grants) across several income brackets. Given the picture as depicted in this paragraph, the issue of budget and financial control systems in schools in the AEED is a matter of

concern; hence this study. The idea is to establish the extent to which every cent allocated to schools by the state benefits the intended beneficiaries, especially the learners. As was indicated in paragraph 3.1 of Chapter 1, more than 85% of schools in South Africa are 'no-fee schools'. They fall in Quintiles 1 to 3, which means the poverty levels in communities for these schools is extremely high.

#### **4.4.2 Sampling**

By sampling is meant the selection of data sources to be used for data collection by the researcher for the purpose of accomplishing the research objectives (Zhang, Mildenerger, Howe, Marlon, Rosenthal and Leiserowitz 2020). Sampling means the selection of a group of people or objects from a larger population for the purpose of undertaking a research whose findings can either be generalised or transferred to similar situations as the case may be. Sampling applies in both the quantitative and qualitative research. There are two main types of sampling, the random sampling and non-random sampling (Foulkes, Balasubramanian, Qian and Reilly 2020). Purposive sampling, quota sampling and snowball sampling are the categories of non-random sampling that is used in qualitative research; while simple sampling, stratified sampling, cluster sampling and multistage sampling are the categories of random sampling that is used in quantitative research (Foulkes et al. 2020). Because this study is qualitative, non-random sampling has been used. In quantitative research, researchers make use of statistical data to make research findings based on objectivity as against subjectivity (Kneale et al. 2019). The terms that apply to qualitative research are trustworthiness and credibility. These concepts are explained in detail in 4.7 below as aspects of qualitative research.

In this study, a total of 10 schools in the AEED were selected. Each school was asked to make available for an interaction with the researcher the following participants, namely: 1 principal; the chairperson (1), the treasurer (1), the secretary of the SGB, and the administrative clerk who is a member of the finance committee (1); all members of the finance committee that are not necessarily the SGB office bearers stated above. This number differed from school to school due to the following reasons: a) Learner numbers in the school; the higher the learner numbers in the school, the bigger the parent representation in the SGB becomes. b) And the bigger the parent representation in the

SGB, the bigger their representation becomes in the sub-committees of the SGB. c) Categories of non-teaching staff personnel represented in the SGB; e.g., administrative staff, care-takers, security officers and general workers; the more the categories, the higher their representation in the SGB becomes.

#### 4.4.3 Criteria used for Sampling

The criteria that the researcher used to sample schools are the geographic location in terms of Circuit Management Centres (CMCs), quintiles to which the schools belong, school prototypes (whether the school is a primary school, high school or combined school), whether the school has a hostel or not, as well as the type of high school (ordinary, commercial, or technical). Table 4.2 below shows the number of schools sampled under each of these criteria:

Table 4.2: Number of schools sampled per criterion.

<b>CRITERION</b>	<b>NUMBER OF SCHOOLS SELECTED</b>	<b>COMMENTS</b>
Circuit Management Centres	2	From each of the 5 CMCs in the AEED. Each CMC is responsible for a Cluster of Circuits and is headed by a CMC Manager
Quintile 4 Schools	1	The only one in the entire Education District; Not a single school is in Quintile 5 in the district
Quintile 3 Schools	9	Representing all schools regarded as poor schools in the district
Primary Schools	3	
Commercial High Schools	1	
Technical High Schools	2	
Ordinary High Schools	2	
High Schools with Hostel	1	The only one in the entire district
Combined Schools (Schools stretching from Grade R to Grade 9)	2	

A combination of purposive and quota sampling was used in this research (Pecora 2018). Sampling was purposive in the sense that it targeted Section 21 schools; and not Section 20 schools. This is precisely because Section 21 schools are self-managing schools. They manage their finances without the involvement of departmental officials. They are accountable for decisions they make in respect of their finances. Sampling therefore targeted participants with well-defined characteristics. Purposive sampling is a type of sampling where the selection of participant units is based on the population with the most information on the characteristic of interest (Wei, Roberts, Strickler and Corbett 2019). Quota sampling was applied because only a predetermined number of schools were selected. Quota sampling is a sampling method used by researchers to create a sample involving individuals that represent a population (Bhardwaj 2019).

#### **4.5 DATA COLLECTION TECHNIQUES**

Balilie (2019) stated that group data are created through interactions between participants while in individual interviews, the dialogue is between the participant and the researcher, whose questions set the agenda. McGrath, Palmgren and Liljedahl (2019) described the researcher as a prime instrument for data collection. The researcher plays the key role of asking questions to solicit responses. He needs to be reflexive, conscious, and aware of the critical role he has to play. Qualitative interviews afford researchers opportunities to explore, in an in-depth manner, matters that are unique to the experiences of the interviewees (McGrath et al. 2019). At the same time, they allow insights into how different phenomena of interest are experienced and perceived. This is the approach to data collection that the researcher adopted in this study.

LR and semi-structured interviews with individual participants were used in this study. These individual semi-structured interviews schedule was used by the researcher to change the data provided by participants into useful information (Mouton 2016). The literature review is important because it gives a picture of the ground that has been covered by previous researchers on the topic at hand. It also helps the researcher to identify gaps in the research that has already been done on a given topic. Books, journals and newspapers are the kind of literature that has been perused in this study.

Regarding the interviews with individual participants, the researcher adopted the role of an investigator. The researcher engaged in a dialogue with each individual participant to source information. This kind of interaction entailed a one-to-one, telephonic, qualitative and in-depth discussion between the researcher and the individual concerned. The approach to data collection was exploratory. It sought to establish how the participants make sense of the principals' understanding of budget and financial controls in financial management in their respective schools. In this research, the perceptions of the individual participants formed the basis for decision-making on the part of the researcher. Such decisions derived from the notions, the mental constructions and the interpretations that the individuals have regarding the topic under review.

When the data had been collected, the researcher embarked upon a process of transcribing the data that had been recorded during the interviews with individual participants. A conscious effort was made to make a verbatim or word-for-word transcription of what each participant said. Similarities and differences on the responses by the participants on the same question were identified and recorded accordingly.

#### **4.6 DATA ANALYSIS AND INTERPRETATION**

In paragraph 4.5 above, the last step of the data collection process that the researcher followed was a verbatim transcription of that data. de Sousa, Magalhães, de Oliveira and Albuquerque (2019) stated that transcription consists of a pre-analysis of the material in which the researcher systematises the information for further analysis. This is the principle that the researcher took into cognisance in analysing data in this study. Coding, which constitutes an integral part of this pre-analysis, means the naming of text passages. This was done by the researcher. The text passages were then categorised according to similarities identified in their contents and a theme was accorded to each category.

Wilson (2019) distinguished between deductive and inductive approaches. Deductive approaches begin with a theory; and continues to seek evidence to test that theory. Induction begins with evidence and continues to seek to build a theory and make interpretations to explain the particular aspects of evidence. This is done by developing concepts, including themes, statements of relationships and theories. In this study this is

the procedure that the researcher adopted to come up with conclusions. Six critical steps that were followed by the researcher to analyse the data are as follows:

- Gathering data using semi-structured interviews.
- Transcribing what the participants have set into written text.
- Generating codes.
- Developing themes.
- In-depth interpretation of each theme.
- Producing a report with Principles/ Recommendations

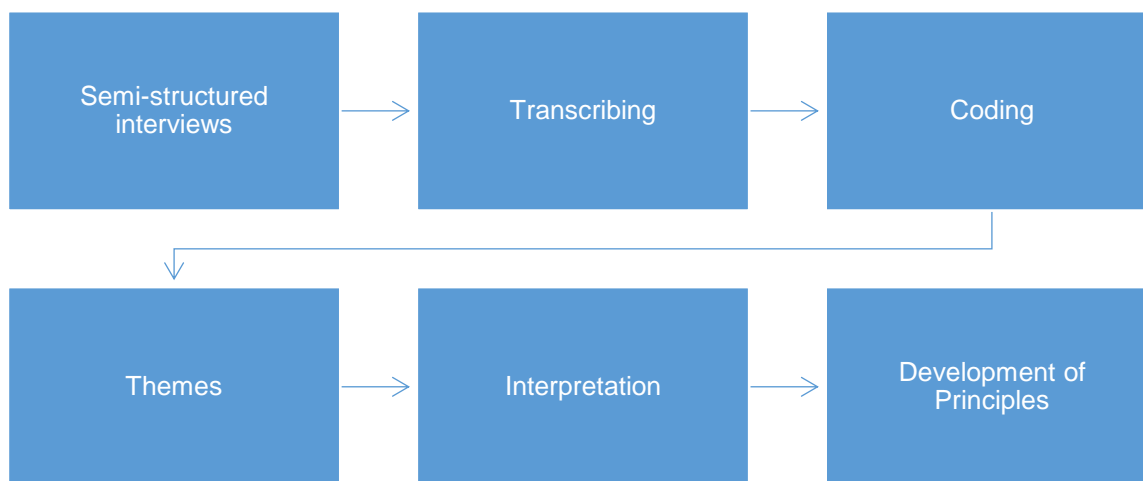


Figure 4.3: Flow chart showing the critical steps in qualitative research analysis

Source: (Wilson 2019).

A code in the context of this study is a short word or phrase that depicts the meaning and the contexts of sentences as expressed by participants. It involves putting together under one category all sentences that carry the same meaning. It provides a systematic account of the recorded phenomena that fall under one category. Themes are features of participants' accounts characterising particular perceptions or experiences that the researcher sees as relevant to the research. Themes arise from the engagement of the researcher with the text in an attempt to arrive at an answer to a particular research

question. A theme is the main idea arising from a particular set of perceptions and/or experiences.

The grounded theory that was discussed in detail in paragraph 4.2.4 above found expression in the qualitative data analysis approach that has been used in this study. The approach was inductive in nature in that it began with the accumulation of evidence. The evidence was then used to come to the conclusions made. The deductive approach that was not adopted in this study would have done the vice versa; starting with theory and proceeding to evidence to test the theory. The theories and recommendations that have been advanced from this study are the result of the data analysis approach outlined above. The process started with semi – structured interviews, then transcribing, coding, developing themes, making a meaning of the themes, to the developing a principle.

Interpretation is the most challenging part of qualitative research (Bakhshi, Weisi and Yousofi 2019). Data must be interpreted on the basis of data collected to get to produce theories. Most of the questions that the researcher in this study needed to answer to interpret data were the ‘how’ and ‘what’ questions. Answers to these questions had to be tested for their trustworthiness through triangulation. Triangulation is described as an approach where the researcher uses either multiple methods, several theories, different data sources-in time and space (Jentoft and Olsen 2019). By using triangulation, researchers have an opportunity to gain a better and a broader understanding of the phenomena under investigation. Use of different methods and sources of data collection help to support a finding by showing that independent measures agree with it, or at least, do not contradict it. This is that strategy that the researcher used in this study to interpret data. Finally, to ensure the trustworthiness of the interpretations, the researcher in this study compared the results with ideas from available literature on the topic at hand.

#### **4.7 TRUSTWORTHINESS**

Assaker (2020) defined trustworthiness as confidence in research findings that come after data analysis. Trustworthiness thus refers to the degree of confidence that consumers have on the validity of assertions. It is one of the criteria used for making a judgement as to the rigour and firmness of research findings. Trustworthiness is also about sound and adequate methodology. Five strategies to establish trustworthiness include triangulation,

credibility, transferability, dependability, and confirmability (Lemon and Hayes 2020). These strategies can be explained as follows:

#### **4.7.1 Triangulation**

As was explained in paragraph 4.6 above, and in support of Jentoft and Olsen (2019), Noble and Heale (2019) defined triangulation as an effort to explore and explain complex human behaviour by using a variety of strategies to establish the credibility and validity of research findings. There are four types of triangulation that can be used. These are: Data triangulation which relates to rotation in respect of time, space and people to come to the same conclusion; investigator triangulation which means the use of different researchers in a study to reach a particular finding; theory triangulation which is all about the use of different theories to come to the same interpretation for a particular phenomenon; and methodological triangulation which means the use of a variety of methods to collect data but still end up with the same finding (Noble and Heale 2019). In this study triangulation was done as follows: The researcher used Niskanen's theory, finance management theory, the zero-based theory, the grounded theory approach, the IPA theory, and the NA approach as different theories to come to the same findings. The development of new knowledge to understand budget and financial control was the result of a use of a variety of theories that are multidisciplinary in perspectives. The researcher drew on the innovative capabilities of these theories to develop a phenomenon. Triangulation was also done by using individual interviews during qualitative data collection from participants in three different school categories: the primary schools, the learners with special educational needs (LSEN) schools and secondary schools.

#### **4.7.2 Credibility**

Credibility is the extent to which information is perceived as trustworthy and relevant (Place, Klemme, Baker, Parella and Cummings 2019). It relates to the believability of a source of data, data content, and the methods used to collect data (Kim 2019). Credibility is about the degree of appropriateness of methods of data collection, and of the accuracy of the research findings. It means the extent to which the data collected reflects reality. It is about the personal judgement of the user; and is therefore a substantially subjective



concept that reflects an individual's knowledge, experience, and expertise (Kim 2019). Triangulation is one of the means by which credibility can be ensured.

#### **4.7.3 Transferability**

Transferability means the research's theoretical parameters and the applicability of the findings to other conditions (Bhakti 2019). The findings in this study are transferrable to principals' understanding of budget and financial control in other Section 21 schools outside AEED. This means that the results of the study are applicable to other situations outside the Amathole Education District that are similar to the situation in the Amathole Education District.

#### **4.7.4 Dependability**

Dependability refers to the degree to which other researchers agree with the soundness and accuracy in regard to the process of data collection and interpretation (Haven and Van Grootel 2019). Dependability concerns stability of data over time and the researcher's decisions during the analysis process (Hammarström and Ahlgren 2019).

#### **4.7.5 Confirmability**

Confirmability refers to the findings without any bias, and thus ensuring the exact meaning as assigned by participants (Chan and Wong 2019). Confirmability ensures the objectivity of the researchers. It is a reflection of the degree to which other researchers approve of the study from the same data (Bhakti 2019).

The five strategies outlined above are so intertwined that it is difficult for the researcher to use one without the other. It is for that reason that the reason that the researcher in this study used all of them as a way of ensuring the trustworthiness of the study as a whole.

### **4.8 ETHICAL CONSIDERATIONS AND AUTHORISATION TO CONDUCT RESEARCH**

The importance of adherence to the relevant code of ethics on the part of the researcher cannot be overemphasised. Everything in this research was done in accordance with the Research Ethics Code of the University of South Africa. To conduct an investigation at an institution, a school in the case of this study, permission was obtained before any data

was collected. An application for Ethical Clearance Certificate was made by the researcher to the College of Education Ethics Review Committee of the University of South Africa. Then, the application was approved.

Another application to conduct the research was directed to the Head of Department (Eastern Cape Provincial DBE). The Head of Department approved the application in writing. Participants were then issued with invitation letters to participate in the study. In the invitation letters participants were assured of the privacy, anonymity and confidentiality of their identities as per the protection that was ensured by the researcher. Their names were coded in the research report. Research did not commence until participants had expressed their consent to participate in writing to the researcher. Participants were informed of their right to withdraw from participating at any point in time during the research, when they wished to do so. No form of deception was inflicted upon the participants, and no value judgement was made under any circumstances whatsoever. Participants were given the opportunity to go through the report to ensure the correctness of the information they provided to the researcher. Each participant was requested to grant consent for participating in the research in writing. Each participant was taken through the Participant Information Sheet that outlines the rights and the benefits that the participant was entitled to in participating in the research. The copy of the Participation Information Sheet was given to the participants for them to keep. Each participant was advised about the permission already granted by the senior authorities. No promise was made to participants for any compensation for participating in the research.

#### **4.9 CONCLUSION**

The research approach that the researcher adopted in this study is the qualitative research approach. This entailed a number of categories of a qualitative study on data collection and analysis. These include the exploratory, the descriptive, the qualitative approach semi – structured interviews, the grounded theory approach and the interpretive qualitative approach. Purposive sampling was used. The selection of participants was based on the capacity of participants as practitioners of budget and financial control in schools. Participants were selected on the basis of the fact that they were knowledgeable

and capable of describing in detail their personal experiences during the semi – structured interviews that the researcher employed for data collection. Data analysis in this study occurred in two stages: the descriptive followed by the detailed interpretive. The paradigms that received attention in this study were constructivism, pragmatism, and the interpretive paradigm.

## **CHAPTER 5: DATA PRESENTATION AND ANALYSIS**

### **5.1 INTRODUCTION**

Judging by the kind of responses that participants gave to the research questions in this study, it appears that there is a fair amount of understanding of the laws and policies on budget and financial control in schools, particularly by school principals. The area that needs serious attention is that of the parent component of the SGB. Most of the parents are either illiterate or completely non-literate, particularly in the peripheral and deep rural areas of the AEED along the Coast. This is a situation that, according to participants in this study, has led to enforcement of compliance with policies and laws extremely difficult. The fact that accountability in respect of financial management is entrusted to the SGB in terms of SASA makes things even more difficult when it comes to consequence management. This is precisely because the person who knows better, and who is hands-on in terms of managing the financial affairs of the school (namely., the principal), is accountable to those who either know less or do not know at all (the SGB). SASA dictates that all matters pertaining to financial management must be delegated to the principal in the school. Delegation of responsibilities does not in any way mean delegation of accountability. Accountability remains with the SGB. This is a situation that makes the ground fertile for principals to wield the power delegated to them to manage school finances as they please, sometimes abusing such powers by channelling monies to address their own personal and selfish interests. This is basically the sentiment that came through very strongly from participants in this study who are the parent component of the SGB.

### **5.2 DATA PRESENTATION (WHAT DID THE PARTICIPANTS SAY?)**

#### **5.2.1 Non-Compliance with Budget and Financial Control Policy Framework**

Participants in this study were all unanimous in saying that there is non-compliance with the Budget and Financial Control Policy Framework of the Department on the part of principals. All schools that were sampled for the purpose of this study are Quintiles 1 to 3 schools. These are therefore 'no-fee schools' which, by law, should not be charging school fees at all. However, the finding in respect of these schools is that they are charging fees. The members of the financial committee of School A which is a boarding

school, individually made a revelation that the school charges an amount of R500.00 per learner per annum. Once admitted to the school, each learner deposits this amount into the school's bank account; and submit the deposit slip to finance officer as proof of payment. Previously the bank account that was used for these deposits was a separate bank account from the one that the DBE uses to transfer the funds due to the school in terms of the NNSF until the circuit manager instructed that there be only one bank account into which all monies received by the school are deposited. The Treasurer of the SGB even produced proof of these payments from her cell phone. Her cell phone is linked to the school bank account by way of 'in-contact'. Mr X, who is the chairperson of both the SGB and the finance committee in the same school, stated as follows:

*In a parents meeting which was attended by the circuit manager as well, we agreed that an amount of R500.00/learner/annum be charged. This was in view of the fact that the Department was unable to provide the school with all the non-teaching staff members that the school needed, including administration clerks, general workers and security officers. The school also needed additional teachers which the Department could not supply. In that year, the learner enrolment had doubled the number it was in the previous year, from 400 to 800. We needed this money for the school to be able to hire the additional personnel which it needed so much. Since then, we have never stopped charging school fees.*

Asked by the researcher why the school did not do fundraising which the law prescribes in instances where the funding provided by the state falls short, Mr X did not mince words in saying that:

*Given the alarmingly low levels of poverty prevailing in this school community, such a strategy is just unthinkable. It simply does not work. Most people here depend on social grants to put food on the table. No one can volunteer to assist the school financially even in the worst of circumstances unless we make it compulsory for people to contribute something. Even the suppliers that we normally use for the needs of the school cannot afford to make donations all the time we ask them to do so.*

It is clear from the statements that the participants made that the underfunding of schools by the state is the reason 'no-fee schools' resort to breaking the law by charging school fees. I indicated in Section 3.4.2, that Mwanasiti (2019) asserted that head teachers' mismanagement of resources is associated with poor provision of sufficient materials and financial resources for both teachers and learners. This finding thus gives credence to this assertion.

It also transpired in this study that schools do not adhere to the Departmental Policy in respect of petty cash management. School A took a firm decision not to have any petty cash in the school, but to request the local suppliers to supply the school with whatever is required at a given point in time. The supplier concerned is then paid directly once the goods have been supplied or the services have been rendered. The reason participants cited for this decision is that the people entrusted with the responsibility of handling petty cash were misusing it; a situation which caused tensions between the staff and such people.

Regarding the procurement of goods and services, principals have a tendency of taking unilateral decisions regarding what needs to be purchased and where to purchase it. In so doing, they do not ask for three quotations as the policy requires. Instead, they utilise the services of suppliers they have connections with; and from who they derive some personal financial benefits. However, the reason that principals cited for using only one quotation is that there are always emergency situations which do not allow them time to look for many quotations. This is a practice that makes the finance committees to exist only in name. Finance Committees are there but are not involved in the choice of suppliers. Still in School A, the Treasurer of the SGB was fuming during the interview, citing an instance where the principal had effected maintenance repairs in the school buildings without involving the finance committee. She stated as follows:

*I am deeply saddened by what has just happened in this school. In fact, I am actually fuming. The roofs of three classrooms were blown away by a hurricane the month before last. When I rushed to the school to check with the principal what we needed to do as the SGB to have the building repaired, he said he will convene an urgent meeting of the finance committee in which the matter will be discussed.*

*Before we knew, there was a roof on the three classrooms. When we (the SGB) came to inspect the work, we found that the workmanship was far below the standard we would have loved to see; yet an exorbitant amount had been agreed to between the principal and the service provider. As if that was not enough, the material used was of the worst poor quality that I have ever seen. These are the things that are happening in this school. This is very frustrating.*

There is also the issue of an apparent malicious compliance that has been reported by some finance committee members that were interviewed in respect of the AFSs. In 6 of the 10 schools that participated in this study, the finance officers (administration clerks) reported that the accredited auditors that are hired by principals do not report accurately sometimes on the findings. Some of the wrongs that the auditors pick up in their auditing do not appear in the AFS that is submitted to the district office. These auditors do this deliberately in order to save the skin of the principal. They also do this to make sure that the principals concerned continue to utilise their services in subsequent Financial Years. There was also an allegation by some finance officers that the auditors that are hired by principal receive bribes from them so that they do not expose the principals concerned of their financial mismanagement practices. The AFS, in some cases, is thus not a true reflection of the state of affairs in the school in so far as finances are concerned.

These are issues of non-compliance with policy and prescripts of law that regulate budgeting and financial control in schools that resonated across participants in this study.

### **5.2.2 Lack of Capacitation Programmes for SGBs and Principals**

Generally, finance committees complained of capacitation programmes that are inadequate, particularly for the parent component thereof. In one of the schools that participated in the study, the SGB was in the third year of its three-year term, but the only training they received happened when they were inducted just after they were elected. In another school, the SGB did receive another session of training from a Chief Education Specialist from the district office after they had requested him to provide them with the training. The secretary of the SGB of this school which I call School C in this study said:

*We made this request to Mr Q (the Chief Education Specialist) because we had been made to understand that there had been a week long training in Port Elizabeth which was attended by only one SGB member from each Education District in the entire Province. The SGB member who represented our district in that training was not afforded an opportunity to report back to the SGBs of the District. We felt that we deserved to know what information those who attended the training in Port Elizabeth received. We, the parents in the SGB and the Finance Committee, have a problem. We are answerable when things go wrong with finances in the school, yet we do not know as much as the principals know in this regard.*

Naidoo (2019) argued that there is a need for principals to be subjected to sound training and professional development programmes. This assertion is in contrast with what the finance committee members who parents in this study said in deliberating on their knowledge of laws and policies. Principals and finance officers (clerks with matric as their minimum qualification) displayed a fair knowledge of laws and policies on budget and financial control. However, the same cannot be said of the parents who are members of the finance committee. These members maintained that the training they receive is utterly insufficient. They claim that they are bombarded with a lot of information over a very short period of time. They also said that even the language used in the training materials used in the induction workshops does not assist them to understand things the way they should. From the point of view of the parent component of these structures, capacitation Programmes for SGBs and finance committees in this study are therefore inadequate.

### **5.2.3 Flaws in the Legislative Framework for Budget and Financial Control**

Parents that are part of the finance committee in their respective schools expressed concern with the fact that financial accountability in the school resides with the SGB. Their view is that this accountability must be entrusted to principals, while SGBs are made to assume an oversight role. This should be done so that principals are rather accountable to the employer solely in regard to financial management; and not to the SGB as SASA dictates. Parents base this view on the concern they have that they do not have the necessary capacity to hold the principal accountable. They also admit that principals know



better than they do in terms of how budget and financial management in the school should be exercised. Botha (2019) confirms this by saying that many scholars argue that SGBs in South Africa cannot manage finances competently. The chairperson of School H expressed this view as follows:

*Principals overpower us (SGBs) because they know better than we do. We do not even know where to begin when we want to discipline them even in obvious cases of financial mismanagement. And when we chase the principal away, we are accused of taking the law into our hands. How are we expected to keep in our schools people who steal the money that should be benefiting our children? We are told that only the employer can fire the principal, and when we make a recommendation to have him fired, it never happens. My view is that the employer should entrust accountability right in the hands of the principal, so that when the principal fails to do things the way they should be done, the employer takes up the matter to its logical conclusion. We will be there to support the employer fully when a need arises for the principal to be disciplined by providing all the evidence of financial mismanagement that we have noted. We will do that to make sure that there is proper consequence management for principals who mismanage funds in our schools.*

In terms of SASA; all matters relating to financial management must be delegated to the principal by the SGB. However, when things go wrong with finances principals easily get away with crime. This is precisely because principals are not accountable to the employer in this regard. In another school, which is School D in the sampled list, the SGB discovered with dismay that the principal had spent a total amount of R47 000 on Fuel Claims for what he termed 'official trips' in only one academic year. This was after the circuit manager conducted a random inspection of financial records in the school. These 'official trips' included trips in respect of his visits to the district office, principals' meetings and workshops that the principal attended in his capacity as the principal. When the SGB lodged a complaint with the circuit manager, participants in this study said that the circuit manager refused to take the principal through a disciplinary process on two grounds. Firstly; the circuit manager maintained that the principal was accountable to the SGB in

that regard, and he was therefore not the one who should hold him accountable for financial mismanagement, but the SGB itself. Secondly, it had transpired from the minutes of one of the SGB meetings that the SGB had given the principal a concession to claim from the school fund for trips relating to his day-to-day running of the school. Little did the SGB know that the reason the principal is paid much higher than other teachers in the school is exactly for these tasks that he has to perform outside the school using his own means of transport. The principal had therefore taken advantage of the ignorance of the SGB. What was even more frustrating to the SGB is that the principal himself was boasting that there is nothing that the SGB could do about him because 'they know nothing'. The circuit manager indicated that he could only charge the principal for failure to guide the SGB properly on this matter, which is a lesser offence than the actual embezzlement of funds.

The other view that came up strongly from the participants interviewed relates to the appointment of auditors for schools. In terms of SASA, the appointment of an accredited auditor who must draw up an AFS for the school is the responsibility of the SGB of the school. By implication, this responsibility is again entrusted to the principal as a delegated responsibility. The principal then abuses this delegation by choosing the accredited auditor unilaterally without following the procedure of requesting three quotations that must be adjudicated on by the finance committee. Suggestions from participants are that this responsibility should be taken away from the principal and given to the DBE through the district office. This again points to what the participants in this study believe is a flaw in the legislative framework that regulates budgeting and financial control in schools.

Participants also shared a sentiment that says where the principal has been criminally charged for embezzlement of funds and found guilty, the sentences imposed are not harsh enough to deter possible offenders. They are of the opinion that any principal who is found guilty of embezzlement of funds should be dismissed and struck off the roll. The treasurer of one school, School H in the list of school sampled, suggested as follows:

*Out of frustration, sometimes we resort to Courts of Law via the Commercial Crimes Unit in the Justice System for issues relating to principals who steal money allocated to schools by the state. This is what a school in our neighbourhood here*

*did when their female principal misappropriated money that had been set aside, at her request, for the maintenance of school infrastructure (The school is a primary school, 800 metres from the high school that the researcher visited). This principal bought all the material that the SGB had agreed on. The material was delivered to the school and paid for. A few days later, the principal reported that all the material had been stolen from the school. There was no evidence of a real break-in, except a window pane that was broken. Six months down the line, an SGB member visited the home of the principal in East London, only to discover with dismay that she is the one who stole the material. She used the material to renovate a house she had just bought in a suburb in East London. The principal was found guilty of fraud, theft and corruption in a Court of Law, but she was sentenced to a jail term with an option of a fine which she paid. She was never dismissed.*

Participants in this study are of the view that the law in this regard is flawed and needs to be reviewed. This is therefore another area where participants feel the law and policies on budgeting and financial control is flawed.

#### **5.2.4 Underfunding as a Cause for Financial Mismanagement**

If there was any single area where participants who were principals of schools in this study were most vocal, it is this area of the underfunding of schools by the state. Principals of schools were unanimous in saying that one of their major weaknesses in financial management is misappropriation of funds. According to the principals of schools, misappropriation has a ripple effect of resulting in irregular and unauthorised expenditure. They however indicated that misappropriation was due to the fact that schools were grossly underfunded by the state, and as such most of the time they had to rob Peter in order to pay Paul. Principals were unanimous in saying that schools find it extremely difficult to achieve their educational objectives due to underfunding. The funds allocated were always insufficient and could not address all the needs of the schools. Mwanasiti (2019) asserted that head teachers' mismanagement of resources is associated with poor provision of sufficient materials and financial resources for both teachers and learners. What the principals have said in this study during the interviews thus gives credence to this assertion.

Ms S is the principal of School J in the list of schools sampled for this study. The school is one of the best performing High schools in the district. This is precisely because the principal in this school employs extra-ordinary measures to produce results. The school has produced no less than 90% pass rate in Grade 12 in the past five consecutive years. The school recruits a number of best qualified teachers over and above the Staff Allocation that the DBE has provided, to come and teach scarce-skill subjects like Mathematics, Physics and Agriculture. The school pays these teachers from the school fund. These teachers occupy posts that are commonly known as 'SGB Posts'. The posts are called 'SGB Posts' because teachers occupying them are paid by SGBs, and not by the state. The school has also embarked on programmes of winter school classes, weekend classes and other costly matric intervention measures to maintain the good results. There are other measure that carry with them serious financial implications that the school has adopted to attract learners. These include new Sporting Codes and cultural activities that are not practiced in other schools. These measures require a lot of funding that is not afforded by the state. Mr S explained these measures in detail during the interviews and concluded by saying:

*It is because of the underfunding that I find myself resorting to measures that are sometimes in conflict with the law, including misappropriation of funds. Without these measures we cannot be able to produce the good results that we are known for in this district and in this province.*

Nnebedum and Ofojebe (2020) recommended an increased budget allocation by government for regular training of principals on financial management. It is a recommendation that is based on the observation that schools are generally underfunded. Principals fall short of the skills to source alternative funds to augment the school finance. This leads to the misappropriation of school funds that participants in this study have alluded to.

### **5.2.5 Blatant Fraud and Corruption**

Finance officers of the finance committees and parents who were participants in this study categorically stated that theft, fraud, corruption and racketeering is a common practice on the part of school principals. Finance officers are administration clerks that have a

financial clout who are, in most instances, employed by the state. In articulating the stories of the rampant corruption that is happening in their schools, they insisted that the researcher reassures them of their anonymity and the confidentiality of the information. This is despite the fact that they were assured prior by the researcher that both the confidentiality of the information and their anonymity will be ensured in this study. They could not help but feel compelled to appeal for more assurance in this regard. They did this for fear of possible victimisation in case things went wrong. Finance officers who were participants in this study shared an experience that seems to be common among them. The experience is that the principals of schools in which they serve normally warn them not to share any information relating to how the money in the school is spent. In terms of this warning, what the money is spent on is a matter that should be kept between the principal and the finance officer concerned. Finance officers are given this warning ostensibly as part of the work ethics that they must observe without fail. They are made to accept it as a rule that it is the prerogative of the principal to pronounce on how the money is spent in the school even in all meetings of the SGB, finance committee meetings and parents meetings. Where the finance officer is delegated by the principal to give a financial report in a meeting, the report must first be seen by the principal for 'corrections and changes' where necessary. The principal does this to make sure that nothing in the report will raise eyebrows to the audience in the meeting.

There are schools where principals authorised invoices in respect of services that had never been rendered. According to finance officers, principals collude with service providers to effect payments in respect of work that has not been done. In some cases, principals do collude with some parent members of the SGB who are influential. They do this to secure the protection of such members when acts of wrongdoing surface. The money paid is then shared between the principal, the influential SGB members, and the service provider concerned. In one school, School F in the list of sampled schools in this study, the finance officer narrated a story of numerous payments to one particular supplier in respect of grass cutting and repair of water tanks that was never done. This supplier, who is also a local businessman, happened to be the chairperson of the SGB. In cases where the work had been done, the amount was not commensurate with the amount and quality of work done. She cited an incident where the grass cutting of just a small stretch

of the school lawn (about half of a soccer field in extent) costed R10 000.00. When the invoice was issued, it was as though the grass cutting had been done a number of times; when in fact it was done only once. When she questioned the validity of the invoice, the principal threatened that if she still wanted to retain her job, she must stop concerning herself with things that have nothing to do with her. He further warned her not to say anything about the grass cutting on the lawn and payment thereof to anyone.

In another school, School E in the list of sampled schools in this study, the principal lost a very close relative of his. He then directed that a taxi be hired by the finance officer to ferry the teachers to the funeral. The home of the relative was 183km away from the school. The principal further directed that the taxi be paid from the school fund. The invoice that was prepared by the taxi owner, much to the dismay of the finance officer, indicated that the trip was for Grade 12 learners who had gone on an educational tour. Ms N, the finance officer in School E, concluded this story by saying:

*I was shocked to teeth to learn from the teachers who attended the funeral that they paid the transportation amount from their own pockets directly to the principal. This is what they normally do when a staff member loses a close relative. Teachers in this case knew nothing about the payment that had been done out of the school fund. Obviously, the principal in this case colluded with the taxi owner to make the claim for money that was to be used by the principal for his personal interests.*

There are many accounts of fraud and corruption that emerged from the interviews in this study. Another interesting one is one of a service provider who donated 30 laptops to the school. The laptops were delivered to the principals' house, instead of the school, in case they got stolen from the school. The principal informed the staff and the SGB about the donation, but it was never recorded in the inventory of the school. When teachers demanded that the laptops be brought to the school a year later, the principal said that they were stolen from his home. The investigation that ensued under the auspices of the SGB revealed that the laptops were never stolen. They were sold by the principal for his personal financial benefit. As a result, there was not even a record of a case of theft that was reported with the police. If the laptops were indeed stolen, the principal would have reported the matter to the police. Participants in this study explicitly stated that some

donations that are made by volunteers or suppliers are never recorded in the inventories of the schools. Some do not even reach the schools. They end up being the personal possessions of the principals. The same applies to the disposal of old materials which the DBE has declared unserviceable. These are items that are either not in working order, or items that have outlived their normal span of life. Principals do not use the guidelines that have been developed by the Assets Management Division of the District Office for the disposal of such materials. Instead, principals choose to keep such items as their own. These guidelines, according to participants in this study, are a step by step process. The process includes, and is by no means limited to, the decision to dispose of the goods, establishing the value of such items, identifying disposal options including the transfer of the items to other procurement entities, inviting competitive offers, or auctioning them, evaluating disposal options; selecting preferred option, and the final disposal.

The malpractices outlined above are some of the cases of blatant fraud and corruption that this study has unearthed. It is clear that the scourge of fraud and corruption that is dominating the headlines of media houses in South Africa has not spared schools. What is even more disturbing than the malpractices is to find out that principals who are supposed to be watchdogs of the DBE in the school are the ones who are masterminds behind the corrupt activities.

### **5.3 DATA ANALYSIS (THEMES AND RESEARCHER'S ANECDOTAL INTERPRETATION)**

The themes that emerged from the data collected as presented in 5.2 above are as follows:

#### **5.3.1 Adherence to Laws and Policies of Budget and Financial Control**

From what the participants said, it is clear that principals are glaringly falling short in terms of adhering to laws and policies that regulate budget and financial control in schools. There are basically two factors that help them to behave in this manner which is, in fact, untoward and unprofessional. Firstly, principals take advantage of the literacy levels of the SGBs which is far below the standard that would help them find out very easily when the principal does not comply with law and policies. It is quite evident from the data

collected in this study that principals are more knowledgeable than SGBs, particularly the parent component thereof, in so far as laws and policies are concerned. Principals are also aware that they are accountable to the SGBs, and as such they are not adequately willing to give proper guidance to them that SASA dictates they must give in so far as financial management is concerned. Secondly, principals are most of the time able to justify non-adherence to laws and policies by using underfunding of schools as reason for deviation from doing what is right. When the DBE for instance fails to supply the school with sufficient teaching materials, teaching and non-teaching staff; principals of 'no-fee schools' resort to charging school fees. They do this with the full support of parents who hope to achieve the best of educational outcomes from that decision.

At least from this study, there is no clear evidence that principals do not have the requisite knowledge of laws and policies that regulate budget and financial control in schools. They however fail to adhere to laws and policies, either for their own personal benefit and convenience or what they believe is in the best interest of the school. Besides the training that they receive on financial management from the DBE, principals also have the benefit of discussing the AFS with accredited financial auditors. During the discussions, the accredited auditors are duty-bound to point out to principals of schools areas where they are doing right, as well as areas where they are not doing right. There is therefore no reason principal should continue claiming that they did not know, for doing things wrong. Their literacy levels as teachers, on their own, should enable them to understand optimally the basic principles of financial management. They should be able to learn these basic principles both from the capacitation programmes they are subjected to and the documents they are supplied with by the DBE.

### **5.3.2 The Need for Advanced Capacitation Programmes for SGBs**

Data collected in this study shows that there is a dire need for more capacitation programmes for SGBs on budget and financial control. The training offered to SGBs goes to a greater extent to finance committees as well. The finance committee is made up of the chairperson of the SGB, the SGB secretary, the SGB treasurer, the finance officer and the principal as the ex-officio member. In terms of Section 16(2)(h) of SASA, the principal has a duty to "give advice to the governing body on the financial implications of



decisions relating to the financial matters of the school”. The principal must also “assist the governing body with the management of the school’s funds, which assistance must include the provision of information relating to any conditions imposed or directions issued by the Minister, MEC or the HOD in respect of all financial matters”. However, from data collected in this study the message that comes through is that principals are reluctant to execute this task with due diligence. Principals have a fear that the advices that are honest and accurate could be used against them when things go wrong with finances. This means that the issue of guidance to SGBs and finance committees on financial matters should not be left to principals alone. The DBE must assume the full responsibility of giving this guidance through regular workshops. Statements by participants who are parents in this study point to a need for more workshops, if the information given to them is to sink in their minds. Above all; materials used in these workshops must, as much as possible, be in the mother tongue of the SGB members of the schools concerned. This will enable them to read the documents on their own when they get back home. From time to time, parent members of the SGBs will also be able to refer to the documents when the need arises.

The training of SGBs on financial management must not be confined to management of finances only. It should go beyond to include measures that the SGB can take to hold the principal accountable. It was clear from the deliberations that the SGBs did not know what to do to bring perpetrators of fraud and corruption to book. Training should also include measures that the SGB should take in the event one of their own colludes with the principal to commit acts of fraud and corruption in respect of school funds. It has transpired in this study that there are cases where principals act in concert with some members of the SGB to commit acts of fraud and corruption.

SGBs and finance committees also need to be trained on the necessity and legality of whistleblowing. It transpired in this study that they are not necessarily aware that this is the route they can follow on realising that someone is involved in acts of financial misconduct in the school. That is why finance officers are silenced so easily by school principals who are in the habit of acting in contravention of the law on finance management. They must also be assured in the training offered of the protection that

whistle blowers are guaranteed by the state. This will make them feel free to report incidents of fraud and corruption through whistleblowing.

### **5.3.3 Need for Review of Legislative Framework on Budget and Financial Control**

The majority of SGB members and finance officer who participated in this study indicated that they are not content with the fact that the principal is accountable to the SGB in so far as financial management is concerned in schools. In terms of SASA, the SGB is the 'juristic person' entrusted with the responsibility of managing school funds. They are the ones that should be held liable in the event maladministration and mismanagement of funds occurs in a school. It is important to note that Section 16(2)(j) provides for "the delegation of any matter that has financial implications for the school to the principal". It is this part that participants are not happy with. They would like to see this part of the law reviewed to make the principal wholly accountable to the employer in so far as financial management is concerned. SGBs feel that they do not have the necessary capacity to hold the principal accountable. Even if more training is offered in this regard, it will take time for SGB to master the skill fully.

It is a fact that principals are more knowledgeable than SGBs in regard to laws and policies on budget and financial control. This makes it easy for them to do things that are in contravention of the law, without the SGB knowing. Because of their advanced knowledge, compared to that of the SGBs, principals are also able to manipulate members of the SGB to do things that are not in accordance with the law. The bitter part of this situation is that principals are not wholly accountable to the employer for financial mismanagement. When things go wrong with finances as a result of their actions, they easily get away with crime. That is why the SGBs are strongly of the view that the law must be reviewed to make the principals accountable to the employer in so as financial management is concerned. Financial inspection in schools must be made an integral part of the school visits by circuit managers. This, according to participants in this study, will assist in many ways. It will help the employer to deal decisively with principals involved in financial misconduct. Principals involved in financial mismanagement can be taken through the disciplinary processes of the DBE. It will also help the employer to make sure that principals found guilty of financial misconduct are struck off the roll. At a disciplinary

hearing, principals are usually represented by their unions. It will then also become the duty of the unions to make sure that members found guilty of financial misconduct are struck off the roll by the SACE.

The selection of accredited auditors must also be done by the supply chain management section of the district office and the circuit manager. According to participants in this study, this will reduce the extent to which the principals are able to collude with auditors to channel funds for their personal and selfish interests. This is because they will be dealing with auditors they have not chosen themselves. Such auditors will probably not be the ones they are friends with. This is another area in the law which needs to be considered for review.

### **5.3.4 Equipping Schools with Fundraising Strategies**

Revelations from data collected in this study are that the funding offered by the state is always inadequate. Dixon (2019) asserted that classroom walls and shelves reveal limited resources and the legacy of underfunded African education. This assertion corroborates the finding made in this study that the schools sampled are underfunded. This leads to a situation where not all the educational needs of learners are met. It also leads to school principals resorting to measures that are unlawful and illegal to make ends meet, including charging fees in schools that are 'no-fee schools'. Principals have stated in this study that they fall into the trap of misappropriating school funds because of the problem of underfunding. It also became apparent that the only approach to fundraising that principals know is that of asking for donations from business people. This points to a need for principals and SGBs to be equipped with more fundraising strategies.

Schools should be encouraged to explore other ways of fundraising. This may require intensive advocacy campaigns for schools to embark on strategies of fundraising such as concerts, entrepreneurship days, selling agricultural produce and art work from the practical work that children are required to do in Agriculture and Arts subjects. Parents themselves can use communal gardens to produce vegetables which they can then sell for their schools. They can also do art work and sell the products for their schools. Other initiatives like the renting out of school facilities like the school hall and sports grounds can also play a major role in fundraising. Schools can also source funding from

collaboration with businesses by way of posting large billboards on their premises to advertise their products.

### **5.3.5 Financial Mismanagement as a Common Feature among School Principals**

Data collected in this study shows that financial mismanagement is a common feature among school principals. This malpractice in this study has not been found to be happening out of ignorance on the part of school principals. Some principals deliberately engage in acts of financial mismanagement purely for the purpose of self-enrichment through theft, fraud and corruption. Others commit acts of misappropriation, irregular and unauthorised expenditure because of the challenge of the underfunding of schools that hampers the day-to-day operations of the schools. Lifestyles of some school principals are typical of people who earn far above what they earn in terms of salaries. Their lifestyles are more or less the same as those of the people in the topmost echelons of the civil service. When posts of circuit managers are advertised there are principals who, according to participants in this study, are unwilling to apply. The reason for this unwillingness is that they do not want to lose the financial benefits they enjoy through the corrupt activities that they do in schools. Participants claimed to have knowledge of a principal in the AEED who bought a vehicle using school fund. When investigations were conducted by the district office on the matter, the principal indicated that the idea was to assist Grade 12 learners to get driving licences. He bought the vehicle with the permission of the SGB. What the DBE found strange is that there was not a single learner who had received driving lessons using the vehicle in question. Instead, the vehicle was used purely by the principal for his personal transport needs. The school is not one of the schools that participated in this study.

If schools are not adequately funded, it appears that misappropriation is going to be the order of the day in schools. There are instances where schools use money allocated for teaching and learning materials to address the infrastructure needs of the school. There is a school which used the money allocated for other requisites to buy shacks and mobile toilets. The department had failed to provide the school with a sufficient number of classrooms for its high learner enrolment. The principal and the SGB then decided to break the law and buy temporary structures that were going to be used as classrooms.

The school is a well performing high school in the deep rural periphery of the district. Provision of furniture and teaching staff for these classrooms was partly the outcome of a flagrant contravention of the law and policies. The SGB resolved that learners pay R600 per learner per annum in school fees although the school is a 'no-fee school'. The school also used the money allocated for other purposes to assist in the procurement of furniture and payment of the staff hired by the SGB. These are some of the things that principals do, not because they are corrupt, but insufficient resources push them into breaking the law. Principals and their SGBs are in this way able to justify their mismanagement of school funds. It must however be noted that such justification may not hold water when the long arm of the law catches up with them.

#### **5.4 CONCLUSION**

The data presented in this chapter shows in no uncertain terms that the principals' practice of budget and financial control is not always what it ought to be in terms of relevant laws and policies. The practice is characterised by an element of deviation from laws and policies that regulate budget and financial control in schools. The deviation takes the form of financial mismanagement which involves misappropriation, theft, fraud and corruption. Misappropriation results from lack of knowledge on the part of principals and SGBs in regard to fundraising tactics and strategies in the event the school is underfunded. We cannot run away from the fact that misappropriation is sometimes informed by principals who want to satisfy their egos at the expense of doing what is right. This is a behaviour that also results in fruitless and wasteful expenditure in schools. Unauthorised expenditure is also attributable to this kind of behaviour.

As regards theft, fraud and corruption data collected and analysed shows that some principals deliberately embark on these activities. The four elements of the Fraud Diamond Theory that was explained in detail in 3.6.1.1 are usually at play in these cases. The four elements are pressure, opportunity, rationalisation and capability. Pressure occurs when personal problems such as the cost of marriage, divorce and medical bills trigger the commission of these activities on the part of the principal. The principal commits these acts so as to maintain the image of a person who is in good standing financially. Pressure, on the part of principals, may also result from the desire to get

prestige or a higher paying job, obsession with power, and the fear of losing social status. An opportunity exists when the total set of circumstances make the climate conducive for the commission of fraud and corruption. Rationalisation occurs when employees are able to justify their breaching of the law and policies. Principals for instance justify their charging of school fees in 'no-fee school' by saying the schools are grossly underfunded. They are unable to get all the educational needs of the learners met with the inadequate funding afforded to schools by the state. Principals who are motivated to commit fraud are those who have the capability to exploit existing fraud opportunities. An opportunity exists when the principals find that they can commit financial mismanagement and get away with it, without themselves called to account.

These are basically the issues that emerge from the data presentation and data analysis that has been made in this study.

## CHAPTER 6: SUMMARY AND RECOMMENDATIONS

### 6.1 SUMMARY OF THE STUDY

The following is a glimpse at how the research process unfolded. The outline also throws light into how the dissertation, as the final product of the research is structured. In terms of the chapters, the picture is as follows:

**Chapter 1** of the thesis is a broad overview of how the Research Process unfolded. It encapsulates the abstract, the background to the research, the problem statement, the aim and objectives of the research, the research design and methods, as well as the approach to data presentation and analysis that had been planned prior the research.

**Chapter 2** is a reflection on the theoretical framework that informs data collection, analysis and recommendations. The chapter also reflects on the definitions of important concepts that the study revolves around.

**Chapter 3** is the literature review. In this chapter an exploration of the work that other researchers have done on the topic under review is done. The review is not confined to studies that have been conducted in South Africa only. It goes beyond the borders to explore the work that has been done in Africa north of the Limpopo, and in the other countries outside the African Continent. Gaps in the findings that have been made by previous researchers are captured in this chapter for the purpose of having them closed through this research. The recommendations that are made in the final chapter of this dissertation are based on both the literature review and the researcher's own findings.

**Chapter 4** delves into issues of research design and methods. A clear reflection is made by the researcher in this chapter on the population and sampling methods employed. All issues relating to qualitative research that has been employed in this study are dealt with in detail in this chapter. The research paradigms and the theories underpinning the methods used in data collection and data analysis are explained in further detail in this chapter.

**Chapter 5** is dedicated to data presentation and analysis. This is where the findings (both anecdotal and evidence based) from data collected is analysed and presented by the researcher. This is done in a manner that shows how the gaps that were identified at the

stage of literature review and at the stage of data collection and analysis should be addressed.

**Chapter 6** entails concluding remarks and recommendations. In this chapter the recommendations are so consolidated as to assist school principals to strengthen their finance management skills. The findings and recommendations from this research will benefit the entire DBE in South Africa.

## **6.2 RECOMMENDATIONS**

The recommendations are as follows:

### **6.2.1 Recommendation No. 1**

SGB members who participated in this study were very strong in articulating a view that principals must assume full accountability in respect of financial management in schools. According to the members, this accountability is not something principals must share between the SGBs and the employer. They must wholly be deemed accountable to the employer. The SGB must only play the role of a watchdog in regard to financial management in schools. However; meanwhile this has not happened as yet, and not knowing whether it will ever happen at all, the SGB remains accountable in terms of the law. It is a juristic person. The option that remains available therefore, is one of strengthening the enforcement of adherence to laws and policies.

Unless the DBE adopts a 'zero-tolerance stance' on non-compliance with laws and policies on budget and financial control, it seems that the scourge of financial mismanagement can never be uprooted completely in schools. Compliance with laws and policies on budget and financial control must be made a non-negotiable for principals and SGBs. No amount of explanation should be accepted by authorities as adequate justification for deviation from law and policy. Failure on the part of the principal to assist the SGB with management of school funds, as contemplated in Section 16(2)(h) of SASA, should be elevated to a misconduct of a serious nature. Section 16 of the Employment of Educators Act 76 of 1998 (EEA) states that "if it is alleged that an educator is unfit for the duties attached to the educator's post or incapable of carrying out those duties efficiently, the employer must assess the capacity of the educator and ... take action against the



educator”. The DBE, through the district office, must apply this Section of the EEA without fear or favour on all school principals alleged to be failing to guide SGBs efficiently on issues of financial management. Section 17 of the EEA deals with cases of serious misconduct on the part of educators. The section dictates that “an educator must be dismissed if found guilty of misconduct”. This means that, once an educator is found guilty of such misconduct, no other sanction can be awarded except dismissal. This section must also be applied without fear or favour by DBE. This will deter possible offenders in respect of financial management that is entrusted in the hands of school principals from committing acts of financial mismanagement.

From the data collected in this study, there is no evidence of any action taken against SGBs who fail to perform their financial management functions. If the SGB fails to execute its duties in respect of finances, the HOD must withdraw this function from them and appoint sufficient persons to perform them. This is in terms of Section 22(1) and 25(1) of SASA. The HOD must do this while at the same time pursuing processes that will lead to a total withdrawal of functions from the SGB in terms of Section 22 of SASA. Circuit Managers who are departmental officials that are in direct control of schools must be quick to identify non-performing SGBs in this regard. They must not hesitate to make recommendations to the HOD for the SGBs concerned to be replaced by competent appointees. The enforcement of this piece of legislation on SGBs can only be successful if the SGBs have been accorded adequate capacitation in regard to financial management.

## **6.2.2 Recommendation No. 2**

6.2.2.1 Shift of accountability from SGBs to school principals on issues of financial management.

Revision of law for the purpose of shifting accountability in respect of financial management in schools from the SGB to the school principal is hereby recommended. Section 20(g) dictates that the SGB must “administer and control the school’s property, and buildings and grounds occupied by the school, including hostels”. Section 21(1)(c) specifies that the SGB must “purchase textbooks, educational materials or equipment for the school”; and (d) to pay for services to the school”. The implication of these sections

is that accountability on financial management in the school is entrusted with the SGB in terms of the law; and not with the principal. The recommendation is that this should be turned around so that it becomes the principal who assumes full accountability for financial management in the school. Section 16(2)(j) of SASA provides for “the delegation of any matter that has financial implications for the school to the principal”. In essence, it is the principal who exercises budget and financial control in the school. In that way principals are in a position to do things around which they are not accountable to the employer. If that is the case then, the recommendation is that principals must be fully accountable to the employer for their actions in regard to financial management. When it comes to the accountability of the principal to the SGB, there is a challenge that is very serious, particularly in rural schools where the SGBs are not adequately literate to manage financial and disciplinary matters that relate to teachers. The SGBs lack capacity to cause principals to account. There are SGBs who take it for granted that principals cannot steal, commit fraud or engage in corrupt activities. By the time they discover that the principals capable of doing these things, great damage has already been done. The recommendation is that, in terms of legislation, the accountability of the principal must be shifted from the SGB to the employer who has all the capacity to hold the principal accountable. The SGB must only assume the role of a watchdog for the employer. The school belongs to the community, and SGBs have every reason to carry out that task diligently and with great enthusiasm. SGBs and financial committees must still exist. They should play the role of advising the principal on what the money should be used for, as well as how financial management should be exercised. They should be extensively capacitated in this regard. They should also be capacitated on issues relating to whistleblowing.

#### 6.2.2.2 Appointment of accredited auditors

The recommendation in regard to the appointment of accredited auditors in schools for the drawing up of AFS is that this must be done by the DBE through the district office. Section 43(1) of SASA mandates the SGB of a public school to “appoint a person registered as an accountant or auditor in terms of the Public Accountants and Auditors Act 80 of 1991 to audit the records and financial statements’ of the school”. This is a

mandate that the SGBs also delegate to the principal in terms of 16(2)(j) of SASA. However, according to participants in this study this mandate is abused by principals because they appoint auditors they are connected to. Sometimes it is auditors that principals are able to bribe for them to turn a blind eye on acts of fraud and corruption that they have committed. The annual financial statements drawn by such auditors reflect sound financial management practices by principals concerned, whereas the opposite is true of those principals. The proposed solution to this malpractice is the appointment of auditors by the district office so that the influence that principals have on them becomes minimal or completely curbed. District Offices must also rotate the appointment of auditors. An auditor assigned to a particular school in one year must be assigned to a different school the following year.

#### 6.2.2.3 Eligibility to be a parent member of the SGB

The recommendation in this regard is that members of the parent community of a school should be eligible to be members of the SGB. Section 23(2)(a) is explicit in dictating that the SGB should comprise “parents of learners at the school”. A view resonated across participants in this study that eligibility to be a member of the SGB should be extended to parents in the school community who do not have children in the school. This is a view that was shared in view of the admission that participants made that some parent members who are elected into the SGB are either illiterate or non-literate. According to participants, this is a situation that makes it difficult for such SGB members to master the expertise they need to have to manage the affairs of the SGB. SGB members confessed that there are parents who are better equipped in terms of knowledge and experience to be members of the SGB. However, such parents cannot be elected into the SGB because they do not have learners at the school. They understand that such parents can be co-opted into the SGB for certain purpose, but the feeling is that such a co-option is not good enough for them to make a real impact on the functionality of the SGB. The recommendation is that this part of the law should be changed to accommodate parents who do not have learners at the school in the SGB as members.

### **6.2.3 Recommendation No. 3**

Following the recommendation made in 6.2.1 above, the other recommendation is that circuit managers, principals and SGBs must be subject to extensive capacitation programmes on budget and financial control. If financial accountability is to be removed from SGBs and given to school principals in full, it means there is a lot more that principals and circuit managers must know about financial management than what they presumably know. They should be subjected to some form of an accredited training on financial management by the DBE. Basic accounting principles should constitute the core of that training. On completion of the course, the circuit managers and principals should be issued with certificates of competence; and not certificates of attendance. This should be done in order to make sure that these officials do not do anything wrong in regard to the management of finances out of ignorance. When an official has flouted a particular basic accounting principle, it should be known that the official concerned did that deliberately to undermine the law. This will make it easy for the employer to effect consequence management without any fear or favour. Financial inspection in schools should be an integral part of the job description of the circuit manager. The circuit manager must assume the status of the legal representative of the HOD in the circuit. This means that the circuit must be accorded the kind of status that a school and an Education District are accorded. The circuit office must be institutionalised to become an education institution. It must have an Education Management Information System Number (EMIS No.). The appointment of a circuit manager should reflect the particular circuit he or she is going to manage, just as is done in the appointment of a school principal. This should be done in order to establish clear lines of accountability in respect of financial management in the education system right at the level of the district where the tyre hits the tar in so far as curriculum delivery is concerned. In the event the principal is alleged to have mismanaged school funds; the circuit manager, in his or her capacity as the legal representative of the HOD at that level, should institute a disciplinary process which he/she must follow through to its logical conclusion. This will enhance accountability on the part of circuit managers and school principals. This means that circuit managers should also be extensively trained on specific areas of the Labour Relations Act 66 of 1995. The specific areas

referred to are the ones on the procedural fairness and substantive fairness of the disciplinary process.

SGBs should receive a training that relates to their role not only as a watchdog of the Department on budget and financial control, but as an advisory body to the school principal on how funds should be utilised and managed. It is important for the principal to take the aspirations and the interest into account in the drawing up and the implementation of the budget plan. The training offered should be administered on a regular basis in languages that SGBs understand fully. They should also be trained on how to handle issues of whistleblowing as some community members and staff in the school may want to report to them incidents of malfeasance directly to the SGB on conditions of anonymity. These are the measures that will go a long way in enhancing efficiency in budget and financial control in schools.

#### **6.2.4 Recommendation No. 4**

One of the serious challenges that schools are facing, according to participants in this study, is underfunding. Underfunding has been cited as one of the factors that hamper efficient budgeting and financial control practices by school principals. There are therefore numerous ideas on fundraising that this study recommends in order to diminish the devastating impact that underfunding has on budget and financial control in schools. Schools do not necessarily need money that comes in bulk to address some of the educational needs of the learners. Learners should be encouraged to have market days wherein they sell craft objects that they themselves made at their leisure time at home. There could be one such day in a month. The craftwork can be produced from wood, leather, beads, scrap metals, glass and plastic bottles, bottle tops, horns from dead animals, etc. The craftwork can be in the form of jewellery, brooms, sandal, ornaments, and toys for children. Parents can also assist in producing artefacts of this nature. These can be sold at school by learners themselves, or by parents at pension grant pay points on pay days.

Local business people can also be requested to donate small gifts for a school raffle. Learners in this case can be encouraged to enter for competing in the raffle by buying

tickets. A draw will then be done on a Friday where there will only one winner. All the money collected through the raffle goes into the school fund bank account.

Fun days for learners can also be arranged for learners where they do not wear school uniform and pay R5/learner for that. Each learner is encouraged to wear something which will be fun to watch for other learners on that day. There could also be hike day where learners pay for a day out in the mountains and sea sides.

These are just but some of the initiatives that schools can adopt to raise funds so that they do fall into the trap of misappropriating funds allocated to them by the state.

### **6.2.5 Recommendation No. 5**

Expediting the amalgamation and closure of school is a recommended in this study. The reality is that it is extremely difficult for the state to fund small and unviable schools. Guidelines from the National Education Policy Act 27 of 1996 (NEPA) stipulates that a high school of less than 200 in Learner Enrolment is small and unviable. A primary school of less than 135 in learner enrolment is small and unviable. The rationalisation of these schools through either amalgamation or closure assists the DBE to save money by achieving greater economies of scale. It is expensive for the DBE to support and monitor a high number of small schools that are small and unviable compared to supporting and monitoring a small number of big schools that are potentially viable. The idea of rationalising schools is not to close them as such, but for the DBE to provide better and quality service delivery. Classes in low enrolment schools are often made up of multiple grades sharing the same space and teacher. In this way the quality of education provisioning is greatly compromised. The fact of the matter is that teacher supply for small schools is a huge strain on budget. This is precisely because the learners, few as they are in these schools, have to be provided with all the teachers for the different curriculum offerings of the school. Failure to provide the teachers required for different curriculum streams will lead to a situation where subject choices for learners will be ruthlessly limited. Provision of a number of teachers that is disproportionately greater than the number of learners to one small school is frustrating on the part of the state, especially when looked at from the point of view of schools elsewhere that are overcrowded and in need of a huge supply of teachers. Learner numbers that continue to dwindle at a fast rate in some

schools also lead to classroom infrastructure that is underutilised and difficult to maintain. As a result of this there are classroom blocks that easily turn into white elephants. Yet if such schools were to be officially closed, they could be gainfully utilised by the state and communities for other purposes. Section 33 of SASA outlines the legal steps that the MEC must follow in order to close a school. The SGB of the school concerned is given 30 days after the notice has been served to contest the intended closure. A public hearing will then occur where the SGB can make a representation as to why the school should not be closed. If the school fails to make respond, the assumption is that the school concedes to the proposed closure. The geographic location of the school is sometimes one of the reason communities advance in contesting the closure. The school may either be too far from any neighbouring school to which the learners and teachers can be moved; or the area in which the school is located is surrounded by rivers with no bridges for learners to cross over to other schools using scholar transport.

In summary, if the process of amalgamation and closure of small schools could be expedited, a lot of money could be saved. This is the money that can be rechannelled to address the needs of learners in well-sized schools in terms of learner enrolments.

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## APPENDIX A: ETHICAL CLEARANCE



### UNISA COLLEGE OF EDUCATION ETHICS REVIEW COMMITTEE

Date: 2020/08/12

Ref: **2020/08/12/5667569/08/AM**

Dear Mr AM Dwangu

Name: Mr AM Dwangu

Student No.: 5667569

**Decision:** Ethics Approval from  
2020/08/12 to 2025/08/12

**Researcher(s):** Name: Mr AM Dwangu  
E-mail address: 5567569@mylife@unisa.ac.za  
Telephone: 0635500312

**Supervisor(s):** Name: Prof VP Mahlangu  
E-mail address: mahlavp@unisa.ac.za  
Telephone: 012 429 8550

**Title of research:**

**Investigating principals' practice of budget and financial control in schools in Amathole east education district, Eastern Cape province'**

**Qualification:** PhD Education 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 2020/08/12 to 2025/08/12.

*The low risk application was reviewed by the Ethics Review Committee on 2020/08/12 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 will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid-19 position statement on research ethics attached.
2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.



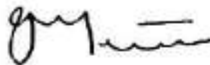
University of South Africa  
Preller Street, Muckleneuk Ridge, City of Tshwane  
PO Box 392 UNISA 0003 South Africa  
Telephone: +27 12 429 3111 Facsimile: +27 12 429 4150  
[www.unisa.ac.za](http://www.unisa.ac.za)

3. 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.
4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. 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.
6. 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.
7. 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.
8. No field work activities may continue after the expiry date **2025/08/12**. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

*Note:*

*The reference number **2020/08/12/5667569/08/AM** should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.*

Kind regards,



**Prof AT Motlhabane**  
**CHAIRPERSON: CEDU RERC**  
motlhat@unisa.ac.za



**Prof PM Sebate**  
**EXECUTIVE DEAN**  
Sebatpm@unisa.ac.za

**APPENDIX B: LETTER TO THE DISTRICT DIRECTOR OF AMATHOLE EAST EDUCATION DISTRICT REQUESTING PERMISSION TO CONDUCT RESEARCH**

**Title: INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN THE AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE**

Dear District Director,

I, Agrippa Madoda Dwangu, am doing research under supervision of Prof V.P. Mahlangu, a professor in the Department of Education towards a PhD degree at the University of South Africa. We are inviting you to participate in a study entitled: **INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN THE AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE**

The aim of the study is to understand the principals' practice of budget and financial control systems that regulate the management of finances in schools. This will also lead to an understanding of the principals' efficiency levels in the management of school funds, as well as the extent to which the these funds reach their intended beneficiaries. Gaps in the principal's practice of these systems will be identified, and recommendations for improvement will be made.

Your department has been selected because it is entrusted, in terms of the law, with the responsibility of ensuring that school receive the funding due to them, budget and spend the money allocated to schools accordingly. The study will entail a visit to each of the 10 schools that will be selected for the purpose of the study. In each of the 10 schools the Principal and the Finance Committee of the SGB which includes the SGB Chairperson, the SGB Treasurer, the SGB Secretary and the Finance Officer will be interviewed. They will be assured of the confidentiality of the information they give and the anonymity of their identities. Audio recordings will be used during the interviews.

The benefits of this study are the understanding of the principals' practice of the budget and financial systems as stipulated in terms of the law. The findings in this study will contribute immensely in enhancing efficiency on the part of school principals in the management of school funds. Such efficiency will in turn result in an enormous contribution to the alleviation of poverty in our communities since the funds allocated to schools also cater for the feeding of learners. Equally, the economic boost that the principals' efficiency in finance management will offer to the service providers who also stand to benefit from these funds cannot be underestimated. Potential risks in this study are very minimal. They relate only to the time that departmental employees will have to sacrifice for the interviews. There will be no reimbursement or any incentives for participation in the research.

Feedback procedure will entail personal engagements with participants and writing back to the participants.

Yours sincerely

\_\_\_\_\_ (insert signature of researcher)  
\_\_\_\_\_ (insert name of the above signatory)

## APPENDIX C: LETTER OF APPROVAL FROM EASTERN CAPE DEPARTMENT OF EDUCATION TO CONDUCT RESEARCH



**CORPORATE PLANNING MONITORING POLICY AND RESEARCH COORDINATION**  
Steve Vukile Tshwete Complex • Zone 6 • Zwelitsha • Eastern Cape  
Private Bag X0032 • Bisho • 5605 • REPUBLIC OF SOUTH AFRICA  
Tel: +27 (0)40 608 4537/4773 • Fax: +27 (0)86 742 4942 • Website: [www.ecdoe.gov.za](http://www.ecdoe.gov.za)

Enquiries: B Pamla

Email: [babalwa.pamla@ecdoe.gov.za](mailto:babalwa.pamla@ecdoe.gov.za)

Date: 01 October 2020

Mr. Agrippa Madoda Dwangu

21 MacJanet Drive

Baysville

**East London**

5201

Dear Mr. A. M. Dwangu

### **PERMISSION TO UNDERTAKE A DOCTORATE RESEARCH: INVESTIGATING PRINCIPAL'S PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE**

1. Your application to conduct the above-mentioned research involving 10 schools in the Amathole East Education District of the Eastern Cape Department of Education (ECDoE) is hereby approved based on the following conditions:
  - a. there will be no financial implications for the Department;
  - b. institutions and respondents must not be identifiable in any way from the results of the investigation;
  - c. no minors will participate;
  - d. it is not going to interrupt educators' time and task;
  - e. the research may not be conducted during official contact time;
  - f. no physical contact with educators and learners, only virtual means of communication should be used and that should be arranged and agreed upon in writing with the Principal and the affected teacher/s;
  - g. you present a copy of the written approval letter of the Eastern Cape Department of Education (ECDoE) to the Cluster and District Directors before any research is undertaken at any institutions within that particular district;

- h. you will make all the arrangements concerning your research;
  - i. should you wish to extend the period of research after approval has been granted, an application to do this must be directed to Chief Director: Corporate Strategy Management;
  - j. you present the Department with a copy of your final paper/report/dissertation/thesis free of charge in hard copy and electronic format. This must be accompanied by a separate synopsis (maximum 2 – 3 typed pages) of the most important findings and recommendations if it does not already contain a synopsis;
  - k. you present the findings to the Research Committee and/or Senior Management of the Department when and/or where necessary;
  - l. you are requested to provide the above to the Chief Director: Corporate Strategy Management upon completion of your research;
  - m. you comply with all the requirements as completed in the Terms and Conditions to conduct Research in the ECDoE document duly completed by you;
  - n. you comply with your ethical undertaking (commitment form);
  - o. You submit on a six-monthly basis, from the date of permission of the research, concise reports to the Chief Director: Corporate Strategy Management.
2. The Department reserves a right to withdraw the permission should there be non-compliance to the approval letter and contract signed in the Terms and Conditions to conduct Research in the ECDoE and/or legal requirements to do so.
  3. The Department will publish the completed Research on its website.
  4. The Department wishes you well in your undertaking. You can contact the Mrs. B Pamla on the numbers indicated in the letterhead or email [babalwa.pamla@ecdoe.gov.za](mailto:babalwa.pamla@ecdoe.gov.za) should you need any assistance.



**T MASOEU**

**CHIEF DIRECTOR: CORPORATE STRATEGY MANAGEMENT**

**FOR SUPERINTENDENT-GENERAL: EDUCATION**



## **APPENDIX D: LETTER TO THE PRINCIPALS OF SCHOOLS REQUESTING PERMISSION TO CONDUCT RESEARCH**

### **Title: INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN THE AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE**

Dear Principal,

I, Agrippa Madoda Dwangu, am doing research under supervision of Prof V.P. Mahlangu, a professor in the Department of Education towards a PhD degree at the University of South Africa. We are inviting you to participate in a study entitled: **INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN THE AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE**

The aim of the study is to understand the principals' practice of budget and financial control systems that regulate the management of finances in schools. This will also lead to an understanding of the principals' efficiency levels in the management of school funds, as well as the extent to which these funds reach their intended beneficiaries. Gaps in the principal's practice of these systems will be identified, and recommendations for improvement will be made.

Your department has been selected because it is entrusted, in terms of the law, with the responsibility of ensuring that schools receive the funding due to them, budget and spend the money allocated to schools accordingly. The study will entail a visit to each of the 10 schools that will be selected for the purpose of the study. In each of the 10 schools the Principal and the Finance Committee of the SGB which includes the SGB Chairperson, the SGB Treasurer, the SGB Secretary and the Finance Officer will be interviewed. They will be assured of the confidentiality of the information they give and the anonymity of their identities. Audio recordings will be used during the interviews.

The benefits of this study are the understanding of the principals' practice of the budget and financial systems as stipulated in terms of the law. The findings in this study will contribute immensely in enhancing efficiency on the part of school principals in the management of school funds. Such efficiency will in turn result in an enormous contribution to the alleviation of poverty in our communities since the funds allocated to schools also cater for the feeding of learners. Equally, the economic boost that the principals' efficiency in finance management will offer to the service providers who also stand to benefit from these funds cannot be underestimated. Potential

risks in this study are very minimal. They relate only to the time that departmental employees will have to sacrifice for the interviews. There will be no reimbursement or any incentives for participation in the research.

Feedback procedure will entail personal engagements with participants and writing back to the participants.

Yours sincerely

\_\_\_\_\_ (insert signature of researcher)

\_\_\_\_\_ (insert name of the above signatory)

## **APPENDIX E: PARTICIPANT INFORMATION SHEET**

### **DEAR PROSPECTIVE PARTICIPANT**

My name is Agrippa Madoda Dwangu and I am doing research under the supervision of Prof V.P. Mahlangu, a professor in the Department of Education towards a PhD degree at the University of South Africa. We are inviting you to participate in a study entitled: **INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN THE AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE.**

### **WHAT IS THE PURPOSE OF THE STUDY?**

This study is expected to collect important information that could assist in the understanding of the principals' understanding of budget and financial control systems that regulate the management of finances in schools. This will also lead to an understanding of the principals' efficiency levels in the management of school funds, as well as the extent to which these funds reach their intended beneficiaries. The intended beneficiaries are primarily the learners in schools, and secondarily the services providers for the schools. Gaps in the principal's understanding of these systems will be identified, and recommendations for improvement will be made.

### **WHY AM I BEING INVITED TO PARTICIPATE?**

You are invited because as a teacher you are entrusted, in terms of the law, with the responsibility to implement the policy on budgeting and financial control in schools. It is the finance committees in schools that are directly involved in the management of school funds. Finance Committees are better placed to have the most accurate perception of what the principals' understanding of the budget and financial control systems are in schools. They work directly with school principals who, by virtue of their positions as principals, are also part of the finance committees. Finance Committee members are trained in the Finance Management Laws and Regulations for schools. They know better than anybody else whether the principal does comply with policies or not. That is why you have been chosen.

I obtained your contact details from the Department of Education in the Eastern Cape in its capacity as the organ of the state responsible for running school affairs. 10 schools have been selected for this study. The Finance Committee members from each of the 10 schools will participate in the study

### **WHAT IS THE NATURE OF MY PARTICIPATION IN THIS STUDY?**

The study involves a situation where you will be answering some interview questions. Audio recordings will be used during the interviews in this study, and the time that will be spent on the interviews will be approximately 30 minutes.

### **CAN I WITHDRAW FROM THIS STUDY EVEN AFTER HAVING AGREED TO PARTICIPATE?**

Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, 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 a reason.

### **WHAT ARE THE POTENTIAL BENEFITS OF TAKING PART IN THIS STUDY?**

Other than the feedback that will be given to you electronically via your email address, there will be no financial benefit for participating in the interviews.

### **ARE THERE ANY NEGATIVE CONSEQUENCES FOR ME IF I PARTICIPATE IN THE RESEARCH PROJECT?**

Potential risks are very minimal in that the participants to be interviewed may not be comfortable with sparing some of their leisure time for the interviews.

### **WILL THE INFORMATION THAT I CONVEY TO THE RESEARCHER AND MY IDENTITY BE KEPT CONFIDENTIAL?**

You have the right to insist that your name will not be recorded anywhere and that no one, apart from the researcher and identified members of the research team, will know about your involvement in this research **OR** Your name will not be recorded anywhere and no one will be able to connect you to the answers you give. This is done to ensure anonymity. Your answers will be given a code number or a pseudonym and you will be referred to in this way in the data, any publications, or other research reporting methods such as conference proceedings. This is done to ensure confidentiality.

You are also advised that your anonymous data may be used for other purposes, such as a research report, journal articles and/or conference proceedings. The data will be protected in any publication of the information in that the names of individual participants will be kept confidential as outlined in the paragraph above.

### **HOW WILL THE RESEARCHER(S) PROTECT THE SECURITY OF DATA?**

Hard copies of your answers will be stored by the researcher for a period of five years in a locked cupboard/filing cabinet for future research or academic purposes; electronic information will be stored on a password protected computer. Future use of the stored data will be subject to further

Research Ethics Review and approval if applicable. Hard copies will be shredded and/or electronic copies will be permanently deleted from the hard drive of the computer through the use of a relevant software programmes after a period of five years/or when it is no longer needed.

**WILL I RECEIVE PAYMENT OR ANY INCENTIVES FOR PARTICIPATING IN THIS STUDY?**

There will be no payment or reward offered, financial or otherwise, for participating in this study.

**HAS THE STUDY RECEIVED ETHICS APPROVAL**

This study has received written approval from the Research Ethics Review Committee of the university, Unisa. A copy of the approval letter can be obtained from the researcher if you so wish.

**HOW WILL I BE INFORMED OF THE FINDINGS/RESULTS OF THE RESEARCH?**

If you would like to be informed of the final research findings, please contact Mr Agrippa Madoda Dwangu on 0635500312 or email [mdwangu@yahoo.com](mailto:mdwangu@yahoo.com).

Should you have concerns about the way in which the research has been conducted, you may contact Prof V.P. Mahlangu at 0124298550 or email [mahlavp@unisa.ac.za](mailto:mahlavp@unisa.ac.za).

Thank you for taking time to read this information sheet and for participating in this study.

Thank you.

---

(insert signature)

**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 \_\_\_\_\_ (insert specific data collection method).

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) \_\_\_\_\_

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

## **APPENDIX F: INTERVIEW QUESTIONS**

To what extent do principals practise budgetary and financial control in schools?

### *Sub-questions*

- 1 What are your experiences as a principal about budget and financial control systems in schools?
- 2 Which budget and financial control systems does the school use to manage school's financial resource (e.g. school fund)?
- 3 What structures have been put in place for the management of school funds?
- 4 Which capacitation programmes have these structures been taken through to make sure they can manage finances properly?
- 5 How effective are these systems and capacitation programmes in ensuring sound finance management?
- 6 If not adequately effective, what are the reasons?
- 7 What can be done to make them more effective?
- 8 Which measures can be put in place to ensure that principals understand budgeting and financial systems in schools?

## APPENDIX G: DECLARATION OF PROFESSIONAL EDITING



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15 November 2021

#### Declaration of professional edit

INVESTIGATING PRINCIPALS' PRACTICE OF BUDGET AND FINANCIAL CONTROL IN SCHOOLS IN  
AMATHOLE EAST EDUCATION DISTRICT, EASTERN CAPE PROVINCE

By

AGRIPPA MADODA DWANGU

I declare that I have edited and proofread this thesis. My involvement was restricted to language usage and spelling, completeness and consistency and referencing style. I did no structural re-writing of the content.

I am qualified to have done such editing, being in possession of a Bachelor's degree with a major in English, having taught English to matriculation, and having a Certificate in Copy Editing from the University of Cape Town. I have edited more than 200 Masters and Doctoral theses, as well as articles, books and reports.

As the copy editor, I am not responsible for detecting, or removing, passages in the document that closely resemble other texts and could thus be viewed as plagiarism. I am not accountable for any changes made to this document by the author or any other party subsequent to the date of this declaration.

Sincerely,

Dr J Baumgardt

UNISA: D. Ed. Education Management

University of Cape Town: Certificate in Copy Editing

University of Cape Town: Certificate in Corporate Coaching

Professional  
EDITORS  
Guild

Jacqui Baumgardt

Full Member

Membership number: BAU001

Membership year: March 2021 to February 2022

[jaybee@telkomsa.net](mailto:jaybee@telkomsa.net)

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